This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to **[REDACTED]** *in the* **[REDACTED]**. *There are risks associated with any* **[REDACTED]** *in the* **[REDACTED]**. *Some of the particular risks in* **[REDACTED]** *in the* **[REDACTED]** *are set out in the section entitled "Risk Factors" in this document. You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

We are the largest provider of traditional beauty services and the fourth largest non-surgical aesthetic medical service provider in China, as measured by revenue in 2021. Our one-stop beauty and health management service offerings cover traditional beauty services, aesthetic medical services (including both (i) non-surgical aesthetic medical services such as energy-based services and injection services and (ii) surgical aesthetic medical services) as well as subhealth assessment and intervention services that are all personalized to serve our clients' desire to stay beautiful and healthy. Committed to providing client-centric services with good quality, we established our flagship brand, BeautyFarm (美麗田園) in 1993, which is one of the long-established domestic chain brands in China's beauty and health manage service industry, along with three emerging brands, namely Palaispa (貝黎詩), Neology (研源) and CellCare (秀可兒). We have built a national store network, which consisted of 177 direct stores, including 84 stores in tier-one cities and 73 stores in new tier-one cities, as of June 30, 2022. In addition, our extensive national store network included additional 175 stores operated by our franchisees as of the same date.

Driven by the increasing disposable income *per capita* of Chinese population, elevated self-awareness of appearance and favorable policies and regulations that standardize the industry, China's traditional beauty service market is expanding rapidly. According to Frost & Sullivan, its market size reached RMB403.2 billion in 2021, and is projected to grow at CAGR of 5.3% to RMB640.2 billion in 2030. Along with the advancement of beauty related technologies and devices, customers are gradually perceiving non-surgical aesthetic medical services as a natural extension of traditional beauty services to achieve the same goal, with the former providing quicker, more visible and long-lasting effects. According to Frost & Sullivan, the revenue of non-surgical aesthetic medical services is forecasted to reach RMB415.7 billion in 2030, with a CAGR of 17.5% from 2021 to 2030. When combining the fast-growing and ever integrated two segments of traditional beauty services and non-surgical aesthetic medical services together, we would be ranked the second in terms of revenue in 2021 in China.

We provide high-quality services to our clients across all of our stores. Supported by our proprietary in-house training system, digitalized platform and supply chain management, we are able to trace and monitor our service performance in a timely manner. In addition, our brand reputation through decades of dedication and commitment to China's traditional beauty service industry, scalable business model and customer acquisition channels, have enabled us to grow our client visits from 819,382 in 2019 to 1,054,952 in 2021 at a CAGR of 13.5%. During the six months ended June 30, 2022, our client visits were 460,241. Many clients became our members after their initial visits, and we consider the expanding, active and loyal members as the foundation to our success. In 2021, our direct stores had 77,356 active members (defined as those members who used our services at least once during the relevant period) which increased by 12.5% from 2020. An active member may purchase different types of services within our service network in a year and could become our active member under different service offerings. Our active members on average made 10.8 visits and spent RMB20,832 in 2021 as compared with 10.2 visits and RMB20,151 average spending in 2020. During the six months ended June 30, 2022, our direct stores served 60,956 active members, who on average made 5.9 visits and spent approximately RMB10,736. Furthermore, 71.5% of our active members in 2019 made additional purchases during the Track Record Period.

We believe that our well-established and widely recognized brand portfolio of BeautyFarm (美麗田園), Palaispa (貝黎詩), CellCare (秀可兒) and Neology (研源) are the key to our success. Since our inception, we have received a number of high-profile awards and recognitions, including Fashion COSMO Beauty Chain of the Year Award (時尚COSMO年度美容連鎖機構大獎), Fashion COSMO Talent Recommended Brand of the Year Award (時尚COSMO年度達人推薦品牌大獎), New Classic Brand of the Year (年度煥新經典品牌), Popular Brand of the Year (年度人氣品牌), Most Popular Brands for Women (最受女性歡迎品牌) and Shanghai Hair and Beauty Five-star Enterprise (上海美髮美容五星級企業).

