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

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

|  | Year ended December 31       |                              |        |
|--|------------------------------|------------------------------|--------|
|  | 2023                         | 2022                         | Change |
|  | <i>RMB'000<sup>(i)</sup></i> | <i>RMB'000<sup>(i)</sup></i> |        |
| Number of active members of direct stores      | <b>93,667</b>                | 78,318                       | 19.6%  |
| Number of client visits of direct stores       | <b>1,260,352</b>             | 947,274                      | 33.1%  |
| Revenue  | <b>2,145,068</b>             | 1,635,414                    | 31.2%  |
| Gross profit                                   | <b>977,102</b>               | 717,842                      | 36.1%  |
| Gross profit margin                            | <b>45.6%</b>                 | 43.9%                        |        |
| Net profit                                     | <b>230,139</b>               | 110,532                      | 108.2% |
| Net profit margin                              | <b>10.7%</b>                 | 6.8%                         |        |
| Adjusted net profit (non-HKFRS measure)        | <b>241,039</b>               | 157,359                      | 53.2%  |
| Adjusted net profit margin (non-HKFRS measure) | <b>11.2%</b>                 | 9.6%                         |        |
| Earnings per share                             |                              |                              |        |
| — Basic ( <i>RMB</i> )                         | <b>0.94</b>                  | 0.52                         |        |
| — Diluted ( <i>RMB</i> )                       | <b>0.94</b>                  | 0.52                         |        |

\* For identification purposes only

## 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 and 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 to evaluate 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 |                       |
|---|------------------------|-----------------------|
|   | 2023                   | 2022                  |
|   | <i>RMB'000</i>         | <i>RMB'000</i>        |
| Profit for the year   | <b>230,139</b>         | 110,532               |
| Adjusted for:   |                        |                       |
| Share-based compensation expenses                                 | <b>10,900</b>          | 14,178                |
| Listing expenses  | —                      | 32,649                |
|   | <hr/>                  | <hr/>                 |
| Adjusted profit for the year (non-HKFRS measure) <sup>(iii)</sup> | <b><u>241,039</u></b>  | <b><u>157,359</u></b> |

The Board has resolved to recommend the distribution of a final dividend of HK\$0.47 per share (equivalent to RMB0.43<sup>(iii)</sup>) for the year ended December 31, 2023 (a total of approximately HK\$110.8 million) (2022: HK\$0.39 per share), subject to approval by the Shareholders at the AGM. The final dividend is expected to be paid to the Shareholders on or before Wednesday, September 25, 2024. The dividend will be paid to the Shareholders whose names appear on the Company's register of shareholders on Monday, July 8, 2024. The Group is not aware of any arrangement by which any Shareholder has waived or agreed to waive any dividend.

*Notes:*

- i) Unless otherwise specified
- ii) To better reflect the key performance of the Group's current business operations, the adjusted net profit under non-HKFRS is calculated based on net profit, but does not include:
  - a) Share-based payment expenses, which are non-cash expenses incurred for the grant of share awards to certain management personnel and do not result in cash outflow.
  - b) Listing expenses related to the Listing and Global Offering.
- iii) Being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on March 18, 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

2023 was an extraordinary year for Beauty Farm. It marked our Beauty Farm brand’s 30th anniversary, making us one of the longest-standing franchise brands in the industry. Furthermore, on January 16, 2023, Beauty Farm was successfully listed on the Stock Exchange, forging an illustrious legacy as China’s first public “dual-beauty” company. This accomplishment not only remarkably elevated our brand visibility, but also represented a pivotal milestone in our journey.

Despite the challenging and shifting macroeconomic dynamics of 2023, the Company outperformed the market with robust growth and once again hit record highs in both revenue and net profit. These extraordinary achievements serve as yet another testament to our “dual-beauty” business model’s superior resilience and strength. For the full year of 2023, the Company’s revenue amounted to RMB2.15 billion, a significant increase of 31.2% year-over-year. Our cornerstone beauty and wellness services<sup>(i)</sup> delivered solid growth with full-year revenue of RMB1.19 billion, up 26.1% year-over-year. Our value-added services experienced accelerated growth, with revenue from aesthetic medical services reaching RMB850 million, up 37.1% year-over-year. Revenue from subhealth medical<sup>(ii)</sup> services was RMB101 million, up 47.6% year-over-year. These revenue gains, coupled with our growing scale effect and ongoing enhancements to organizational structure, propelled further improvements in our overall profitability. The Group’s gross profit margin increased from 43.9% in 2022 to 45.6% in 2023. Net profit amounted to RMB230 million, up 108.2% year-over-year, with net profit margin increasing to 10.7%, up 4.0 percentage points from 2022.

|                              | For the year ended December 31 |                |                |                |                  |                |                |             |
|------------------------------|--------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|-------------|
|                              | 2023                           |                |                |                | 2022             |                |                |             |
|                              | Revenue                        | Revenue        | Gross          | Gross          | Revenue          | Gross          | Gross          | Gross       |
| proportion                   | proportion                     | profit         | profit         | proportion     | proportion       | profit         | profit         |             |
| <i>RMB'000</i>               | <i>%</i>                       | <i>RMB'000</i> | <i>%</i>       | <i>RMB'000</i> | <i>%</i>         | <i>RMB'000</i> | <i>%</i>       |             |
| Beauty and Wellness Services | 1,193,675                      | 55.6           | 472,163        | 39.6           | 946,746          | 57.9           | 348,648        | 36.8        |
| — Direct stores              | 1,079,866                      | 50.3           | 405,978        | 37.6           | 835,609          | 51.1           | 280,141        | 33.5        |
| — Franchisee and others      | 113,809                        | 5.3            | 66,185         | 58.2           | 111,137          | 6.8            | 68,507         | 61.6        |
| Aesthetic Medical Services   | 850,356                        | 39.7           | 457,740        | 53.8           | 620,199          | 37.9           | 342,803        | 55.3        |
| Subhealth Medical Services   | 101,037                        | 4.7            | 47,199         | 46.7           | 68,469           | 4.2            | 26,391         | 38.5        |
| Total                        | <u>2,145,068</u>               | <u>100.0</u>   | <u>977,102</u> | <u>45.6</u>    | <u>1,635,414</u> | <u>100.0</u>   | <u>717,842</u> | <u>43.9</u> |

Notes:

- i) Previously named traditional beauty services
- ii) Previously named subhealth assessment and intervention services

We achieved these robust financial results through consistent enhancements in brand influence, product offerings, service competitiveness, and customer management proficiency, which drove solid growth in our customer base. In 2023, Beauty Farm welcomed 1.26 million client visits at our direct stores, up 33.1% year-over-year. With our enhanced service quality and continued product innovation, we are increasingly converting walk-in customers into active members. The number of active members at our direct stores reached 94,000 in 2023, an increase of 19.6% year-over-year. Even more notably, the quality of our active members has continued to improve, reflected in their ever-increasing purchasing power and brand loyalty. In 2023, the average annual spending per active member at our direct stores was RMB20,695, a net increase of RMB2,109 compared to 2022. Average annual visits per active member amounted to 10.6, an increase of 1.1 visits year-over-year. Over the last 12 months, our active member repurchase rate reached a remarkable 84.3%, up 1.1 percentage points year-over-year. Furthermore, under our Dual Beauty Business Model, we consistently converted our beauty and wellness members into high-margin value-added customers. In 2023, 25.0% of our beauty and wellness members purchased or received aesthetic medical services or subhealth medical services, up 1.3 percentage points year-over-year.

