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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2024	2023	Change
	RMB'000 (i)	*RMB'000* (i)	
Number of active members of direct stores	**137,027**	93,667	46.3%
Number of client visits of direct stores	**1,517,701**	1,260,352	20.4%
Revenue	**2,572,199**	2,145,068	19.9%
Gross profit	**1,189,995**	977,102	21.8%
Gross profit margin	**46.3%**	45.6%	
Net profit	**252,478**	230,139	9.7%
Earnings per share	***RMB***	*RMB*	
— Basic	**0.99**	0.94	
— Diluted	**0.99**	0.94	

The Board has resolved to recommend a final dividend (the "**Proposed Final Dividend**") of HK$0.52 per Share (equivalent to RMB0.48 (ii)) for the year ended December 31, 2024, amounting to a total of approximately HK$123 million (2023: HK$0.47 per Share).The Proposed Final Dividend is subject to the approval of the Shareholders at the AGM and is expected to be paid at or prior to the end of the third quarter of 2025. Additional information on the closure period of the register of members of the Company in relation to the Proposed Final Dividend distribution, the record date for determining entitlements of the Shareholder to the Proposed Final Dividend and payment date will be announced in due course.

Notes:

(i) Unless otherwise specified

(ii) Being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on March 19, 2025.

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, leveraging our 31-year legacy of steady operational success, a highly influential public company brand, and long-term excellence in customer relationship management, Beauty Farm adeptly navigated economic cycles and industry consolidation trends, winning the loyalty and trust of a wide range of users. Amid an evolving economic environment, the Company embraced an "agile adaptation" development strategy, propelling growth through a dual-engine approach fueled by internal growth and external expansion. This strategy has led to substantial progress in mergers and acquisitions ("**M&A**").

In the first half of 2024, Beauty Farm agreed to acquire a 70% stake in the core assets of Naturade for RMB350 million and in the second half of the year, we absorbed the remaining Naturade stores into its network through a franchising model, achieving a comprehensive brand integration and upgrade. This acquisition not only cemented a powerful alliance between industry leaders but also marked a milestone as Beauty Farm's official foray into the wellness sector, unlocking immense growth opportunities for the Company's future advancement. Naturade was officially consolidated into the Group's financial statements in the second half of 2024. With the addition of the Naturade brand, we upgraded our business model from our previous "tri-beauty" approach to a fully integrated, well-rounded "dual beauty + dual wellness" model. This transformation significantly expanded our traffic channels, laying a strong foundation for growth across our value-added services. The expected influx of new customers will propel the Company's revenue and profit growth, driving steady improvements in performance.

We are committed to thoroughly understanding and meeting customer needs, fostering strong and enduring customer relationships, and enhancing customers' trust in Beauty Farm. This, in turn, translates into a loyal membership base. In 2024, Beauty Farm welcomed 1.52 million client visits at direct stores, up 20.4% year-over-year. The number of active members of our direct stores surged to 137,027, an impressive increase of 46.3% year-over-year. Driven by our business model's distinct advantages, in 2024, 24.9% of our beauty and wellness members purchased aesthetic medical services or subhealth medical value-added services, of which, 28.7% of premium beauty services members purchased value-added services, reflecting a year-over-year increase of 3.7 percentage points in penetration rate.

In 2024, the Company once again achieved record highs in both revenue and profit. For the full year, total revenue amounted to RMB2,572 million, an increase of 19.9% year-over-year. Our cornerstone beauty and wellness services continued to gain momentum with full-year revenue of RMB1,443 million, up 20.9% year-over-year, laying the groundwork for vibrant growth in our value-added services. Revenue from aesthetic medical services reached RMB928 million throughout 2024, up 9.1% year-over-year. Notably, our subhealth medical services emerged as a standout, with revenue surging to

RMB201 million, a remarkable increase of 98.9% year-over-year. As our revenue steadily increased, the benefits of scale became increasingly evident, driving our gross margin to 46.3%, a 0.7 percentage points year-over-year increase. Net profit increased by 9.7% year-over-year to RMB252 million. In 2024, the Company's net cash flow generated from operating activities reached RMB797 million, expanding 27.4% year-over-year. The total amount of cash and cash-like items grew to RMB1,831 million, representing a net increase of RMB257 million year-over-year. Our strong financial performance and healthy cash flow provided us with the agility to navigate evolving market dynamics, enabling us to actively pursue strategic investments and expansion-driven consolidations.

To propel our store network expansion, we continued to execute our effective dual-engine, internal growth and external expansion strategy. Internally, we focused on increasing single-store revenue while strategically opening new stores. Externally, we actively pursued consolidation and expansion opportunities. As of December 31, 2024, we operated 554 stores in total, including 275 direct stores, with a net increase of 74 stores, and 279 franchised and managed stores, with a net addition of 80 stores. These accomplishments not only further solidify Beauty Farm's market leadership but also highlight the Company's deepening penetration and expanding footprint in key tier-one cities, such as Beijing, Shanghai, Guangzhou, and Shenzhen.

Number of Stores

	For the year ended December 31,	
	2024	2023
Beauty and Wellness Services		
— Direct stores	**239**	171
— Franchised stores	**276**	199
Aesthetic Medical Services	**28**	23
Subhealth Medical Services	**11**	7
Total	**554**	400

Direct stores distribution by Cities

	For the year ended December 31,	
	2024	2023
Tier-one Cities	**165**	93
New Tier-one Cities	**85**	83
Others	**25**	25
Total	**275**	201

Beauty and Wellness Services

With the rise of women's social standing and economic power, female consumption patterns are diversifying and evolving, accompanied by a profound shift in consumer mindsets. Demand has shifted from satisfying basic material needs to deeper emotional and spiritual fulfillment. Female consumers increasingly prioritize the emotional experience of "self-indulgence," gravitating toward services and experiences that align with their values and nurture emotional bonds. Beauty Farm has captured this trend with a targeted approach that deeply engages the high-level female market in China. By catering to the full spectrum of our customers' beauty and health needs, we have meticulously curated a premium service experience that offers exceptional value while exceeding women's growing expectations.

Throughout 2024, our cornerstone beauty and wellness services achieved steady growth despite challenging market conditions. Internally, we increased single-store revenue, while externally, we actively pursued M&A opportunities across the industry, notably elevating the Group's market share. In 2024, the Company acquired Naturade, the AI-powered wellness brand, China's second-largest beauty services player by revenue. This acquisition meaningfully deepened our penetration in the wellness sector and elevated our "lifestyle beauty services" to a more comprehensive "beauty and wellness services" category, unlocking new avenues for customer acquisition and marking a pivotal milestone in Beauty Farm's M&A journey.