We believe that our following attributes are critical to our brands and large client base:

- *Nationwide store network*. As one of the long-established domestic chain brands in China's beauty and health management service industry, we have provided traditional beauty services to clients for nearly three decades. We have established the most extensive store network in China in terms of the number of cities covered by direct stores in the traditional beauty service market, as of June 30, 2022, according to Frost & Sullivan. Additionally, we have provided aesthetic medical services under CellCare (秀可兒) since 2011 and subhealth assessment and intervention services under Neology (研源) since 2018. As of June 30, 2022, our overall service network comprised 352 stores, including 177 direct stores as well as 175 franchised stores. Among the 177 stores we directly owned, 84 stores were located in tier-one cities and 73 stores were located in new tier-one cities. As of June 30, 2022, we had 154 direct stores and 175 franchised stores provided traditional beauty services under BeautyFarm (美麗田園) and Palaispa (貝黎詩), 18 direct stores provided aesthetic medical services under CellCare (秀可兒), and five stores provided subhealth assessment and intervention services under Neology (研源).

- *Digitalization.* We apply digitalized tools to provide clients with personalized services and to improve operational efficiency. We had developed 37 proprietary information management systems as of June 30, 2022, which propel us ahead of our peers, according to Frost & Sullivan. Our integrated service platform is capable of consolidating and processing massive troves of operational data accumulated from various systems across our store network. We also apply data mining and data analytics to obtain valuable insights to accurately profile our clients' transaction patterns, consumption habits, and lifetime client value. Such tech-enabled enhancements allow us to customize our services according to clients' needs so as to maintain their stickiness and identify cross-selling opportunities. In addition, we are one of the earliest adopters of mobile reviewing system, where our clients are able to review and comment on our services in real-time. Moreover, our digitalized client relationship management ("**CRM**") system is thorough, convenient and prompt, offering a fast feedback mechanism for client inquiries, appointments, complaints and post-service reviews.

- *Professional staff.* Our professional service personnel at our stores are vital to the quality of our services and our competitiveness. As of June 30, 2022, we had a total of 1,898 professional service personnel (including registered physicians, trained therapists, nurses, and store directors) nationwide. We are committed to incubating and nurturing a team of high-caliber service professionals through a structured professional cultivation scheme. We have established two BeautyFarm Training Centers (美麗田園培訓中心) in Shanghai and Wuhan, which provide our professional service personnel with robust pre-work and ongoing training. Since their establishment, our BeautyFarm Training Centers (美麗田園培訓中心) have provided over 13,000 sessions to our professional service personnel. In 2020, our training program was awarded the Digital Learning Project Innovation Award by CEIBS Digital (數字中歐).

Our business grew rapidly in 2019, 2020 and 2021. Our total revenue increased by 7.0% from RMB1,404.8 million in 2019 to RMB1,503.3 million in 2020, and further increased by 18.5% to RMB1,780.7 million in 2021. Due to the adverse impact of recurrence of COVID-19 ("**Recurrence**") in 2022, especially the strict lockdown in Shanghai, our revenue decreased by 12.3% from RMB836.8 million for the six months ended June 30, 2021 to RMB734.3 million for the six months ended June 30, 2022. We recorded a net profit of RMB147.4 million in 2019, RMB152.2 million in 2020, and RMB208.3 million in 2021 at a CAGR of 18.9% from 2019 to 2021. Excluding the effects of share-based compensation expenses and [**REDACTED**], our adjusted profit (non-HKFRS measure) for the six months ended June 30, 2021 and 2022 would be RMB108.0 million and RMB50.6 million, respectively.

OUR STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors, including: (i) leading beauty and health management service provider with long-established brand portfolio in China; (ii) constant evolution of business model in response to market demand, offering clients one-stop beauty and health management services; (iii) standardized services supported by a robust digitalized platform; (iv) a large client base of active and loyal members supported by our leading CRM system; (v) sustainable development fueled by organic growth and strategic acquisitions; and (vi) visionary and seasoned management fortified by strong shareholder support.