The rapid growth of business scale was mainly attributable to our steadfast execution of the Company's growth strategy leveraging both internal and external initiatives. Internally, we actively expanded our store network and realized substantial gains. As of December 31, 2023, we operated over 400 stores, comprising 201 direct stores and 199 franchised stores. Throughout the year, we added 50 new stores through new store opening and acquisition, including 19 newly-opened or acquired direct stores, and 31 new franchised stores. For details on our external growth, please refer to the "Mergers and Acquisitions & Strategic Investment" section below.

|                                | <b>For the year ended<br/>December 31, 2023</b> |  |
|--------------------------------|---|--|
|                                | <b>Direct<br/>stores</b>                        | <b>Franchised<br/>stores</b>               |
| At the beginning of the period | 189   | 189  |
| Opening of new stores          | 16  | 31   |
| Acquisition of new stores      | 3   | —  |
| Closure of stores              | 7   | 21   |
|                                | <u>          </u>                               | <u>          </u>                          |
| Total                          | <u>          </u><br><u>          </u> 201      | <u>          </u><br><u>          </u> 199 |

We continue to fortify our cash reserve advantage. As at December 31, 2023, the Group's cash and cash-like items amounted to RMB1.57 billion (which includes the Group's cash and cash equivalent, term deposits with initial terms of over three months and financial assets at fair value through profit or loss), representing an increase of RMB660 million as compared to the end of 2022. The abundant cash reserve will not

only be utilized for business development, but also for the purpose of giving return to shareholders. The Board has proposed a final dividend of HK\$110.8 million for the year ended December 31, 2023, representing a dividend of HK\$0.47 per share. We are willing to share the dividends of corporate development with our shareholders in return for their trust and support.

### ***Beauty and Wellness Services***

Beauty and wellness services are the cornerstone of our “dual-beauty” model. This segment is devoted to providing Chinese women with premium beauty and wellness treatments through leading beauty products and equipment, cutting-edge tech-powered innovation, and superb standardized offerings.

In 2023, our beauty and wellness services demonstrated solid growth. The segment’s revenue reached RMB1.19 billion in 2023, an increase of 26.1% year-over-year, with a gross profit margin of 39.6%, up 2.8 percentage points year-over-year. Throughout 2023, we consistently expanded our store network. As of December 31, 2023, our beauty and wellness services’ nationwide store network had expanded to 171 direct stores and 199 franchised stores, including the addition of 15 direct stores through new store opening and acquisition, and the upgrade of 15 existing stores during the year.

Beauty and wellness services stand as a vital gateway for traffic growth within our Dual Beauty Business Model. As such, we strategically prioritize user growth to propel this segment’s overall development, which is also a primary driver of revenue growth. In 2023, active members of beauty and wellness services at our direct stores reached 90,468, up 19.4% year-over-year, with average annual spending per member of RMB11,288, an increase of RMB905 compared to the same period of 2022. Average annual visits per active member amounted to 10.0, an increase of 1.0 visit year-over-year.

At Beauty Farm, we delve deeply into customer needs. By continuously innovating our offerings, enriching product lines, and consistently elevating service quality, we seek to craft a diverse product matrix and refine the blueprint for our beauty and wellness offerings. In 2023, we observed growing demand for health and well-being from our customers and strategically prioritized our wellness offerings. With the launch of a wider array of wellness services, we drove growth of 36.3% year-over-year in wellness revenue. Our diversified wellness lineup effectively enhanced customer retention and led to increased purchase frequency, boosting this sector’s robust growth momentum and future development potential.

At the same time, we also consistently optimized the efficiency of our integrated marketing and meaningfully enhanced our brand influence. As a result, the number of new members at our direct stores increased by 43.0% year-over-year in 2023. We also revamped our product marketing approach and implemented a new itemized segmentation strategy. In terms of marketing channels, we expanded our presence across major public and private domain channels and actively ventured into livestreaming e-commerce. Fully leveraging the Douyin platform, we hosted over 750 livestreaming sessions in 2023, resulting in a six-fold increase in realised gross merchandise volume (GMV) year-over-year. We also made significant progress in private domain traffic operations. In 2023, we reinforced our customer engagement experience through our WeChat mini program, WeCom, and livestreaming via WeChat Channels, among others, and continually optimized our digital marketing middleware. With these synchronized endeavors, we successfully refined our customer operations, effectively boosting customer acquisition efficiency while significantly reducing its cost.

|  | <b>For the year ended</b> |         |
|--|---------------------------|---------|
|  | <b>December 31</b>        |         |
|  | <b>2023</b>               | 2022    |
| Number of client visits                                  | <b>1,171,876</b>          | 885,927 |
| Number of active members served                          | <b>90,468</b>             | 75,744  |
| Annual average spending per active member ( <i>RMB</i> ) | <b>11,288</b>             | 10,383  |
| Number of visits per active member                       | <b>10.0</b>               | 9.0     |

### ***Aesthetic Medical Services***

Aesthetic medical services, which represent the Company's second growth curve, surged this year, reflecting robust growth momentum. In 2023, revenue from this segment reached RMB850 million, up 37.1% year-over-year. Meanwhile, we continue to expand the aesthetic medical services sector's store network. As of December 31, 2023, the number of our aesthetic medical clinics had expanded to 23, with the opening of 3 new clinics in Hefei, Tianjin, and Guangzhou during the year, as well as the expansion and upgrade of our clinics in Chengdu and Zhengzhou in 2023.

Our business model focuses on identifying in-depth beauty needs of our beauty and wellness customers and delighting them with high-quality and differentiated aesthetic medical services. We have successfully attracted and converted a sizable cohort of members. In 2023, 25.0% of our beauty and wellness members purchased aesthetic medical services or subhealth medical services, an increase of 1.3 percentage points year-over-year. In 2023, active members of our aesthetic medical services reached 24,474, up 30.6% year-over-year, with average annual spending per active member of RMB34,597, an increase of RMB1,493 compared to 2022. Average annual visits per active member amounted to 2.9, an increase of 0.2 visit year-over-year. These accomplishments underscore customers' strong endorsement of and trust in our services.



Guided by the philosophy of “Minor Tweaks, Major Transformations,” we have consistently refined our aesthetic medical product blueprint, diversified our product matrix, and crafted aesthetic medical services infused with Beauty Farm’s distinctive character. In 2023, we filed applications for 11 national patents and obtained 10 patents. We have curated a top-tier team of aesthetic physicians nationwide and actively advanced our “Elite Physician Technical Training” initiative, which has internally trained 18 dermatologists thus far, providing powerful assurance of excellence in our medical services. Looking ahead, we are poised to further expand our aesthetic medical brand’s influence and disseminate CellCare (秀可兒)’s unique aesthetic medical concept and branding more broadly. Meanwhile, we will optimize our algorithm prowess to gain deeper, more precise insights into customer needs, enhance customer operations, and ultimately drive revenue growth across our aesthetic medical business.

|   | <b>For the year ended</b> |             |
|---|---------------------------|-------------|
|   | <b>December 31</b>        |             |
|   | <b>2023</b>               | <b>2022</b> |
| Number of client visits                         | <b>71,814</b>             | 50,735      |
| Number of active members served                 | <b>24,474</b>             | 18,735      |
| Annual average spending per active member (RMB) | <b>34,597</b>             | 33,104      |
| Number of visits per active member              | <b>2.9</b>                | 2.7         |

### ***Subhealth Medical Services***

Our subhealth medical services primarily focus on functional medicine and our Women’s Special Care Center offerings. This segment is emerging as a pivotal component of the Company’s business portfolio. Currently, the subhealth medical market in China is experiencing rapid growth with significant supply gaps. We have proactively leveraged this opportunity to fast-track our business expansion. In 2023, revenue from our subhealth medical services reached RMB101 million, up 47.6% year-over-year. During the year, we opened a new clinic in Changchun, bringing the total number of our Neology brand’s clinics to seven. Active members of our subhealth medical services increased by 36.5% year-over-year to 4,191. Average annual visits per active member amounted to 4.0, an increase of 0.5 visit year-over-year, and average annual spending per active member reached RMB16,836, a net increase of RMB869 year-over-year.