In 2024, our beauty and wellness services achieved revenue of RMB1,443 million, an increase of 20.9% year-over-year. This notable increase in revenue has come growing economies of scale. The gross profit margin grew to 40.7%, an increase of 1.1 percentage points year-over-year.

The sustainable expansion of our customer base has been powered by three key drivers: long-term membership management capabilities, digital marketing expertise, and industry consolidation and acquisition prowess. In 2024, the number of client visits to our beauty and wellness services' direct stores totaled 1.4 million, up 19.5% year-over-year. The number of active members of our direct beauty and wellness stores reached 130,961, an increase of 44.8% year-over-year. In 2024, the number of members of our franchised beauty and wellness stores soared to 61,447, up 57.9% year-over-year.

	For the year ended December 31,	
	2024	2023
Number of client visits of direct stores	**1,400,010**	1,171,876
Number of active members of direct stores	**130,961**	90,468

As the "Top Brand in Premium Beauty Services in China"*Note 1* certified by Frost & Sullivan, Beauty Farm is committed to defining "premium beauty services." In pursuit of this vision, we have established three key strategic initiatives: dedicating to member value, delivering excellence, and strengthening the brand influence. In 2025, the Company will launch its "Craftsmanship Service" brand upgrade program. Our restructured "Craftsmanship Service Process 2.0" will integrate our accumulated professional expertise with sincere and customer-centric values, setting new service benchmarks for the industry. We are committed to delivering our premium service quality to every customer, from their first visit to becoming their lifelong beauty companion. Our full lifecycle quality, personal touch, and genuine service, elevates Beauty Farm from a "premium choice" to consumers' "go-to brand."

Women across China's top-tier cities face the dual pressures from work and family. Harnessing our profound insights into customer needs, we have been driving industry transformation through innovation, providing robust support for women's self-empowerment. To that end, the Company launched a body wellness product suite in 2024. The Company has reached a strategic cooperation with LPG of France, thus the LPG®BF+ Program tailored for the customers of Beauty Farm was launched on the International Women's Day. This program quickly captured market attention due to its notable effects. Its first-year sales exceeded the RMB100 million milestone, emerging as a phenomenal best-seller that significantly boosted customer loyalty. To further enhance the professionalism of our beauty services, we will deploy professional AI-powered skin diagnostic devices in all of the Group's beauty and wellness stores in 2025. By offering a tech-driven, straightforward assessment of our customers' skin needs, these devices will provide scientific support for the development of precise, personalized, integrated

Note 1: As measured by market share in 2023, the number of direct stores as of June 2024 solutions for lifestyle beauty and aesthetic medical services. Notably, Naturade, the Group's premium AI-powered wellness brand, was ranked by Frost & Sullivan as the "Top AI-Powered Wellness Brand in China"[Note 1] in May 2024. Naturade has been deeply focused on traditional Chinese medicine-based wellness services for eighteen years, creating a unique technical system featuring "acupuncture without damaging the skin, non-combustible moxibustion, pain-free gua sha, and highly effective massage." This system organically integrates traditional Chinese medicine theories with modern technologies. In 2025, Naturade will continue to solidify its four core project advantages while adding three new specialized offerings to its traditional Chinese medicine lineup: internal organ balancing, dampness-removal wellness, and qi and blood harmonizing. These additions will further extend Naturade's product matrix, continuously expanding its leading edge in the traditional Chinese medicine-based beauty and wellness market.

Since our cornerstone business currently stands as the only traffic entry point for our "dual beauty + dual wellness" business model, we have consistently prioritized improving customer acquisition efficiency. In 2024, the number of new members in our beauty and wellness services segment grew by 27.1% year-over-year, largely attributable to the Company's strong brand influence, superior digital marketing capabilities, and outstanding industry acquisition and consolidation capabilities. In 2024, we achieved breakthrough growth in digital customer acquisition from online private domains. Through a mix of private-domain strategies, including tiered marketing, referral-driven growth, and livestreaming on WeChat Channels, the proportion of new members of the Group (excluding Naturade) acquired from private domains increased to 34%, effectively lowering customer acquisition costs. In 2024, our average customer acquisition cost of active members at direct stores decreased by 8.9% year-over-year. In terms of public domains, we will further solidify our strategic partnership with local lifestyle service platforms and actively expand collaborations with e-commerce livestreaming key opinion leaders, continuously expanding our customer touchpoints.

Aesthetic Medical Services

In 2024, competition in the aesthetic medical service industry further intensified. On the upstream product front, continued capital injection accelerated product approvals and enriched the product pipeline. Consumers now have access to more diverse options, while aesthetic medical service institutions have gained greater bargaining power. Aesthetic medical service institutions consistently enhanced service quality and efficiency by restructuring their refined operational systems. Against this backdrop, leading brands, with their advantages in scaled operations, high-precision customer acquisition capabilities, and efficient business models, are driving an increasing concentration of industry players.

Note 1: As measured by the total number of visits (in 10,000 persons) for testing, diagnostic and care services in mainland China provided by direct stores under AI-Powered Wellness Brand from January 2023 to December 2023

Revenue from aesthetic medical services reached RMB928 million for the full year 2024, up 9.1% year-over-year. The gross profit of aesthetic medical services reached 52.3%. We upgraded our two aesthetic medical clinics in Chengdu and Nanjing and integrated three of Naturade's aesthetic medical clinics in Guangzhou and Shenzhen during the year. As of December 31, 2024, the number of the direct aesthetic medical clinics was 25 and the number of the managed clinics was 3.

In 2024, the number of client visits at the direct stores of our aesthetic medical services reached 90,612, up 26.2% year-over-year. The number of active members served at our direct stores grew to 33,630, an increase of 37.4% year-over-year.

	For the year ended December 31,	
	2024	2023
Number of client visits of direct stores	**90,612**	71,814
Number of active members of direct stores	**33,630**	24,474

CellCare, our aesthetic medical brand, continued to lead the industry with its exceptional quality, premium aesthetic medical services. Integrating the physicians' ethos of care with advanced medical technologies and our exclusive TimeSo "Differentiated Aesthetics" philosophy, CellCare delighted customers with an emotionally engaging, personal service experience. This signature approach consistently sets industry benchmarks for superior service. In 2024, the Group made great strides in advancing its medical expertise, creating the unique CellCare "two-category, five-tier physician team training system." This system has produced a multi-disciplinary talent team, led by over 90 senior physicians and over 100 professional nursing and technical personnel, providing safe, reassuring, and natural experiences for clients on their beauty journey. To ensure the highest standards of medical quality, we have developed a standardized "three-tier medical quality control management system," implementing more than 130 quality control protocols, ensuring above industry standards at every stage of execution. CellCare also achieved notable results in terms of medical technology innovation, expanding its patent portfolio to 58, a significant increase of 44 patents compared to last year, highlighting the brand's leading position in the research and development of aesthetic medical technologies.

