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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)

CONNECTED TRANSACTION
ACQUISITION OF 10% EQUITY INTEREST IN
A NON-WHOLLY OWNED SUBSIDIARY

EQUITY TRANSFER AGREEMENT

On May 4, 2023 (after trading hours), Shanghai Beauty Farm (being a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Mr. Hu and Beijing Palaispa, pursuant to which, Shanghai Beauty Farm as purchaser has conditionally agreed to acquire, and Mr. Hu as vendor has conditionally agreed to sell 10% of the equity interest in Beijing Palaispa held by him for a total consideration of RMB15,158,000 (equivalent to approximately HK\$17,211,750).

As of the date of this announcement, Beijing Palaispa is owned as to 85% by Shanghai Beauty Farm, 10% by Mr. Hu and 5% by Shanghai Ziqi, respectively. Upon Completion, Beijing Palaispa will be owned as to 95% by Shanghai Beauty Farm and 5% by Shanghai Ziqi, and will remain as a non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Mr. Hu holds 10% equity interest in Beijing Palaispa and is therefore a substantial shareholder of Beijing Palaispa and a connected person of the Company at a subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

* For identification purposes only

Since the highest applicable percentage ratios in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition constitutes a connected transaction for the purpose of Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On May 4, 2023 (after trading hours), Shanghai Beauty Farm (being a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with Mr. Hu and Beijing Palaispa, pursuant to which, Shanghai Beauty Farm as purchaser has conditionally agreed to acquire, and Mr. Hu as vendor has conditionally agreed to sell 10% of the equity interest in Beijing Palaispa held by him for a total consideration of RMB15,158,000 (equivalent to approximately HK\$17,211,750).

As of the date of this announcement, Beijing Palaispa is owned as to 85% by Shanghai Beauty Farm, 10% by Mr. Hu and 5% by Shanghai Ziqi, respectively. Upon Completion, Beijing Palaispa will be owned as to 95% by Shanghai Beauty Farm and 5% by Shanghai Ziqi, and will remain as a non-wholly owned subsidiary of the Company.

THE EQUITY TRANSFER AGREEMENT

A summary of the principal terms of the Equity Transfer Agreement is set out below:

Date

May 4, 2023

Parties

- (i) Shanghai Beauty Farm (as the purchaser)
- (ii) Mr. Hu (as the vendor)
- (iii) Beijing Palaispa (as the target company)

Asset to be acquired

Pursuant to the Equity Transfer Agreement, Shanghai Beauty Farm has conditionally agreed to acquire 10% of the equity interest in Beijing Palaispa from Mr. Hu in accordance with the terms and conditions of the Equity Transfer Agreement. Please refer to the section headed "Information on Beijing Palaispa" in this announcement for details on Beijing Palaispa.

Consideration and basis of determination of the Consideration

The consideration for the Acquisition is RMB15,158,000 (the “**Consideration**”), which was arrived at after arm’s length negotiations between the Group and Mr. Hu after taking into account (i) the unaudited total asset value of Beijing Palaispa as at December 31, 2022 in the amount of RMB277.10 million on the basis of the unaudited accounts of Beijing Palaispa prepared in accordance with the HKFRS; (ii) the historic valuation of Beijing Palaispa in the Group’s prior acquisition of a 7.655% interest from Mr. Hu in December 2021; and (iii) the past performance, future prospect and brand value of Beijing Palaispa.

The Consideration shall be satisfied in cash by the internal resources of the Group other than the proceeds raised from the Company’s Global Offering. The Consideration shall be paid to Mr. Hu on the date of the Equity Transfer Agreement.

Completion and other terms and conditions

Pursuant to the Equity Transfer Agreement, completion of the transaction shall take place on the date when certain customary conditions precedent set forth in the Equity Transfer Agreement (“**Conditions Precedent**”) has been fulfilled. The Conditions Precedent includes:

- a) Completion of all requisite filings of changes in relation to the Acquisition and corresponding change of the articles of association of Beijing Palaispa with the relevant industry and commerce authorities; and
- b) Beijing Palaispa having completed the relevant tax filing changes in relation to the Acquisition.

Each of Shanghai Beauty Farm and Mr. Hu shall cooperate and procure the completion of the necessary filings of changes with the relevant authorities within 30 business days of the Equity Transfer Agreement, and shall each be responsible for half of the necessary fees and charges related to the filings.

INFORMATION ON THE GROUP

The Group is a beauty and health management service provider providing traditional beauty services, non-surgical aesthetic medical services as well as subhealth assessment and intervention services that are personalized to our clients’ health and beauty desire.

Shanghai Beauty Farm is a principal subsidiary of the Group and its principal business is the provision of overall management of the Group’s operations within the PRC. Shanghai Beauty Farm is a wholly-owned subsidiary of the Company.

INFORMATION ON MR. HU

Immediately prior to the Acquisition, Mr. Hu is a 10% shareholder of Beijing Palaispa, and is otherwise independent of and not connected to the Company and its connected persons. Mr. Hu was an investor and one of the founding shareholders of Beijing Palaispa, Mr. Hu acquired a 63.855% equity interest in Beijing Palaispa by contribution of RMB6,385,500 in the registered capital of Beijing Palaispa in 2016. Mr. Hu has subsequently disposed of part of his interest in Beijing Palaispa to the Group. In December 2021 (being the most recent transaction), Mr. Hu transferred 7.655% of his interest in Beijing Palaispa to the Group for a total consideration of RMB10.53 million.