OUR STRATEGIES

We will focus on these key growth strategies to realize our vision, including (i) strategically expand our service network and marketing channels to expand our client base and increase brand awareness; (ii) further enhance our operational efficiency and client experience through standardization and digitalization of our system; (iii) improve client loyalty and fulfill clients' evolving needs by introducing new technologies, equipment and products, and expanding our service offerings; (iv) continue to cultivate, recruit and retain high-caliber talent and strengthen our human resources management mechanism; and (v) integrate industry resources and promote the development of industry standards by deepening cooperation with upstream suppliers and providing guidance and support to market participants.

OUR BRANDS, STORE OPERATION MODEL, SERVICES AND STORE NETWORK

Our Brands

Our growing store network consists of our flagship BeautyFarm (美麗田園) brand, as well as emerging brands such as Palaispa (貝黎詩), CellCare (秀可兒), and Neology (研源). Among them, BeautyFarm (美麗田園) is one of the long-established domestic chain brands since 1993. The following table summarizes our material brands:

Name of the brand	Direct store number as of June 30, 2022	Service focus	Business model
美麗田園 Beauty Farm	139	Traditional beauty services	Direct store and franchised store
贝黎诗 PALAISPA	15	Traditional beauty services	Direct store and franchised store
CellCare 秀可儿医美	18	Aesthetic medical services	Direct store
NEOLOGY 研源医疗	5	Subhealth assessment and intervention services	Direct store
Total	**177**		

Our Store Operation Model

Our stores are operated under two main business models. BeautyFarm (美麗田園) and Palaispa (貝黎詩) stores are operated under both direct store model and franchised store model. Our CellCare (秀可兒) stores and Neology (研源) healthcare centers are operated exclusively under the direct store model. During the Track Record Period, our direct stores generated a very significant portion of our total revenue, contributing to 91.7%, 93.9%, 94.1% and 93.9% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

We have introduced franchised store model for traditional beauty services for over 15 years and generated revenue primarily from franchise fees as well as product sales from franchised stores. During the Track Record Period, the revenue contributions from our franchised stores amounted to RMB84.5 million, RMB70.9 million, RMB87.5 million, and RMB35.8 million, respectively, representing 6.0%, 4.7%, 4.9% and 4.9% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, among which (i) the revenue from franchise fees amounted to RMB5.5 million, RMB4.3 million, RMB3.6 million and RMB3.0 million, representing 0.4%, 0.3%, 0.2% and 0.4% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively and (ii) the revenue from product sales to franchisees amounted to RMB79.0 million, RMB66.6 million, RMB83.8 million and RMB32.8 million, representing 5.6%, 4.4%, 4.7% and 4.5% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

Our Services

During the Track Record Period, our revenue was mainly derived from the provision of (i) traditional beauty services, where we earn service fees directly from consumers as well as franchise fees from franchisees. In addition, to a much lesser extent, we generated revenue from sales of skincare products (including product sales to consumers in direct stores, and to franchisee stores and others); (ii) aesthetic medical services (including both (a) non-surgical aesthetic medical services such as energy-based services and injection services and (b) surgical aesthetic medical services); and (iii) subhealth assessment and intervention services. The following table sets forth a breakdown of our revenue by service offerings for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (Unaudited)	%	*RMB'000*	%
Traditional beauty services										
Direct stores										
– Services	717,358	51.1	680,727	45.3	857,295	48.2	391,244	46.7	352,654	48.1
– Product sales	42,468	3.0	76,281	5.1	84,062	4.7	31,979	3.8	30,390	4.1
Subtotal	759,826	54.1	757,008	50.4	941,357	52.9	423,223	50.5	383,044	52.2
Franchisee and others										
– Franchise fees	5,474	0.4	4,297	0.3	3,611	0.2	1,321	0.2	2,971	0.4
– Products sales(1)	110,513	7.8	86,805	5.7	101,816	5.7	44,668	5.3	42,027	5.7
Subtotal	115,987	8.2	91,102	6.0	105,427	5.9	45,989	5.5	44,998	6.1
Aesthetic medical services(2)	464,586	33.1	564,076	37.6	673,025	37.8	338,634	40.5	275,556	37.5
Subhealth assessment and intervention services	64,353	4.6	91,110	6.0	60,931	3.4	28,984	3.5	30,720	4.2
Total	**1,404,752**	**100.0**	**1,503,296**	**100.0**	**1,780,740**	**100.0**	**836,830**	**100.0**	**734,318**	**100.0**