Furthermore, we accurately pinpointed the demand-side gap in the women’s gynecological anti-aging market and launched our Women’s Special Care Center to meet women’s needs. Excitingly, we launched these services across our Neology (研源) clinics nationwide in 2023, driving revenue from our Women’s Special Care Center up by over 200% year-over-year. In terms of know-how and expertise enhancements, in 2023, we assembled a team of 11 outstanding gynecologists, substantially boosting the professional capabilities of our Women’s Special Care Center. Our Neology brand also became a certified member of the China Maternal and Child Health Association, underscoring our achievements in women’s gynecological anti-aging and propelling our future advancement.



|  | <b>For the year ended</b> |        |
|--|---------------------------|--------|
|  | <b>December 31</b>        |        |
|  | <b>2023</b>               | 2022   |
| Number of client visits                                  | <b>16,662</b>             | 10,612 |
| Number of active members served                          | <b>4,191</b>              | 3,070  |
| Annual average spending per active member ( <i>RMB</i> ) | <b>16,836</b>             | 15,967 |
| Number of visits per active member                       | <b>4.0</b>                | 3.5    |

### ***Digitalization***

We firmly believe that digitalization is a crucial transformation and offers profound opportunities for industry advancement. As an industry pioneer embracing digital transformation, we have remained ahead of the curve, championing innovation and progress across the industry. In 2023, we consistently invested in iterating our digital systems while enhancing our proficiency in algorithms, thereby thoroughly integrating our online and offline operations. As of December 31, 2023, we had successfully launched 33 pivotal information management systems, among which 22 were self-developed.

Our digital applications primarily manifest in three aspects: customer digitalization, business digitalization, and organization digitalization. Regarding customer digitalization, we meaningfully enhanced our full-lifecycle customer management through digital tools, achieving segmented customer management, structured store management and categorized management of projects, effectively achieving refined customer operations. Notably, we launched a diverse array of products for private domain digital operations in 2023, and enriched our member engagement, effectively improving member retention while efficiently reducing customer acquisition costs. Additionally, we have been ramping up our business digitalization and organization digitalization capabilities, striving to enhance the Company’s management efficiency and operational decision-making acumen.

### ***Mergers and Acquisitions & Strategic Investment***

In 2023, we reiterated our commitment to utilizing mergers and acquisitions as a primary strategy for external growth. We are dedicated to driving horizontal integration within the beauty and wellness sector through merger and acquisition and strategic investment, thereby expanding our member base and ultimately boosting revenue growth across our “dual-beauty” businesses with revenues from our value-added services.

By investing in and acquiring leading regional beauty brands, we meaningfully elevated our market share across cities covered by our direct stores. In May 2023, Beauty Farm entered into a strategic agreement with Chengdu Youlan to strategically invest in their stores in Chengdu region, increasing our market share in Chengdu’s beauty and wellness market. In February 2024, we relocated, expanded and reopened our CellCare clinic in Chengdu, and in March 2024, a Neology clinic officially opened for business in Chengdu, resulting in significant “dual-beauty” synergies that will enhance our revenue scale in the

region. In August 2023, Beauty Farm entered into an acquisition agreement with Hangzhou Yanspa to acquire their stores, further enhancing our revenue scale and brand influence across Hangzhou. In parallel, we persistently pursued merger and acquisition opportunities in high-performing franchised regions to augment our direct store presence across more cities. In June 2023, we acquired our Changsha franchisee, officially adding Changsha as our direct operating city. Such transactions do not constitute disclosable transactions under Chapter 14 of the Listing Rules. Stepping into 2024, we plan to expand the capacity of CellCare clinics in Changsha to maximize the synergy of our “dual-beauty” businesses across Changsha.

Moving forward, we will resolutely execute our merger and acquisition strategy to further grow our point-of-market access while actively exploring potential wellness opportunities to expand our business scope, catering to our valued customers’ holistic beauty and wellness needs at every stage of life.

### ***Outlook***

As we strategize for the future amid current trends, we anticipate continuous growth in customer demand for beauty and wellness solutions, reflecting immense growth potential within the industry. Despite the highly fragmented nature of existing market stakeholders, we have every confidence in capitalizing on key opportunities to further bolster our market share.

Against the backdrop of myriad macroeconomic uncertainties, our sophisticated “dual-beauty” model has demonstrated excellence and resilience. Empowered by its robust strength and scalability, we have adeptly navigated economic cycles and outperformed the market with solid growth.

We will remain firmly committed to propelling growth through a dual-engine, internal and external growth strategy. Internally, we will solidify our Dual Beauty Business Model’s advantages, broadening our member community and seamlessly integrating both aesthetic medical services and subhealth medical services to continuously enhance customer lifetime value. In the meantime, we will further expand our store network and increase our market dominance within core regions.

Externally, we will actively pursue merger and acquisition opportunities to broaden our store footprint horizontally and delve into growth prospects in wellness and other sectors to diversify our business portfolio. In terms of R&D of products and services, we are dedicated to fulfilling customer demands, crafting industry-leading product and service offerings, and exploring transformative wellness solutions to reinforce our competitive edge.

Regarding digitalization, as we advance our “customer digitalization, business digitalization, and organization digitalization” philosophy, we will maintain our consistent investments in digital upgrades. We seek to further empower our standardized operations management, boost business scalability, and refine our management efficiency, operating efficiency, and decision-making acumen. With respect to talent management, our focus remains on recruiting, nurturing, and retaining top-tier talents to foster a vibrant, cohesive team.

Moving forward, we will stay true to our “customer-centric” philosophy and maximize our “dual-beauty” model’s advantages, actively embracing industry dynamics and challenges as we diligently pursue long-term sustainable growth. As always, we remain dedicated to creating value for our customers, shareholders, employees, and the wider society to achieve mutual benefits for all.

## Financial Review

### Revenue

The Group generates revenue primarily from three service offerings: (i) beauty and wellness services; (ii) aesthetic medical services; and (iii) subhealth medical services. In addition, the Group earns cooperation fee in relation to subhealth medical services. The Group provides beauty and wellness services to individual customers at direct stores and also generates revenue from sales of skincare products (including product sales to consumers in direct stores, and to franchisee stores and others). Additionally, the Group earns franchise fees from our franchisees. The Group’s business has grown rapidly after recovering from the negative impact of the pandemic. The Group’s revenue increased by 31.2% from RMB1,635.4 million in 2022 to RMB2,145.1 million in 2023.

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

|                              | Year ended December 31  |                     |                         |                     |
|------------------------------|-------------------------|---------------------|-------------------------|---------------------|
|                              | 2023                    |                     | 2022                    |                     |
|                              | Revenue                 | Revenue             | Revenue                 | Revenue             |
|                              | <i>RMB’000</i>          | proportion          | <i>RMB’000</i>          | proportion          |
|                              |                         | %                   |                         | %                   |
| Beauty and wellness services | <b>1,193,675</b>        | <b>55.6</b>         | 946,746                 | 57.9                |
| — Direct stores              | <b>1,079,866</b>        | <b>50.3</b>         | 835,609                 | 51.1                |
| — Franchisee and others      | <b>113,809</b>          | <b>5.3</b>          | 111,137                 | 6.8                 |
| Aesthetic medical services   | <b>850,356</b>          | <b>39.7</b>         | 620,199                 | 37.9                |
| Subhealth medical services   | <b>101,037</b>          | <b>4.7</b>          | 68,469                  | 4.2                 |
| <b>Total</b>                 | <b><u>2,145,068</u></b> | <b><u>100.0</u></b> | <b><u>1,635,414</u></b> | <b><u>100.0</u></b> |

### *Beauty and Wellness Services — Direct Stores*

The Group's revenue from beauty and wellness services of direct stores increased by 29.2% from RMB835.6 million in 2022 to RMB1,079.9 million in 2023, which was primarily attributable to the growing influence of the Company's brands, the introduction of a wide range of products and services to the needs of customers, and the use of digital tools to enhance the efficiency of customer acquisition, resulting in a significant increase in the number of members and client visits.