Embracing the philosophy of "Minor Tweaks, Major Transformations," we fully upgraded our TimeSo "Differentiated Aesthetics" system in 2024. Building upon eight years of diligent advancement, we successfully addressed 150,000 customers' beauty needs through our commitment to restoring women's "innate beauty." To ensure premium service quality, we have consistently refined our service processes and enriched membership benefits, always striving to provide a more thoughtful, emotionally engaging service experience with a personal touch.

As part of our digital transformation, we officially launched the CellCare self-developed aesthetic medical business management system in May 2024. This system enabled seamless integration and highly efficient collaboration across our businesses under the dual beauty model, significantly enhancing operating efficiency at the store, employee, and customer management levels. In December 2024, we launched an aesthetic medical service mini-program featuring smarter user analytics, laying a solid foundation for meeting the diversified and highly personalized individual needs of customers.

Subhealth Medical Services

The Group's subhealth medical services focus on functional medicine and gynecological anti-aging solutions. Currently, with this market still in its infancy, we are strategically seizing opportunities to accelerate our business expansion.

In 2024, the number of our subhealth medical service clinics increased to 11. We successfully opened new clinics under the Neology brand in Chengdu and Nanjing and strategically integrated Naturade's subhealth medical service resources, opening new clinics in Guangzhou and Shenzhen. Client visits at our direct stores reached 27,079 client visits, up 62.5% year-over-year. The total number of active members amounted to 7,552, surging by 80.2% year-over-year, while the active member penetration rate from our beauty and wellness direct stores improved to 6.1%, of which, the penetration rate of subhealth medical services purchased by members of premium beauty services reached 7.2%, up 2.8 percentage points year-over-year. Fueled by the dual drivers of market momentum and traffic growth, revenues from our subhealth medical services achieved a substantial leap, reaching RMB201 million, a remarkable increase of 98.9% year-over-year. Gross profit margin reached 58.2%, a significant increase of 11.5 percentage points year-over-year.

	For the year ended December 31,	
	2024	2023
Number of client visits of direct stores	**27,079**	16,662
Number of active members of direct stores	**7,552**	4,191

Turning to our product line development, we further advanced innovation in 2024 by launching "Energy Drip," a personalized nutrition service matrix based on functional medicine. We significantly expanded our product offerings from 6 to 31, spanning six key categories, offering consumers a broader and more diverse range of options. Meanwhile, we accelerated the penetration of our one-stop gynecological anti-aging and wellness services through our Women's Special Care Center. In 2024, revenue from our Women's Special Care Center exceeded RMB100 million, increasing over 300% year-over-year, with active members rising by more than 200% year-over-year.

Industry Consolidation

Confronted by macroeconomic headwinds and constrained capital exits, China's beauty industry is consolidating at an unprecedented pace. 2024 marked a new era of industry consolidation and a pivotal year for Beauty Farm as we elevated our industry consolidation strategy to the Group level.

During the year, we successfully completed the acquisition of Naturade and consolidated it into the Group's consolidated financial statements, creating a powerful alliance between the two leading brands in the beauty industry. With our exceptional operational performance throughout the year, we once again demonstrated the Group's robust post-acquisition integration capabilities. In the second half of 2024, Naturade recorded 232,860 client visits at its direct stores and 34,252 active members at our direct stores, contributing RMB287.3 million in revenue to the Group. The post-integration boost in Naturade's performance and efficiency was largely driven by a notable increase in single-store revenue from our core AI-powered wellness services, the full empowerment of value-added services, and the effective synergies achieved through the consolidation of our middle office departments.

Looking ahead, we will consistently advance our industry consolidation initiatives, pursuing opportunities for both horizontal and vertical consolidation. To expand horizontally, we will continue to drive acquisitions within the beauty industry to amplify our member base, increase our market share, and further leverage the benefits of economies of scale. Vertically, we will explore opportunities for acquisitions or partnerships with upstream skincare brands, aiming to boost our beauty business's gross profit margin, expand our franchise business, and further enhance our brand influence, thereby solidifying and increasing our market share.

Enhancement of Market Capitalization

After weathering market fluctuations in its first year of the Listing, Beauty Farm achieved a powerful rebound and remarkable transformation in 2024. Driven by stellar results, proactive shareholder return strategies, and a consistently optimized capital structure, the Company's market capitalization surged throughout the year despite industry headwinds, rising by an impressive 60%.

To further enhance the Company's market capitalization and shareholder returns, the Group officially announced three strategic initiatives in March 2025. First, with respect to its shareholder return commitment, the Company has established a long-term shareholder return mechanism. In the absence of special circumstances, the Company intents to distribute no less than 50% of the annual net profit attributable to the parent company's shareholders as dividends over the next three complete fiscal years to meaningfully return the Shareholders for their trust and share in the Company's growth. For further details, please refer to the Company's announcement dated March 26, 2025. Second, in terms of optimizing the Shareholder structure, the Company will continue to bring in long-term strategic investors, focusing on increasing the proportion of outstanding shares and boosting market trading activity, while building a healthier and more diverse shareholder ecosystem. Third, regarding its long-term management incentive program, the Company continues to leverage its equity incentive plan in order to align the interests of the management team with the Company's development. The performance metrics will cover both future revenue growth and profit improvement over the next three years, establishing a sustainable development mechanism that drives the shared growth of management and shareholder value.

Outlook

Looking ahead, we have mapped out our business objectives for the next three years, prioritizing both scaling and profitability improvement. Additionally, we have launched an equity incentive plan closely tied to the interests of our management team, aiming to boost the team's motivation and sense of purpose while propelling the Company to new heights.

Strategically, we remain firmly committed to driving growth through a dual-engine, internal growth and external expansion strategy, and we will strive to further enhance this approach. Internally, we will focus on developing four core capabilities — expanding customer base, further refining operations, visionary product research and development, and advancing digital capabilities — to comprehensively increase single-store revenue and improve the Group's overall operating efficiency. Externally, we will leverage the integration of the Naturade brand to build a framework for large-scale acquisitions and integrations, accelerating the alignment of this segment's net profit margin with the Group's overall standard and maximizing synergies. Meanwhile, we will keenly observe market cycle shifts and seize optimal opportunities for industry consolidation, actively pursuing both horizontal and vertical M&A opportunities to build a strategic moat for the Company's long-term, sustainable advancement. In an era of accelerating digital and intelligent transformation, we will make use of the advantages we have accumulated through our long-term investment in digitalisation to focus on the innovative application of AI technology in the field of "beauty and health." We aim to drive the research and development of smart beauty industry solutions, optimize the Company's operational decision-making mechanisms, and spearhead a new chapter in the digital and intelligent upgrade of the beauty industry.