INFORMATION ON BEIJING PALAISPA

Beijing Palaispa is principally engaged the provision of traditional beauty services under the brand Palaispa (貝黎詩). It is a limited liability company established under the laws of the PRC on September 13, 2016 and has a registered capital of RMB10 million as at the date of this announcement.

As of the date of this announcement, Beijing Palaispa is owned as to 85% by Shanghai Beauty Farm, 10% by Mr. Hu and 5% by Shanghai Ziqi, respectively. Upon Completion, Beijing Palaispa will be owned as to 95% by Shanghai Beauty Farm and 5% by Shanghai Ziqi, and will remain as a non-wholly owned subsidiary of the Company.

Financial information of Beijing Palaispa

Set out below is certain unaudited financial information of Beijing Palaispa (prepared in accordance with the HKFRS) for each of the financial year ended December 31, 2022 and December 31, 2021, respectively:

| | For the year ended December 31, 2022 (unaudited) | For the year ended December 31, 2021 (unaudited) |
|--------------------------------|--|--|
| Net profit/(loss) (before tax) | (Approximately RMB2.46 million) | Approximately RMB3.01 million |
| Net profit/(loss) (after tax) | (Approximately RMB1.36 million) | Approximately RMB2.88 million |

The unaudited total asset value of Beijing Palaispa as at December 31, 2022 was approximately RMB277.10 million on the basis of the unaudited accounts of Target Company for the year ended December 31, 2022 prepared in accordance with the HKFRS.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of beauty and health management services and Beijing Palaispa is the operator of one of the four brands which are operated by the Group. The Board considers that the acquisition of the minority interest from the existing shareholder will further consolidate the Group's control on Beijing Palaispa, and enable the Shareholders to reap the economic benefits from the operation of the Group's Palaispa (貝黎詩) branded stores, which forms a significant operational and strategic part of the Group's traditional beauty service offerings.

No Director has any material interest in the Acquisition and was required to abstain from voting on the Directors' resolutions approving the Acquisition and the entering into of the Equity Transfer Agreement by the Company. The Board (including the independent non-executive Directors) considers that the terms and conditions of the Acquisition are fair and reasonable, on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Mr. Hu holds 10% equity interest in Beijing Palaispa and is therefore a substantial shareholder of Beijing Palaispa and a connected person of the Company at a subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratios in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition constitutes a connected transaction for the purpose of Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

| | |
|--------------------|---|
| “Acquisition” | Shanghai Beauty Farm's acquisition of 10% equity interest in Beijing Palaispa from Mr. Hu pursuant to the Equity Transfer Agreement |
| “Beijing Palaispa” | Beijing Palaispa Business Management Co., Ltd. (北京貝黎詩商業管理有限公司), a company incorporated under the laws of the PRC on September 13, 2016 and a non-wholly owned subsidiary of the Group |
| “Board” | the board of Directors |

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|-----------------------------|--|
| “Company” | Beauty Farm Medical and Health Industry Inc., an exempted company with limited liability incorporated under the laws of the Cayman Islands on February 10, 2022 |
| “Completion” | completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement |
| “Conditions Precedent” | has the meaning ascribed to it under the section headed “Completion and other terms and conditions” in this announcement |
| “Consideration” | has the meaning ascribed to it under the section headed “Consideration and basis of determination of the Consideration” in this announcement |
| “Director(s)” | the directors of the Company |
| “Equity Transfer Agreement” | the equity transfer agreement dated May 4, 2023 entered into between Shanghai Beauty Farm as the purchaser, Mr. Hu as the vendor and Beijing Palaispa as the target company, in relation to the sale and purchase of 10% equity interest in Beijing Palaispa |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| “HKFRS” | applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Hu” | Hu Zhenjiang (胡鎮江), the vendor of the 10% equity interest in Beijing Palaispa |
| “PRC” | the People’s Republic of China |
| “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 on April 23, 2004 and a wholly-owned subsidiary of the Group |

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|-------------------|---|
| “Shanghai Ziqi” | Shanghai Ziqi Business Management Partnership (Limited Partnership) (上海姿祈商業管理合夥企業(有限合夥)), a limited partnership established in the PRC on January 6, 2022 as an employee shareholding platform of Beijing Palaispa, as of the date of this announcement, the Group retains approximately 18% of the limited partnership interest in Shanghai Ziqi and the remaining limited partnership interest are held by 15 other limited partners who are employees and former employees of the Group (with TANG Weifeng (湯瑋峰) holding 14% interest in the limited partnership and each of the other 14 limited partners holding not more than 10% of the limited partnership interest in Shanghai Ziqi) |
| “Share(s)” | the share(s) of the Company |
| “Shareholder(s)” | the holder(s) of Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed thereto in the Listing Rules |
| “%” | per cent |

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

Hong Kong, May 4, 2023

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