### *Beauty and Wellness Services — Franchisee and Others*

The revenue of beauty and wellness services of the Group generated from franchised stores and others increased from RMB111.1 million in 2022 to RMB113.8 million in 2023, primarily due to the expansion of franchisee network of the Group.

### *Aesthetic Medical Services*

The Group's revenue from aesthetic medical services increased by 37.1% from RMB620.2 million in 2022 to RMB850.4 million in 2023, primarily due to the rapid growth in membership and client visits as the Group realized an increase in member penetration from beauty and wellness services to aesthetic medical services by providing a comprehensive service portfolio that meets the needs of customers.

### *Subhealth Medical Services*

The Group's revenue from subhealth medical services increased by 47.6% from RMB68.5 million in 2022 to RMB101.0 million in 2023, primarily due to customers' increasing concern on their own health in the post-pandemic era and the increase in the number of members served and client visits as we continue to observe customers' needs and introduced better services in line with their needs.

## 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 consumer 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 beauty 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        |                |
|   | 2023               | 2022           |
|   | RMB'000            | RMB'000        |
| Products, consumables used and related cost | 419,365            | 280,981        |
| Staff costs                                 | 327,555            | 292,161        |
| Depreciation and amortization charges       | 293,547            | 263,484        |
| Operation related expenses                  | 116,355            | 72,723         |
| Others                                      | 11,144             | 8,223          |
| <b>Total</b>                                | <b>1,167,966</b>   | <b>917,572</b> |

The cost of sales and services of the Group increased from RMB917.6 million in 2022 to RMB1,168.0 million in 2023, mainly due to (i) the increase in products, consumables used and related costs, reflecting the business growth and the increase in service offerings; (ii) the increase in staff costs, which was due to the increase in salaries and staff headcount 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

The gross profit increased from RMB717.8 million in 2022 to RMB977.1 million in 2023, and the overall gross profit margin increased from 43.9% in 2022 to 45.6% in 2023. The increase was primarily attributable to (i) the increase in revenue due to the growth in civil visits; (ii) the dilution of fixed charges such as depreciation and amortization charges as a result of the scale effect; and (iii) the further increase in the share of revenue from aesthetic medical services and subhealth medical, which are high margin businesses.

## SELLING EXPENSES

The selling expenses primarily consist of (i) staff costs, representing wages, benefits and bonuses for our in-house sales and marketing team; (ii) promotion and marketing expenses, primarily include service fees paid to the third-party marketing service providers and celebrities to promote brands and services of the Group; (iii) travelling and office expenses incurred by our in-house sales and marketing team; (iv) miscellaneous expenses incurred to greet customers; and (v) others, primarily represent miscellaneous costs in relation to general sales and marketing activities. The following table sets forth a breakdown of the Group's selling expenses for the periods indicated:

|   | For the year ended    |                       |
|---|-----------------------|-----------------------|
|   | December 31           |                       |
|   | 2023                  | 2022                  |
|   | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Staff costs   | <b>225,475</b>        | 162,335               |
| Promotion and marketing related expenses            | <b>44,140</b>         | 36,547                |
| Travelling and office expenses                      | <b>35,973</b>         | 25,317                |
| Miscellaneous expenses related to customer services | <b>31,564</b>         | 26,335                |
| Depreciation and amortization charges               | <b>17,346</b>         | 14,144                |
| Others  | <b>23,674</b>         | 22,550                |
| <b>Total</b>  | <b><u>378,172</u></b> | <b><u>287,228</u></b> |

The selling expenses of the Group increased from RMB287.2 million in 2022 to RMB378.2 million in 2023, primarily due to (i) the increase in staff costs, as a result of business growth and increase in marketing staff to support business expansion; and (ii) the increase in promotion and marketing expenses, which was in line with our promotion strategy.

## R&D EXPENSES

The R&D expenses 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 RMB31.2 million in 2022 to RMB34.1 million in 2023, 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 share-based compensation expenses, wages, benefits and bonuses for our general and administrative staff; (ii) consulting and management expenses incurred in relation to audit services, legal services, IT and back office management system as well as other evaluation services; (iii) depreciation and amortization charges in relation to our properties and equipment; (iv) listing expenses; (v) reorganization costs; and (vi) others. The following table sets forth a breakdown of the Group's general and administrative expenses for the periods indicated:

|                                    | For the year ended |                |
|------------------------------------|--------------------|----------------|
|                                    | December 31        |                |
|                                    | 2023               | 2022           |
|                                    | <i>RMB'000</i>     | <i>RMB'000</i> |
| Staff costs                        | 272,877            | 214,438        |
| Consulting and management expenses | 16,952             | 14,731         |
| Depreciation and amortization      | 13,973             | 13,347         |
| Listing expenses                   | —                  | 32,649         |
| Reorganization costs               | —                  | 7,279          |
| Others                             | 14,550             | 12,988         |
| <b>Total</b>                       | <b>318,352</b>     | <b>295,432</b> |

The general and administrative expenses increased from RMB295.4 million in 2022 to RMB318.4 million in 2023, primarily due to the increase in staff costs of approximately RMB58.4 million, partially offset by the decrease in listing expenses of approximately RMB32.6 million.

## OTHER INCOME

The other income primarily consists of (i) government grants, representing short-term subsidies received from the local governments in connection with the business development, rewards for financial and employment contribution as well as tax refund; and (ii) rental income primarily derived from the owned properties in Hainan province. The increase in other income from RMB29.1 million in 2022 to RMB30.4 million in 2023 was primarily due to an increase in rental income.

## INCOME TAX EXPENSES

The income tax expenses of the Group increased from RMB19.9 million in 2022 to RMB58.1 million in 2023, primarily due to the increase in the profit before income tax resulting from the business growth.



## PROFIT FOR THE PERIOD

As a result of the above, net profit of the Group increased from RMB110.5 million in 2022 to RMB230.1 million in 2023, representing a year-on-year growth of 108.2%, and the net profit margin increased from 6.8% in 2022 to 10.7% in 2023. Adjusted net profit increased from RMB157.4 million in 2022 to RMB241.0 million in 2023, representing a year-on-year growth of 53.2%, and adjusted net profit margin increased from 9.6% in 2022 to 11.2% in 2023.

## 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, 2023, the Group had cash and cash equivalents of RMB224.3 million and term deposits with initial terms of over three months of RMB384.9 million. A significant portion of the Group's cash and cash equivalents and term deposits are held in RMB and Hong Kong dollars.

## 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<br>December 31 |                |
|--|-----------------------------------|----------------|
|  | 2023                              | 2022           |
|  | <i>RMB'000</i>                    | <i>RMB'000</i> |
| Net cash generated from operating activities           | <b>625,510</b>                    | 382,000        |
| Net cash generated from/(used in) investing activities | <b>(711,185)</b>                  | 53,626         |
| Net cash generated from/(used in) financing activities | <b>133,741</b>                    | (432,820)      |
| Cash and cash equivalents at the beginning of the year | <b>164,120</b>                    | 157,284        |
| Cash and cash equivalents at the end of the year       | <b>224,277</b>                    | 164,120        |

## INDEBTEDNESS

As of December 31, 2023, the indebtedness of the Group mainly included lease liabilities. The Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

## **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, 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 therefore gearing ratio is not applicable (as of December 31, 2022: the gearing ratio of the Group was 54%).

## **CAPITAL COMMITMENTS**

As of December 31, 2023, the Group had capital commitments of RMB10.4 million, primarily in connection with leasehold improvements.