Our vigorous execution of these strategic initiatives, alongside the enhancement of our market capitalization, will significantly bolster the Group's market appeal, setting the stage for achieving our milestone goal for inclusion in the Hong Kong Stock Connect.

FINANCIAL REVIEW

REVENUE

The Group generates revenue primarily from three service offerings including beauty and wellness services, aesthetic medical services and subhealth medical services. In 2024, the Group firmly executed its business development strategy driven by both internal growth and external expansion, and the Group's revenue increased by 19.9% from RMB2,145 million in 2023 to RMB2,572 million in 2024.

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

	Year ended December 31,				
	2024		2023		
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue	Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Beauty and wellness services	**1,443,301**	**56.1**	1,193,675	55.6	20.9
— Direct stores	**1,305,745**	**50.8**	1,079,866	50.3	20.9
— Premium beauty services	**1,143,647**	**44.5**	1,079,866	50.3	5.9
— Premium AI-Powered wellness services	**162,098**	**6.3**	—	—	
— Franchisee and others	**137,556**	**5.3**	113,809	5.3	20.9
Aesthetic medical services	**927,917**	**36.1**	850,356	39.7	9.1
Subhealth medical services	**200,981**	**7.8**	101,037	4.7	98.9
Total	**2,572,199**	**100.0**	2,145,068	100.0	19.9

Note:

Premium beauty services are offered to customers by the Group's beauty service stores under the Beauty Farm brand and Palaispa brand. Premium AI-Powered wellness services are offered to customers by the beauty service stores under the Naturade brand.

Beauty and Wellness Services — Direct Stores

The Group's revenue from beauty and wellness services of direct stores increased by 20.9% from RMB1,080 million in 2023 to RMB1,306 million in 2024. Among them, premium beauty services bucked the trend of revenue growth by 5.9% from RMB1,080 million in 2023 to RMB1,144 million in 2024 as a result of higher single-store revenue. In addition, with the completion of the Group's acquisition of the AI-Powered wellness brand Naturade, China's second largest traditional beauty service player by revenue, the Group further strengthened the expansion of its business footprint in the wellness sector. Since July 2024, when Naturade was consolidated into the Group, premium AI-Powered wellness services generated revenue of RMB162 million.

Beauty and wellness services — Franchisee and Others

The Group mainly sells care products, instruments and equipment and consumables as well as operation support services, etc. to its franchised stores. The revenue of the Group's beauty and wellness services generated from franchised stores and others increased from RMB114 million in 2023 to RMB138 million in 2024, up 20.9% year-over-year, primarily due to the Group's integration of the remaining 69 stores of Naturade into its network under a franchise model in the second half.

Aesthetic Medical Services

The Group's revenue from aesthetic medical services increased by 9.1% from RMB850 million in 2023 to RMB928 million in 2024, primarily due to the growth in revenue from aesthetic medical services as the increase in membership brought by internal growth and external expansion strategy, the Group realized an increase in penetration from beauty and wellness services to aesthetic medical services through refinement of its operations, and the increase in clinics.

Subhealth Medical Services

The Group's revenue from subhealth medical services increased by 98.9% from RMB101 million in 2023 to RMB201 million in 2024, primarily due to the rapid growth in revenue from subhealth medical services as increased members brought by internal growth and external expansion strategy, increase in penetration and the growth in the number of clinics, alongside the continuous innovation in medical services of Women's Special Care Center business.

COST OF SALES AND SERVICES

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

The following table sets forth a breakdown of the Group's cost of sales and services by nature for the periods indicated:

	For the year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Products, consumables used and related cost	**506,687**	419,365
Staff costs	**393,483**	327,555
Depreciation and amortization charges	**328,565**	293,547
Operation related expenses	**140,430**	116,355
Others	**13,039**	11,144
Total	**1,382,204**	1,167,966

The cost of sales and services of the Group increased from RMB1,168 million in 2023 to RMB1,382 million in 2024, mainly due to (i) the increase in products and consumables used, reflecting the business growth and the increase in service offerings; (ii) the increase in staff costs as a result of the business growth; (iii) 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; and (iv) the increase in operation related expenses, as a result of the increase in property management fees and costs for utilities.

GROSS PROFIT AND GROSS PROFIT MARGIN

	For the year ended December 31,							
	2024				2023			
	Revenue	**Percentage of revenue**	**Gross profit**	**Gross profit margin**	Revenue	Percentage of revenue	Gross profit	Gross profit margin
	RMB'000	***%***	***RMB'000***	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Beauty and Wellness Services	**1,443,301**	**56.1**	**587,351**	**40.7**	1,193,675	55.6	472,163	39.6
— Direct stores	**1,305,745**	**50.8**	**511,199**	**39.1**	1,079,866	50.3	405,978	37.6
— Premium Beauty Services	**1,143,647**	**44.5**	**435,529**	**38.1**	1,079,866	50.3	405,978	37.6
— Premium AI-Powered Wellness Service	**162,098**	**6.3**	**75,670**	**46.7**	—	—	—	—
— Franchisee and others	**137,556**	**5.3**	**76,152**	**55.4**	113,809	5.3	66,185	58.2
Aesthetic Medical Services	**927,917**	**36.1**	**485,621**	**52.3**	850,356	39.7	457,740	53.8
Subhealth Medical Services	**200,981**	**7.8**	**117,023**	**58.2**	101,037	4.7	47,199	46.7
Total	**2,572,199**	**100.0**	**1,189,995**	**46.3**	2,145,068	100.0	977,102	45.6

The gross profit increased by 21.8% from RMB977 million in 2023 to RMB1,190 million in 2024. The overall gross profit margin increased by 0.7 percentage point from 45.6% in 2023 to 46.3% in 2024. The increase was primarily attributable to (i) the increase in gross profit margin of direct store business under beauty and wellness service segment by 1.5 percentage points from 37.6% in 2023 to 39.1% in 2024 as the gross profit margin of the new premium AI-Powered wellness service acquired in the second half of the year reached 46.7%; (ii) the dilution of fixed charges due to the scale effect brought by the significant increase in revenue from subhealth medical services by 98.9%, as such, the gross profit margin increased by 11.5 percentage points from 46.7% in 2023 to 58.2% in 2024.

SELLING EXPENSES

The selling expenses primarily consist of (i) staff costs, representing wages, benefits and bonuses for sales and marketing personnel; (ii) promotion and marketing expenses, primarily include service fees paid to the third-party marketing service providers and brand ambassador to promote brands of the Group and acquire new customers; (iii) travelling and office expenses incurred by sales and marketing personnel; (iv) miscellaneous expenses incurred to greet customers; (v) depreciation and amortization, which primarily comprises amortization of customer resources; and (vi) others.

The following table sets forth a breakdown of the Group's selling expenses for the periods indicated:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Staff costs	**278,186**	225,475
Promotion and marketing related expenses	**51,073**	44,140
Travelling and office expenses	**45,040**	35,973
Miscellaneous expenses related to customer services	**32,652**	31,564
Depreciation and amortization charges	**26,038**	17,346
Others	**28,759**	23,674
Total	**461,748**	378,172

The selling expenses of the Group increased from RMB378 million in 2023 to RMB462 million in 2024, primarily due to (i) the increase in staff costs, as a result of increase in sales and marketing personnel brought about by our M&A activities to support business expansion; and (ii) the increase in depreciation and amortisation due to higher amortization of customer relationships brought about by our M&A activities.

R&D EXPENSES

The R&D expenses primarily consist of (i) staff costs, representing wages, benefits and bonuses for our R&D staff; and (ii) depreciation and amortization charges. The R&D expenses increased from RMB34 million in 2023 to RMB36 million in 2024, primarily due to the Group's continuous increase in investment in R&D on digitization.

GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses primarily consist of (i) staff costs, representing wages, benefits and bonuses for our general and administrative staff as well as share-based compensation expenses; (ii) depreciation and amortization, representing depreciation and amortization charges in relation to our properties and equipment; (iii) consulting expenses, comprising consulting expenses incurred in relation to audit services, legal services, and consulting technology; and (iv) others.

The following table sets forth a breakdown of the Group's general and administrative expenses for the periods indicated:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Staff costs	**328,265**	272,877
Depreciation and amortization	**18,757**	13,973
Consulting expenses	**22,314**	16,952
Others	**18,753**	14,550
Total	**388,089**	318,352

The general and administrative expenses increased from RMB318 million in 2023 to RMB388 million in 2024, primarily due to the increase in staff costs brought by M&A.

OTHER INCOME

The other income primarily consists of (i) government grants, representing business development-related support funds from local governments, as well as value-added tax incentives provided by the Ministry of Finance and the State Administration of Taxation; and (ii) rental income primarily derived from the owned properties. Other income decreased from RMB30 million in 2023 to RMB19 million in 2024, primarily due to the maturity of value-added preferential policy.

INCOME TAX EXPENSES

The income tax expenses of the Group increased from RMB58 million in 2023 to RMB65 million in 2024, primarily due to the increase in the profit before income tax resulting from the business growth.

PROFIT FOR THE YEAR

As a result of the above, net profit of the Group increased from RMB230 million in 2023 to RMB252 million in 2024, representing an increase of 9.7%.

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.

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Profit for the period	**252,478**	230,139
Adjusted for:		
Share-based compensation expenses	**(384)**	10,900
Adjusted profit for the period (non-HKFRS measure)	**252,094**	241,039

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 December 31, 2024, cash and cash-like items reached RMB1,831 million in total, representing an increase of RMB257 million or 16.3% as compared to RMB1,574 million in the same period in 2023. In particular, the Group's cash and cash equivalents and term deposits with initial terms of over three months amounted to RMB456 million and RMB464 million, respectively. In addition, the Group also held financial assets at fair value through profit or loss of RMB911 million.

CASH FLOWS

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

	For the year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Net cash generated from operating activities	**796,627**	625,510
Net cash used in investing activities	**(340,851)**	(711,185)
Net cash generated from/(used in) financing activities	**(223,363)**	133,741
Cash and cash equivalents at the beginning of the year	**224,277**	164,120
Cash and cash equivalents at the end of the year	**456,158**	224,277

Benefiting from the strength of the business model, the Group's cash generated from operating activities increased from RMB626 million in 2023 to RMB797 million in 2024, representing a year-on-year increase of 27.4%, demonstrating the Group's sufficient operating cash flow and efficient operation and management capabilities.

INDEBTEDNESS

The indebtedness of the Group mainly included lease liabilities and bank borrowings. As of December 31, 2024, the Group had lease liabilities and outstanding interest-bearing bank borrowings of approximately RMB581 million and RMB150 million, respectively. The Group's bank borrowings are at variable interest rates and are denominated in RMB.

GEARING RATIO

The gearing ratio is calculated by dividing the total bank loans and other borrowings by the total equity as at the end of the year. As of December 31, 2023 and December 31, 2024, the Group's total cash and cash equivalents and time deposits with initial terms of over three months are greater than other interest-bearing liabilities and gearing ratio is therefore not applicable.

CAPITAL COMMITMENTS

As of December 31, 2024, the Group had capital commitments of RMB4.0 million, primarily in connection with leasehold improvements (2023: RMB10.4 million).

ASSETS PLEDGED

As of December 31, 2024, the equity interest to certain subsidiaries were pledged to secure bank borrowings of the Group in the value of RMB150 million. Saved as disclosed in this announcement, the Group have not pledged other major assets during the Reporting Period.

CONTINGENT LIABILITIES

As of December 31, 2024, the Company's subsidiaries had provided guarantees and equity pledge with respect to the Group's borrowings for acquisition of Naturade. The Directors believe that the subsidiaries have sufficient financial resources to settle their debts. Save as disclosed in this announcement, the Group has no other material contingent liabilities.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

On March 26, 2024, a wholly-owned subsidiary of the Company entered into an investment agreement with Naturade Health Technology Co., Ltd., pursuant to which, the Group acquired 70% of the entire equity interest of Naturade at a consideration of RMB350 million. For details, please refer to the announcements of the Company dated March 26, 2024, April 17, 2024, April 18, 2024 and August 27, 2024, respectively. The Group has completed the acquisition of Naturade and has incorporated it into the Group's consolidated financial statements in July 2024.

As of December 31, 2024, save as otherwise disclosed by the Company, the Group did not make any significant acquisitions or disposals of any subsidiaries, associated companies or joint ventures.