## **ASSETS PLEDGED**

As of December 31, 2023, the Group did not have any major assets pledged.

## **CONTINGENT LIABILITIES**

As of December 31, 2023, the Group did not have any material contingent liabilities.

## **SIGNIFICANT ACQUISITIONS AND DISPOSALS**

For the year ended December 31, 2023, the Group did not make any significant investments, acquisitions or disposals of any subsidiaries, associated companies or joint ventures.

## **EXCHANGE RATES AND RELATED HEDGING**

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from currency exposures with respect to U.S. 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.

## **EMPLOYEES AND REMUNERATION POLICIES**

As of December 31, 2023, the Group had a total of 3,941 full-time employees. In 2023, the total employee welfare expenses amounted to RMB854.4 million, higher than RMB697.1 million in 2022, primarily in connection with the Group's business growth. In 2023, the Group's equity-settled share-based compensation expenses decreased to RMB10.9 million from RMB14.2 million in 2022.

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|  | <i>Note</i> | Year ended December 31 |                       |
|--|-------------|------------------------|-----------------------|
|  |             | 2023                   | 2022                  |
|  |             | <i>RMB'000</i>         | <i>RMB'000</i>        |
| Revenue  | 3           | 2,145,068              | 1,635,414             |
| Cost of sales and services   |             | <u>(1,167,966)</u>     | <u>(917,572)</u>      |
| <b>Gross profit</b>  |             | <b>977,102</b>         | 717,842               |
| Selling expenses   |             | (378,172)              | (287,228)             |
| Research and development expenses  |             | (34,071)               | (31,187)              |
| General and administrative expenses  |             | (318,352)              | (295,432)             |
| Other income   | 4           | 30,393                 | 29,080                |
| Other expenses   | 4           | (3,390)                | (3,393)               |
| Other gains  | 5           | 18,580                 | 22,567                |
| Provision for impairment losses on financial assets                        |             | <u>(796)</u>           | <u>(155)</u>          |
| <b>Operating profit</b>  |             | <b>291,294</b>         | 152,094               |
| Finance income   | 6           | 21,837                 | 3,094                 |
| Finance costs  | 6           | <u>(24,811)</u>        | <u>(24,713)</u>       |
| Finance costs — net  | 6           | (2,974)                | (21,619)              |
| Share of loss of an associate  |             | <u>(51)</u>            | <u>—</u>              |
| <b>Profit before income tax</b>  |             | <b>288,269</b>         | 130,475               |
| Income tax expenses  | 7           | <u>(58,130)</u>        | <u>(19,943)</u>       |
| <b>Profit for the year</b>   |             | <b><u>230,139</u></b>  | <b><u>110,532</u></b> |
| Profit attributable to:  |             |                        |                       |
| Owners of the Company  |             | 215,657                | 103,109               |
| Non-controlling interests  |             | <u>14,482</u>          | <u>7,423</u>          |
|  |             | <b><u>230,139</u></b>  | <b><u>110,532</u></b> |
| <b>Earnings per share for profit attributable to owners of the Company</b> |             |                        |                       |
| — Basic earnings per share ( <i>RMB</i> )                                  | 8           | 0.94                   | 0.52                  |
| — Diluted earnings per share ( <i>RMB</i> )                                | 8           | <u>0.94</u>            | <u>0.52</u>           |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Year ended December 31 |                |
|--|------------------------|----------------|
|  | 2023                   | 2022           |
|  | <i>RMB'000</i>         | <i>RMB'000</i> |
| <b>Profit for the year</b>   | <b>230,139</b>         | 110,532        |
| <b>Other comprehensive income/(loss)</b>   |                        |                |
| <i>Items that will not be reclassified to profit or loss</i>                                     |                        |                |
| Changes in the fair value of equity investments at fair value through other comprehensive income | (1)                    | (27)           |
| Exchange differences on translation of foreign operations  | <u>27,172</u>          | <u>—</u>       |
| <b>Other comprehensive income/(loss) for the year, net of tax</b>                                | <u>27,171</u>          | (27)           |
| <b>Total comprehensive income for the year</b>   | <u><b>257,310</b></u>  | <u>110,505</u> |
| Total comprehensive income attributable to:  |                        |                |
| Owners of the Company  | 242,828                | 103,082        |
| Non-controlling interests  | <u>14,482</u>          | <u>7,423</u>   |
|  | <u><b>257,310</b></u>  | <u>110,505</u> |

## CONSOLIDATED BALANCE SHEET

|   |      | As at December 31       |                         |
|---|------|-------------------------|-------------------------|
|   |      | 2023                    | 2022                    |
|   | Note | RMB'000                 | RMB'000                 |
| <b>ASSETS</b>   |      |                         |                         |
| <b>Non-current assets</b>   |      |                         |                         |
| Property, plant and equipment                                     |      | 370,973                 | 307,704                 |
| Investment properties   |      | 67,755                  | 71,145                  |
| Right-of-use assets   |      | 515,531                 | 481,019                 |
| Intangible assets   |      | 79,978                  | 83,294                  |
| Goodwill  |      | 217,527                 | 196,286                 |
| Prepayments, deposits and other receivables                       | 10   | 69,573                  | 61,201                  |
| Other non-current assets  |      | 2,356                   | 2,745                   |
| Financial assets at fair value through other comprehensive income |      | 46                      | 47                      |
| Investments in associates   |      | 249                     | —                       |
| Deferred income tax assets  |      | 42,114                  | 44,165                  |
| Total non-current assets  |      | <u>1,366,102</u>        | <u>1,247,606</u>        |
| <b>Current assets</b>   |      |                         |                         |
| Inventories   |      | 187,588                 | 142,287                 |
| Trade receivables   | 10   | 31,011                  | 37,356                  |
| Prepayments, deposits and other receivables                       | 10   | 132,675                 | 147,226                 |
| Financial assets at fair value through profit or loss             |      | 964,973                 | 626,864                 |
| Restricted cash   | 11   | 10,451                  | 10,284                  |
| Cash and cash equivalents   | 11   | 224,277                 | 164,120                 |
| Term deposits with initial terms of over three months             | 11   | 384,929                 | 119,646                 |
| Total current assets  |      | <u>1,935,904</u>        | <u>1,247,783</u>        |
| <b>Total assets</b>   |      | <u><u>3,302,006</u></u> | <u><u>2,495,389</u></u> |
| <b>EQUITY</b>   |      |                         |                         |
| Share capital   |      | 8                       | 7                       |
| Treasury stock  |      | (6,816)                 | —*                      |
| Share premium   |      | 467,769                 | 84,358                  |
| Other reserves  |      | 22,994                  | 2,098                   |
| Retained earnings   |      | 317,941                 | 102,284                 |
| Equity attributable to owners of the Company                      |      | <u>801,896</u>          | <u>188,747</u>          |
| Non-controlling interests   |      | <u>32,337</u>           | <u>14,362</u>           |
| <b>Total equity</b>   |      | <u><u>834,233</u></u>   | <u><u>203,109</u></u>   |