EXCHANGE RATES AND ANY RELATED HEDGING

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

FUTURE PLAN OF SIGNIFICANT INVESTMENT OR ACQUISITION OF ASSETS

Save as disclosed in prospectus of the Company, during the year ended December 31, 2024, the Group had no plans for any significant investment or acquisition of capital assets in the future.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2024, the Group had a total of 5,609 employees. In 2024, the total employee welfare expenses amounted to RMB1,029 million (including Directors' emolument and share-based compensation expenses), higher than RMB854 million in 2023, primarily due to the Group's internal growth and external development strategy.

We have established a multi-dimensional promotion and training system for our employees, offering them dual career development options along both professional and managerial paths. For frontline staff, we conduct comprehensive evaluations based on their performance and customer satisfaction, among other criteria, with outstanding performers eligible for more bonus incentives. For middle-level and frontline management staff, we have designed a clear career development system and a comprehensive training mechanism for them. Meanwhile, we have additionally set up regional employee share ownership platforms to retain and reward exceptional employees. As for the senior management team, we have continued to refine our incentive methods throughout the year. The Group made adjustments to some of the incentives in the 2022 share incentive plan (the "**Share Incentive Plan**") on December 30, 2024. The adjustment of the Share Incentive Plan aims to further align the interests of the management team with the development of the Company. The revised assessment indicators cover the operating revenue and profit requirements for the next three years, and to establish a sustainable development mechanism for the management team to grow together with the shareholders' value. During the year ended December 31, 2024, 6,185,568 Shares were granted to the management team under the Share Incentive Scheme.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Year ended December 31, 2024** *RMB'000*	2023 *RMB'000*
Revenue	*3*	**2,572,199**	2,145,068
Cost of sales and services		**(1,382,204)**	(1,167,966)
Gross profit		**1,189,995**	977,102
Selling expenses		**(461,748)**	(378,172)
Research and development expenses		**(36,032)**	(34,071)
General and administrative expenses		**(388,089)**	(318,352)
Other income	*4*	**19,291**	30,393
Other expenses	*4*	**(5,123)**	(3,390)
Other gains	*5*	**6,551**	18,580
Provision for impairment losses on financial assets		**(3,021)**	(796)
Operating profit		**321,824**	291,294
Finance income	*6*	**23,615**	21,837
Finance costs	*6*	**(27,556)**	(24,811)
Finance costs — net	*6*	**(3,941)**	(2,974)
Share of loss of an associate		**—**	(51)
Profit before income tax		**317,883**	288,269
Income tax expenses	*7*	**(65,405)**	(58,130)
Profit for the year		**252,478**	230,139
Profit attributable to:			
Owners of the Company		**228,460**	215,657
Non-controlling interests		**24,018**	14,482
		252,478	230,139
Earnings per share for profit attributable to owners of the Company			
— Basic earnings per share *(RMB)*	*8*	**0.99**	0.94
— Diluted earnings per share *(RMB)*	*8*	**0.99**	0.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Profit for the year	**252,478**	230,139
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	**(3)**	(1)
Exchange differences on translation of foreign operations	**9,883**	27,172
Other comprehensive income for the year, net of tax	**9,880**	27,171
Total comprehensive income for the year	**262,358**	257,310
Total comprehensive income attributable to:		
Owners of the Company	**238,340**	242,828
Non-controlling interests	**24,018**	14,482
	262,358	257,310

CONSOLIDATED BALANCE SHEET

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**364,669**	370,973
Investment properties		**64,365**	67,755
Right-of-use assets		**535,187**	515,531
Intangible assets		**350,118**	79,978
Goodwill		**653,954**	217,527
Prepayments, deposits and other receivables	*10*	**67,546**	69,573
Other non-current assets		**5,361**	2,356
Financial assets at fair value through other comprehensive income		**43**	46
Financial assets at fair value through profit or loss		**7,548**	—
Investments in associates		**—**	249
Deferred income tax assets		**41,671**	42,114
Total non-current assets		**2,090,462**	1,366,102
Current assets			
Inventories		**151,825**	187,588
Trade receivables	*10*	**48,888**	31,011
Prepayments, deposits and other receivables	*10*	**126,078**	132,675
Financial assets at fair value through profit or loss		**911,063**	964,973
Restricted cash	*11*	**28,449**	10,451
Cash and cash equivalents	*11*	**456,158**	224,277
Term deposits with initial terms of over three months	*11*	**463,557**	384,929
Total current assets		**2,186,018**	1,935,904
Total assets		**4,276,480**	3,302,006
EQUITY			
Share capital		**8**	8
Treasury stock		**—**	(6,816)
Share premium		**359,802**	467,769
Other reserves		**38,425**	22,994
Retained earnings		**546,401**	317,941
Equity attributable to owners of the Company		**944,636**	801,896
Non-controlling interests		**30,604**	32,337
Total equity		**975,240**	834,233

CONSOLIDATED BALANCE SHEET

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*12*	**129,938**	—
Lease liabilities		**360,479**	393,777
Deferred tax liabilities		**71,963**	21,984
Total non-current liabilities		**562,380**	415,761
Current liabilities			
Trade payables	*13*	**29,886**	21,421
Other payables and accruals	*13*	**325,526**	224,662
Borrowings	*12*	**19,836**	—
Contract liabilities	*3*	**1,979,245**	1,492,514
Current income tax liabilities		**42,283**	48,527
Lease liabilities		**220,339**	169,343
Other current liabilities		**121,745**	95,545
Total current liabilities		**2,738,860**	2,052,012
Total liabilities		**3,301,240**	2,467,773
Total equity and liabilities		**4,276,480**	3,302,006
Net current liabilities		**552,842**	116,108
Total assets less current liabilities		**1,537,620**	1,249,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These financial statements are presented in RMB, unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1 New and amended standards adopted by the Group

The Group has applied the following standards, amendments and interpretation for the first time for their annual reporting period commencing January 1, 2024:

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

The amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 New and amended standards and interpretations not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and amendments is set out below.

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027

According to the preliminary assessment made by the directors, these standards and amendments are not expected to have a significant impact on the Group's financial performance and position, except HKFRS 18, which may mainly impact the presentation of the consolidated statements of the comprehensive income and the Group is still in the process of assessing the impact.