\* Less than RMB1,000

## CONSOLIDATED BALANCE SHEET

|  |      | As at December 31       |                         |
|--|------|-------------------------|-------------------------|
|  |      | 2023                    | 2022                    |
|  | Note | RMB'000                 | RMB'000                 |
| <b>LIABILITIES</b>                           |      |                         |                         |
| <b>Non-current liabilities</b>               |      |                         |                         |
| Lease liabilities                            |      | 393,777                 | 374,523                 |
| Deferred tax liabilities                     |      | 21,984                  | 8,647                   |
| Total non-current liabilities                |      | <u>415,761</u>          | <u>383,170</u>          |
| <b>Current liabilities</b>                   |      |                         |                         |
| Trade payables                               | 12   | 21,421                  | 7,857                   |
| Other payables and accruals                  | 12   | 224,662                 | 224,061                 |
| Contract liabilities                         | 3    | 1,492,514               | 1,408,119               |
| Current income tax liabilities               |      | 48,527                  | 33,974                  |
| Lease liabilities                            |      | 169,343                 | 150,979                 |
| Other current liabilities                    |      | 95,545                  | 84,120                  |
| Total current liabilities                    |      | <u>2,052,012</u>        | <u>1,909,110</u>        |
| <b>Total liabilities</b>                     |      | <u><u>2,467,773</u></u> | <u><u>2,292,280</u></u> |
| <b>Total equity and liabilities</b>          |      | <u><u>3,302,006</u></u> | <u><u>2,495,389</u></u> |
| <b>Net current liabilities</b>               |      | <u><u>116,108</u></u>   | <u><u>661,327</u></u>   |
| <b>Total assets less current liabilities</b> |      | <u><u>1,249,994</u></u> | <u><u>586,279</u></u>   |

## 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 (the “Listing Business”) in the People’s Republic of China (the “PRC”). The ultimate controlling parties of the Group are Mr. Li, Ms. Li, Mr. Lian, Ms. Niu Guifen, Mr. Cui Yuanjun and Mr. Yuan Huimin (together as the “Controlling Shareholders”), who are parties acting in concert and have been collectively controlling the Group.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited on January 16, 2023.

### 2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

#### 2.1 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.



### **2.1.1 New and amended standards adopted by the Group**

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing January 1, 2023:

- Insurance Contracts — HKFRS 17
- Disclosure of Accounting Policy — HKAS 1 (Amendment) and HKFRS Practice Statement 2 (Amendment)
- Definition of Accounting Estimate — Amendments to HKAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to HKAS 12, and
- International Tax Reform — Pillar Two Model Rules — Amendments to HKAS 12

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

### **2.1.2 New standards and interpretations not yet adopted**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The following new standards and amendments to existing standards have been issued but are not yet effective and have not been early adopted:

|   |   | <b>Effective for annual periods beginning on or after</b> |
|---|---|---|
| Amendments to HKAS 1  | Classification of Liabilities as current or non-current   | January 1, 2024   |
| Amendments to HKAS 1  | Non-current liabilities with covenants  | January 1, 2024   |
| Amendments to HKFRS 16  | Lease Liability in a Sale and Leaseback   | January 1, 2024   |
| Amendments to HKAS 7 and HKFRS 7  | Supplier finance arrangements   | January 1, 2024   |
| Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements | Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised)) | January 1, 2024   |
| Amendments to HKAS 21   | Lack of Exchangeability   | January 1, 2025   |
| Amendments to HKFRS 10 and HKAS 28  | Sale or contribution of assets between an investor and its associate or joint venture                         | To be determined  |

## 2.2 Principles of consolidation and equity accounting

### *(i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group not under common control.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### *(ii) Associates*

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

### *(iii) Changes in ownership interests in subsidiaries without change of control*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in other reserves within equity attributable to owners of the Company.

### 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 |                  |
|--|------------------------|------------------|
|  | 2023                   | 2022             |
|  | RMB'000                | RMB'000          |
| Beauty and wellness services             |                        |                  |
| — Direct stores (at a point in time)     |                        |                  |
| — Services                               | 993,849                | 764,771          |
| — Product Sales                          | 86,017                 | 70,838           |
| — Franchised and others                  |                        |                  |
| — Product sales (at a point in time)     | 109,248                | 106,357          |
| — Franchise fee (over time)              | 4,561                  | 4,780            |
|  | <u>1,193,675</u>       | <u>946,746</u>   |
| Subtotal                                 |                        |                  |
|  | <u>1,193,675</u>       | <u>946,746</u>   |
| Subhealth medical services               |                        |                  |
| — Services recognised at a point in time | 70,562                 | 49,020           |
| — Services recognised over time          | 30,475                 | 19,449           |
|  | <u>101,037</u>         | <u>68,469</u>    |
| Subtotal                                 |                        |                  |
|  | <u>101,037</u>         | <u>68,469</u>    |
| Aesthetic medical services               |                        |                  |
| — recognised at a point in time          | 850,356                | 620,199          |
|  | <u>850,356</u>         | <u>620,199</u>   |
| Total                                    | <u>2,145,068</u>       | <u>1,635,414</u> |

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

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

|   | As at December 31 |                  |
|---|-------------------|------------------|
|   | 2023              | 2022             |
|   | RMB'000           | RMB'000          |
| Contract liabilities — services and product sales | <u>1,492,514</u>  | <u>1,408,119</u> |

#### 4 OTHER INCOME AND OTHER EXPENSES

|  | Year ended December 31 |                |
|--|------------------------|----------------|
|  | 2023                   | 2022           |
|  | <i>RMB'000</i>         | <i>RMB'000</i> |
| <b>Other income</b>                          |                        |                |
| Government grants                            | 22,212                 | 21,575         |
| Rental income                                | 7,622                  | 6,693          |
| Others                                       | 559                    | 812            |
|  | <u>30,393</u>          | <u>29,080</u>  |
| <b>Other expenses</b>                        |                        |                |
| Direct cost in relation to the rental income | 3,390                  | 3,393          |

#### 5 OTHER GAINS — NET

|  | Year ended December 31 |                |
|--|------------------------|----------------|
|  | 2023                   | 2022           |
|  | <i>RMB'000</i>         | <i>RMB'000</i> |
| Net fair value gains on financial assets at fair value through profit or loss (“FVPL”) | 23,847                 | 20,695         |
| Net losses on disposal of property, plant and equipment                                | (1,008)                | (906)          |
| Net foreign exchange gains   | 320                    | 4,030          |
| Others   | (4,579)                | (1,252)        |
|  | <u>18,580</u>          | <u>22,567</u>  |

#### 6 FINANCE COSTS — NET

|  | Year ended December 31 |                 |
|--|------------------------|-----------------|
|  | 2023                   | 2022            |
|  | <i>RMB'000</i>         | <i>RMB'000</i>  |
| <b>Finance income</b>                    |                        |                 |
| Interest income on bank deposits         | 21,837                 | 3,094           |
| <b>Finance costs</b>                     |                        |                 |
| Interest expense                         |                        |                 |
| — Interest charges for lease liabilities | (24,811)               | (24,713)        |
|  | <u>(24,811)</u>        | <u>(24,713)</u> |
| <b>Finance costs — net</b>               | <u>(2,974)</u>         | <u>(21,619)</u> |

## 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 |                |
|--|------------------------|----------------|
|  | 2023                   | 2022           |
|  | <i>RMB'000</i>         | <i>RMB'000</i> |
| Current income tax — PRC income tax              | 41,260                 | 29,371         |
| Adjustment for current income tax of prior years | 1,482                  | (181)          |
| Deferred income tax                              | 15,388                 | (9,247)        |
| <b>Income tax expense</b>                        | <b>58,130</b>          | <b>19,943</b>  |

### (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% (2022: 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% (2022: 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:

|  | <b>Year ended December 31</b> |                |
|--|-------------------------------|----------------|
|  | <b>2023</b>                   | 2022           |
|  | <b>RMB'000</b>                | RMB'000        |
| Profit before income tax   | <u>288,269</u>                | <u>130,475</u> |
| Tax calculated at the applicable statutory tax rate of 25%   | <b>72,067</b>                 | 32,619         |
| Adjustment for tax effect of: Preferential income tax rates applicable to certain companies comprising the Group | <b>(22,131)</b>               | (16,151)       |
| Tax effects of expenses not deductible for tax purposes  | <b>1,712</b>                  | 3,656          |
| Current income tax filing difference of prior years  | <b>1,482</b>                  | (181)          |
| PRC withholding income tax (i)   | <u>5,000</u>                  | <u>—</u>       |
| Tax charge   | <u><b>58,130</b></u>          | <u>19,943</u>  |

- (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, deferred tax expenses and a corresponding deferred tax liability of RMB5 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. The weighted average number of ordinary shares is calculated based on the assumption that 99,800,000 shares, excluding 3,092,784 treasury shares held for employee share scheme and 200,000 shares issued and allotted to ZYLot Holdings, issued upon the incorporation of the Company in connection with the Reorganisation were deemed to have been in issue since January 1, 2019. For the year ended December 31, 2022, the 200,000 shares issued and allotted to ZYLot Holdings was included in the weighted average number of ordinary shares by multiplication of the number of days after investment divided by the total number of the days during the respective reporting periods.

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

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

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

During the year ended December 31, 2023, the Company repurchased 865,500 outstanding ordinary shares with a total consideration of RMB12,012,000, among which 255,500 shares were cancelled on August 31, and the remaining 610,000 shares are accounted for as treasury stock of the Company as at December 31, 2023.

|   | <b>Year ended December 31</b> |         |
|---|-------------------------------|---------|
|   | <b>2023</b>                   | 2022    |
| Profit attributable to Owners of the Company ( <i>RMB'000</i> )   | <b>215,657</b>                | 103,109 |
| Weighted average number of ordinary shares in issue   | <b>228,582</b>                | 199,922 |
| Basic earnings per share for profit attributable to the Owners of the Company during the year ( <i>expressed in RMB per share</i> ) | <b>0.94</b>                   | 0.52    |

**(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.

|  | <b>Year ended December 31</b> |         |
|--|-------------------------------|---------|
|  | <b>2023</b>                   | 2022    |
| Profit attributable to Owners of the Company ( <i>RMB'000</i> )  | <b>215,657</b>                | 103,109 |
| Weighted average number of ordinary shares in issue  | <b>228,582</b>                | 199,922 |
| Adjustments for calculation of diluted earnings per share:   | <b>1,504</b>                  | 166     |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | <b>230,086</b>                | 200,088 |
| Diluted earnings per share for profit attributable to the Owners of the Company during the year ( <i>expressed in RMB per share</i> )      | <b>0.94</b>                   | 0.52    |



## 9 DIVIDENDS

|   | Year ended December 31 |                |
|---|------------------------|----------------|
|   | 2023                   | 2022           |
|   | <i>RMB'000</i>         | <i>RMB'000</i> |
| Dividends declared to the shareholders (a), (b)                       | <u>86,313</u>          | <u>198,742</u> |
| Proposed final dividend of HK\$0.47 (2022: HK\$0.39)<br>per share (c) | <u>100,513</u>         | <u>80,465</u>  |

*Notes:*

- (a) During the years ended December 31, 2023 and 2022, certain companies now comprising the Group declared dividends of RMB86,313,000 and RMB198,742,000 respectively to their then shareholders.
- (b) On June 19, 2023, the Company declared a cash dividend of approximately HK\$92.30 million from share premium (approximately RMB84.01 million), being HK\$0.39 per share. The dividend has been paid on September 28, 2023 amounting to RMB84.70 million.
- (c) A dividend in respect of the year ended December 31, 2023 of HK\$0.47 (equivalent to RMB0.43) per share, amounting to a total dividend of approximately HK\$110.82 million (equivalent to RMB100.51 million), is to be approved at the 2023 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     |                       |
|---|-----------------------|-----------------------|
|   | 2023                  | 2022                  |
|   | <i>RMB'000</i>        | <i>RMB'000</i>        |
| <b>Trade receivables (i)</b>  |                       |                       |
| Trade receivables   | 33,425                | 39,824                |
| Less: provision for impairment                                      | <u>(2,414)</u>        | <u>(2,468)</u>        |
| Total trade receivables   | <u><u>31,011</u></u>  | <u><u>37,356</u></u>  |
| <b>Included in current assets</b>                                   |                       |                       |
| <b>Prepayments, deposits and other receivables</b>                  |                       |                       |
| Prepayments for procurement of inventories and operating expenses   | 43,795                | 42,941                |
| Prepaid listing expense   | —                     | 39,562                |
| Amount due from related parties                                     | 34,433                | 20,250                |
| Deposits — current portion  | 19,974                | 17,785                |
| Other current assets  | 8,592                 | 12,426                |
| Other receivables   | 27,220                | 14,756                |
| Less: provision for impairment                                      | <u>(1,339)</u>        | <u>(494)</u>          |
| Total prepayments, deposits and other receivables — current portion | <u><u>132,675</u></u> | <u><u>147,226</u></u> |
| <b>Included in non-current assets</b>                               |                       |                       |
| <b>Deposits and other receivables</b>                               |                       |                       |
| Deposits — non-current portion                                      | 69,668                | 61,291                |
| Less: provision for impairment                                      | <u>(95)</u>           | <u>(90)</u>           |
| Total   | <u><u>69,573</u></u>  | <u><u>61,201</u></u>  |

(i) **Aging analysis of trade receivables**

The majority of the Group's sales are settled through credit cards or e-pay applications against payment. 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 |               |
|-----------------------|-------------------|---------------|
|                       | 2023              | 2022          |
|                       | RMB'000           | RMB'000       |
| Up to 1 year          | 29,273            | 37,988        |
| Between 1 and 2 years | 3,575             | 1,338         |
| Between 2 and 3 years | 419               | 392           |
| Over 3 years          | 158               | 106           |
|                       | <u>33,425</u>     | <u>39,824</u> |

**11 CASH AND BANK BALANCES**

|   | As at December 31 |                  |
|---|-------------------|------------------|
|   | 2023              | 2022             |
|   | RMB'000           | RMB'000          |
| Cash and bank balances                                |                   |                  |
| — Cash on hand  | 1,013             | 75               |
| — Cash at bank  | <u>618,644</u>    | <u>293,975</u>   |
|   | 619,657           | 294,050          |
| Less: restricted cash ( <i>note a</i> )               | (10,451)          | (10,284)         |
| term deposits with initial terms of over three months | <u>(384,929)</u>  | <u>(119,646)</u> |
|   | 224,277           | 164,120          |

(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 |                |
|--------|-------------------|----------------|
|        | 2023              | 2022           |
|        | RMB'000           | RMB'000        |
| RMB    | 300,720           | 211,950        |
| HKD    | 241,205           | 3,791          |
| USD    | 75,522            | 77,394         |
| EUR    | 2,210             | 911            |
| Others | —                 | 4              |
|        | <u>619,657</u>    | <u>294,050</u> |

## 12 TRADE AND OTHER PAYABLES AND ACCRUALS

|  | As at December 31 |                |
|--|-------------------|----------------|
|  | 2023              | 2022           |
|  | <i>RMB'000</i>    | <i>RMB'000</i> |
| Trade payables   |                   |                |
| — Third parties  | <u>21,421</u>     | <u>7,857</u>   |
| <b>Other payables and accruals</b>                       |                   |                |
| Employee benefits payables                               | 119,253           | 91,959         |
| Payables for purchasing of property, plant and equipment | 33,544            | 13,104         |
| Franchisee deposits                                      | 21,887            | 20,596         |
| Accrual expenses   | 13,496            | 10,290         |
| Taxes payables   | 11,192            | 13,237         |
| Listing expenses payable                                 | 963               | 50,198         |
| Others   | <u>24,327</u>     | <u>24,677</u>  |
| Total other payables and accruals                        | <u>224,662</u>    | <u>224,061</u> |

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

The aging analysis of trade payables as at December 31, 2023 and 2022 based on invoice date was follows:

|               | As at December 31 |                |
|---------------|-------------------|----------------|
|               | 2023              | 2022           |
|               | <i>RMB'000</i>    | <i>RMB'000</i> |
| Within 1 year | 19,758            | 6,640          |
| 1–2 years     | 506               | 485            |
| Over 2 years  | <u>1,157</u>      | <u>732</u>     |
|               | <u>21,421</u>     | <u>7,857</u>   |

## **OTHER INFORMATION**

### **Final Dividend**

The Board has resolved to recommend a final dividend of HK\$0.47 per Share for the year ended December 31, 2023, amounting to a total of HK\$110.8 million (2022: HK\$0.39 per Share). The proposed final dividend is subject to the approval of the Shareholders at the AGM and is expected to be payable on or about Wednesday, September 25, 2024.