3 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:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Beauty and wellness services		
— Direct stores (at a point in time)		
— Services	**1,239,555**	993,849
— Product Sales	**66,190**	86,017
— Franchised and others		
— Product sales (at a point in time)	**130,292**	109,248
— Franchise fee (over time)	**7,264**	4,561
Subtotal	**1,443,301**	1,193,675
Subhealth medical services		
— Services recognised at a point in time	**163,996**	70,562
— Services recognised over time	**36,985**	30,475
Subtotal	**200,981**	101,037
Aesthetic medical services		
— Services recognised at a point in time	**927,917**	850,356
Total	**2,572,199**	2,145,068

(b) Liabilities related to contracts with customers

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Contract liabilities — services and product sales	**1,979,245**	1,492,514

4 OTHER INCOME AND OTHER EXPENSES

	Year ended December 31, 2024 *RMB'000*	2023 *RMB'000*
Other income		
Government grants	**9,960**	22,212
Rental income	**8,608**	7,622
Others	**723**	559
	19,291	30,393
Other expenses		
Direct cost in relation to the rental income	**5,123**	3,390

5 OTHER GAINS — NET

	Year ended December 31, 2024 *RMB'000*	2023 *RMB'000*
Net fair value gains on financial assets at FVPL	**20,928**	23,847
Net losses on disposal of property, plant and equipment	**(5,918)**	(1,008)
Net foreign exchange (losses)/gains	**(2,551)**	320
Losses on disposal of the a subsidiary	**(1,158)**	—
Net gains on early termination of lease contracts	**384**	—
Others	**(5,134)**	(4,579)
Total	**6,551**	18,580

6 FINANCE COSTS — NET

	Year ended December 31, 2024 *RMB'000*	2023 *RMB'000*
Finance income		
Interest income on bank deposits	**23,615**	21,837
Finance costs		
Interest expense		
— Interest charges on borrowings	**(3,030)**	—
— Interest charges for lease liabilities	**(24,526)**	(24,811)
	(27,556)	(24,811)
Finance costs — net	**(3,941)**	(2,974)

7 INCOME TAX EXPENSES

This note provides an analysis of the Group's income tax expense, presenting how the income tax expense is affected by non-taxable and non-deductible items.

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Current income tax	**34,567**	41,260
Adjustment for current income tax of prior years	**1,666**	1,482
Deferred income tax	**29,172**	15,388
Income tax expenses	**65,405**	58,130

(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% (2023: 5%).

The Company and its subsidiaries, except for STE and new/high-tech subsidiaries and those incorporated in Hong Kong, are generally subject to the PRC standard corporate income tax rate of 25% (2023: 25%).

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% is as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Profit before income tax	**317,883**	288,269
Tax calculated at the applicable statutory tax rate of 25%	**79,471**	72,067
Adjustment for tax effect of: Preferential income tax rates or policies applicable to certain companies comprising the Group	**(22,121)**	(22,131)
Tax effects of expenses not deductible for tax purposes	**529**	1,712
Current income tax filing difference of prior years	**1,666**	1,482
PRC withholding income tax (i)	**5,860**	5,000
Tax charge	**65,405**	58,130

(i) The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning January 1, 2008 and undistributed earnings generated prior to January 1, 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. For the year ended December 31, 2023 and 2024, deferred tax expenses and a corresponding deferred tax liability of RMB5.00 million and RMB5.86 million had been recognised in respect of the withholding tax payable on the retained earnings of the Group's PRC subsidiaries generated which the directors expect to distribute outside the PRC in the foreseeable future.

Since the Group can control the quantum and timing of distribution of profits of the Group's PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

8 BASIC AND DILUTED EARNINGS PER SHARE

(i) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during each year.

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.

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

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Profit attributable to owners of the Company *(RMB'000)*	**228,460**	215,657
Weighted average number of ordinary shares in issue *('000)*	**229,610**	228,582
Basic earnings per share for profit attributable to the owners of the Company during the year *(expressed in RMB per share)*	**0.99**	0.94

(ii) Diluted

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

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Profit attributable to owners of the Company *(RMB'000)*	**228,460**	215,657
Weighted average number of ordinary shares in issue *('000)*	**229,610**	228,582
Adjustments for calculation of diluted earnings per share:	**143**	1,504
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share *('000)*	**229,753**	230,086
Diluted earnings per share for profit attributable to the owners of the Company during the year *(expressed in RMB per share)*	**0.99**	0.94

9 DIVIDENDS

	Year ended December 31,	
	2024	2023
	RMB'000	*RMB'000*
Dividends declared to the shareholders (a), (b)	**101,151**	84,009
Proposed final dividend of HK$0.52 (2023: HK$0.47) per share (c)	**113,182**	100,513

Notes:

(a) During the years ended December 31, 2024 and 2023, the Company declared dividends of RMB101,151,000 and RMB84,009,000 respectively to the shareholders.

(b) On June 27, 2024, the Company declared a cash dividend of approximately HK$110.82 million from share premium, being HK$0.47 per share. The dividend has been paid on September 25, 2024 amounting to RMB100.45 million.

(c) A dividend in respect of the year ended December 31, 2024 of HK$0.52 (equivalent to RMB0.48) per share, amounting to a total dividend of approximately HK$122.65 million (equivalent to RMB113.18 million), is to be approved at the 2024 annual general meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

10 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Trade receivables (i)		
Trade receivables	**55,208**	33,425
Less: provision for impairment	**(6,320)**	(2,414)
Total trade receivables	**48,888**	31,011
Included in current assets		
Prepayments, deposits and other receivables		
Prepayments for procurement of inventories and operating expenses	**55,352**	43,795
Amount due from related parties	**7,963**	34,433
Deposits — current portion	**36,194**	19,974
Other current assets	**8,642**	8,592
Other receivables	**18,397**	27,220
Less: provision for impairment	**(470)**	(1,339)
Total prepayments, deposits and other receivables — current portion	**126,078**	132,675
Included in non-current assets		
Deposits and other receivables		
Deposits paid to a related party	**792**	—
Deposits — non-current portion	**66,833**	69,668
Less: provision for impairment	**(79)**	(95)
Total	**67,546**	69,573

(i) Aging analysis of trade receivables

The majority of the Group's sales are settled through credit cards or third-party electronic payment platforms. At December 31, 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 December 31,	
	2024	2023
	RMB'000	*RMB'000*
Up to 1 year	**47,394**	29,273
Between 1 and 2 years	**4,781**	3,575
Between 2 and 3 years	**2,456**	419
Over 3 years	**577**	158
	55,208	33,425

11 CASH AND BANK BALANCES

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Cash and bank balances		
— Cash on hand	**169**	1,013
— Cash at bank	**947,995**	618,644
	948,164	619,657
Less: restricted cash *(note a)*	**(28,449)**	(10,451)
term deposits with initial terms of over three months	**(463,557)**	(384,929)
Cash and cash equivalents	**456,158**	224,277

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

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
RMB	**583,693**	300,720
USD	**268,450**	75,522
HKD	**95,536**	241,205
EUR	**485**	2,210
	948,164	619,657

12 BORROWINGS

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Current		
Bank loan-secured	**19,836**	—
Non-current		
Bank loan-secured	**129,938**	—
Total	**149,774**	—

In April 2024, the Group signed a merger and acquisition loan contract with China Merchants Bank. The total amount of the loan is RMB210,000,000 with variable interest rate, of which RMB157,500,000 were drawn down and RMB7,875,000 were repaid as at December 31, 2024.

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

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**19,836**	—
Between 1 and 2 years	**23,625**	—
Between 2 and 5 years	**70,875**	—
Over 5 years	**35,438**	—
	149,774	—

13 TRADE AND OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Trade payables		
—Third parties	**29,886**	21,421
Other payables and accruals		
Employee benefits payables	**149,573**	119,253
Payables for purchasing of property, plant and equipment	**7,400**	33,544
Acquisition payable		
— Amount due to a related party	**87,500**	—
— Others	**990**	—
Amount due to a related party — Others	**37**	—
Franchisee deposits	**24,591**	21,887
Accrual expenses	**17,855**	13,496
Taxes payables	**12,901**	11,192
Listing expenses payable	**—**	963
Dividend payable	**358**	—
Others	**24,321**	24,327
Total other payables and accruals	**325,526**	224,662

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.

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

	As at December 31,	
	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**25,898**	19,758
1–2 years	**1,810**	506
Over 2 years	**2,178**	1,157
	29,886	21,421

OTHER INFORMATION

Final Dividend

The Board has resolved to recommend a final dividend of HK$0.52 per Share for the year ended December 31, 2024, amounting to a total of HK$123 million (2023: HK$0.47 per Share).The proposed final dividend is subject to the approval of the Shareholders at the AGM and is expected to be paid at or prior to the end of the third quarter of 2025. Additional information on the closure period of the register of members of the Company in relation to the Proposed Final Dividend distribution, the record date for determining entitlements of the Shareholder to the Proposed Final Dividend and payment date will be announced in due course.

Annual General Meeting

The Company will hold the AGM on Friday, June 27, 2025. A notice convening the AGM will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Investor Relations of the Company at https://ir.beautyfarm.com.cn/cn/.

Closure of Register of Members

In order to determine the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, June 24, 2025 to Friday, June 27, 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, June 23, 2025.

Use of Proceeds from Listing and Placing

The Company was listed on the Main Board of the Stock Exchange on January 16, 2023. The total net proceeds received by the Group from the Global Offering (including proceeds from the full exercise of the Over-allotment Option announced on February 3, 2023 and completion of the issuance of the 6,080,000 Shares on February 8, 2023) after deducting underwriting fee and relevant expenses amounted to approximately HK$558.5 million. The intended use of the net proceeds were set out in the Prospectus. As of December 31, 2024, such net proceeds from the Global Offering were utilized as follows in accordance with the intended use:

Use of proceeds as disclosed in the Prospectus	**% of total net proceeds**	**Net proceeds from Global Offering** *HKD (in millions)*	**Unutilized amount as of January 1, 2024** *HKD (in millions)*	**Actual utilized amount during the Reporting Period** *HKD (in millions)*	**Unutilized amount as of December 31, 2024**[(1)] *HKD (in millions)*	**Expected timetable for full utilization of the remaining proceeds**[(2)]
Expand and upgrade our service network	67.6%	377.5	297.2	190.6	106.6	December 31, 2026
Strategic mergers and acquisitions of franchised stores	10.2%	57.0	49.2	—	49.2	December 31, 2026
Further invest in our IT systems	12.3%	68.7	60.2	29.6	30.6	December 31, 2026
For working capital and other general corporate purposes	9.9%	55.3	38.6	19.4	19.2	December 31, 2026

Notes:

1. As of December 31, 2024, the unused net proceeds were deposited with certain licensed banks and financial institutions in Hong Kong or the PRC.

2. The expected timeline to use the remaining proceeds is prepared based on the best estimate made by the Group, which is subject to change according to the current and future development of the market condition.

Corporate Governance Practices

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

The Company had complied with all code provisions set out in Part 2 of the CG Code during the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Model Code for Securities Transactions

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

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

Sufficiency of Public Float

According to the information that is available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any). The Company does not have any treasury shares as defined under the Listing Rules as at December 31, 2024.

Audit Committee

The Company has established an Audit Committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. 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 primary function of the Audit Committee is to assist the Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

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

Scope of Work of the Auditor

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in this results announcement for the year ended December 31, 2024 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this results announcement.

Subsequent Events after the Reporting Period

The Company or the Group has not undertaken any material events after the Reporting Period and up to the date of this announcement.

Publication of the Annual Results and 2024 Annual Report

This announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Investor Relations of the Company at https://ir.beautyfarm.com.cn/cn/. The annual report of the Company for the year ended December 31, 2024 containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Investor Relations of the Company in due course.

Appreciation

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings.

"AGM"	the forthcoming annual general meeting of the Company to be held on Friday, June 27, 2025
"Audit Committee"	the audit committee of the Board

"Beauty Farm", "Group", "our Group", "our", "we", or "us"	the Company and its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the "Corporate Governance Code" as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "our Company"	Beauty Farm Medical and Health Industry Inc., an exempted company with limited liability incorporated in the Cayman Islands on February 10, 2022
"Director(s)"	the director(s) of the Company or any one of them
"dual beauty + dual wellness business model"	the Group's latest upgraded and iterative business model, whereby the Group attracts quality customers through premium beauty service stores and premium AI-Powered wellness services stores, thereby fostering customer loyalty to the brand and identifying their in-depth needs. The Company provides aesthetic medical services and subhealth medical services to meet the escalating needs of customers throughout their lifecycle
"EUR"	Euro, the lawful currency of the member states of the European Union
"LPG® BF + Program"	aesthetic instrument program tailored by LPG SYSTEMS, SOCIETE ANONYME for the Company
"Global Offering"	the Hong Kong Public Offering and the International Offering, details of which are set forth in the Prospectus
"HK$", "HKD" or "Hong Kong dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix C3 to the Listing Rules.
"Naturade"	Guangzhou Naturade Health Consulting Co., Ltd. (廣州奈瑞兒健康諮詢有限公司), a non-wholly owned subsidiary of the Group, which together with its subsidiaries operate the Group's premium AI-powered wellness services under the Naturade brand
"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
"Palaispa"	a beauty brand under Beijing Palaispa Commercial Management Co., Ltd., mainly focus on providing high-end facial care and European imported products to customers
"Prospectus"	the prospectus of the Company dated December 30, 2022
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of US$0.000005 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subsidiary"	has the meaning ascribed thereto under the Listing Rules
"US$" or "USD"	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, March 26, 2025

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