### **Annual General Meeting**

The Company will hold the AGM on Thursday, June 27, 2024. A notice convening the AGM will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Investor Relations of the Company at <https://ir.beautyfarm.com.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 Monday, June 24, 2024 to Thursday, June 27, 2024 (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 Friday, June 21, 2024.

In order to determine the entitlement of the Shareholders to the proposed final dividend, the register of members of the Company will be closed from Thursday, July 4, 2024 to Monday, July 8, 2024 (both days inclusive), during which period no transfers of Shares will be registered. In order to qualify for the proposed final dividend, which is subject to approval of the Shareholders at the AGM, all transfers 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 the same address mentioned above before 4:30 p.m. on Wednesday, July 3, 2024.

## 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, 2023, such net proceeds from Listing and Placing 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<br>HKD<br>(in millions) | Actual utilized proceeds during the Reporting Period<br>HKD<br>(in millions) | Unutilized amount as of December 31, 2023 <sup>(1)</sup><br>HKD<br>(in millions) | Expected timetable for full utilization of the remaining proceeds <sup>(2)</sup> |
|--|-------------------------|---|--|--|--|
| Expand and upgrade our service network                   | 67.6%                   | 377.5   | 80.3   | 297.2  | December 31, 2026  |
| Strategic mergers and acquisitions of franchised stores  | 10.2%                   | 57.0  | 7.8  | 49.2   | December 31, 2026  |
| Further invest in our IT systems                         | 12.3%                   | 68.7  | 8.5  | 60.2   | December 31, 2026  |
| For working capital and other general corporate purposes | 9.9%                    | 55.3  | 16.7   | 38.6   | December 31, 2026  |

### Notes:

- As of December 31, 2023, the unused net proceeds were deposited with certain licensed banks and financial institutions in Hong Kong or the PRC.
- 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 Corporate Governance Code as its own corporate governance practices.

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

During the Reporting Period, the Company bought back a total of 865,500 shares of the Company on the Stock Exchange with the aggregate consideration paid (before expenses) amounting to approximately HK\$13.0 million. The repurchases were effected because the Board considered that the trading price of the Shares does not reflect their intrinsic value and actual business prospects of the Group, this is therefore a good opportunity for the Company to repurchase the Shares, thereby enhancing the value of Shares and improving return to shareholders of the Company. Particulars of the shares of the Company bought back are as follows:

|                | <b>Number of<br/>Shares</b> | <b>Highest per<br/>share<br/>(HK\$)</b> | <b>Lowest per<br/>share<br/>(HK\$)</b> | <b>Aggregate<br/>consideration<br/>(HK\$)</b> |
|----------------|-----------------------------|---|--|---|
| June 2023      | 185,500                     | 23.70                                   | 22.95                                  | 4,390,800.70                                  |
| July 2023      | 70,000                      | 18.40                                   | 17.00                                  | 1,233,710.35                                  |
| August 2023    | 243,500                     | 13.32                                   | 13.00                                  | 3,211,059.60                                  |
| September 2023 | 299,000                     | 12.04                                   | 9.80                                   | 3,412,439.65                                  |
| October 2023   | 31,000                      | 9.96                                    | 9.75                                   | 305,346.30                                    |
| November 2023  | 36,500                      | 13.40                                   | 12.66                                  | 483,430.25                                    |

On August 31, 2023, an aggregate of 255,500 Shares repurchased by the Company from June 2023 to July 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.

### 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, 2023 as set out in this results announcement for the year ended December 31, 2023 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**

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, 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 2023 Annual Report**

This announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Investor Relations of the Company at <https://ir.beautyfarm.com.cn>. The annual report of the Company for the year ended December 31, 2023 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 Thursday, June 27, 2024  |
| “Audit Committee”  | the audit committee of the Board   |
| “Beauty Farm”,<br>“Group”, “our<br>Group”, “our”,<br>“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<br>Directors”                                 | the board of directors of the Company  |
| “CG Code” or<br>“Corporate<br>Governance Code”                     | the Corporate Governance Code as set out in Appendix C1 to the Listing Rules   |
| “Chengdu Youlan”   | Sichuan Lanyouyou Technology Co., Ltd. (四川蘭幽幽科技有限<br>公司) and its related companies   |
| “China” or “PRC”   | the People’s Republic of China, which, for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan  |
| “Company”, “our<br>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 Business<br>Model”                                    | a unique business model developed by Beauty Farm over the past 30 years, attracts quality customers through its nationwide beauty & wellness network, builds customer brand loyalty and discovers in-depth customer needs. The Company provides aesthetic medical services and subhealth medical services to meet its customers’ upgraded needs throughout their customer life cycle |
| “EUR”  | Euro, the lawful currency of the member states of the European Union   |

|                                      |  |
|--------------------------------------|--|
| “Global Offering”                    | the Hong Kong Public Offering and the International Offering, details of which are set forth in the Prospectus   |
| “Hangzhou YanSpa”                    | Hangzhou Yangongfang Beauty Co., Ltd. (杭州妍工房美容有限公司), Hangzhou Yanyibei Beauty Co., Ltd. (杭州妍億蓓美容有限公司) and Hangzhou Shangcheng District Yantai Beauty Store (杭州市上城區妍泰美容店) |
| “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 Date”                       | January 16, 2023, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange                                     |
| “Listing Rules”                      | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)              |
| “Model Code”                         | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.  |
| “Mr. Li”                             | Mr. LI Yang, being the chairman of our Board and an executive Director and the father of Ms. Li and a Controlling shareholder of the Company                             |
| “Mr. Lian”                           | Mr. LIAN Songyong, being the chief executive officer and an executive Director, and a Controlling shareholder of the Company   |
| “Ms. Li”                             | Ms. LI Fangyu, being a non-executive Director and daughter of Mr. Li and a Controlling shareholder of the Company  |

|                         |  |
|-------------------------|--|
| “Over-allotment Option” | the option granted by us to the International Underwriters exercisable by the Overall Coordinators on behalf of the International Underwriters under the International Underwriting Agreement. On February 3, 2023, the Group allotted 6,080,000 Shares at a price of HK\$19.32 per Share. The Company received additional net proceeds of approximately HK\$111.1 million from the exercise of the Over-allotment Option. For details, please refer to the announcements of the Company dated January 13, 2023 and February 5, 2023, respectively |
| “Prospectus”            | the prospectus of the Company dated December 30, 2022  |
| “R&D”                   | research and development   |
| “Reporting Period”      | the year ended December 31, 2023   |
| “RMB”                   | Renminbi, the lawful currency of the PRC   |
| “Shanghai Beauty Farm”  | Shanghai Beauty Farm Medical Healthcare Industry Co., Ltd. (上海美麗田園醫療健康產業有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Group   |
| “Share(s)”              | ordinary share(s) in the capital of our Company with a nominal value of US\$0.000005 each  |
| “Shareholder(s)”        | holder(s) of the Share(s)  |
| “Stock Exchange”        | The Stock Exchange of Hong Kong Limited  |
| “Subsidiary”            | has the meaning ascribed thereto under the Listing Rules   |
| “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, 2024

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