The following table sets forth a breakdown of our revenue by brands for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (Unaudited)	%	*RMB'000*	%
BeautyFarm (美麗田園)	675,978	48.1	696,252	46.4	855,966	48.1	381,809	45.6	351,977	48.0
Palaispa (貝黎詩)	83,848	6.0	60,756	4.0	85,391	4.8	41,414	4.9	31,067	4.2
CellCare (秀可兒)(2)	464,586	33.1	564,076	37.6	673,025	37.8	338,634	40.5	275,556	37.5
Neology (研源)	64,353	4.6	91,110	6.0	60,931	3.4	28,984	3.5	30,720	4.2
Franchisee and others	115,987	8.2	91,102	6.0	105,427	5.9	45,989	5.5	44,998	6.1
Total	**1,404,752**	**100.0**	**1,503,296**	**100.0**	**1,780,740**	**100.0**	**836,830**	**100.0**	**734,318**	**100.0**

Notes:

(1) Included product sales to franchised stores amounted to RMB79.0 million, RMB66.6 million, RMB83.8 million and RMB32.8 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, as well as product sales to others (primarily include (i) product sales to or through Shanghai Luanmei, whose primary business is the operation of online stores on Tmall (天貓商城) as well as (ii) product sales in beauty exhibitions) amounted to RMB31.5 million, RMB20.2 million, RMB18.0 million and RMB9.2 million, for the same period.

(2) During the Track Record Period, our revenue from non-surgical aesthetic medical services contributed 30.3%, 32.1%, 33.0% and 33.7% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In addition to non-surgical aesthetic medical services, to a limited extent, our CellCare (秀可兒) stores also provided low-risk surgical aesthetic medical services during the Track Record Period, such as double eyelid construction, lipofilling and liposuction procedures, which contributed 2.8%, 5.5%, 4.8% and 3.8% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

Our business grew rapidly in 2019, 2020 and 2021. In 2020, we experienced a slower growth rate primarily due to the outbreak of COVID-19 pandemic. Our traditional beauty services (comprising services under BeautyFarm (美麗田園) and Palaispa (貝黎詩)), which represented the largest component of our service offerings, experienced a slow growth rate in 2020 as strict social distancing restrictions and temporary store closures were imposed after the COVID-19 emerged in early 2020. In particular, our Palaispa (貝黎詩) stores were more affected by the outbreak of COVID-19 pandemic in 2020 as a large number of Palaispa (貝黎詩) stores were located in Beijing, where our stores experienced a longer period of store closures due to the restriction on mobility in local regions. As a result, our revenue generated from Palaispa (貝黎詩) stores decreased from RMB83.8 million in 2019 to RMB60.8 million in 2020. In 2021, corresponding with our business expansion and continued sales and marketing efforts, we achieved robust operational performance and our revenue of traditional beauty services and aesthetic medical services increased concurrently. By contrast, due to the disposal of Hainan Qiyan, our revenue from subhealth assessment and intervention services decreased during the corresponding period. Due to the Recurrence in 2022, especially the strict lockdown in Shanghai, our revenue decreased by 12.3% from RMB836.8 million for the six months ended June 30, 2021 to RMB734.3 million for the six months ended June 30, 2022. To protect the health and well-being of our employees and clients and in support of the efforts to control the spread of the outbreak, we closed or reduced working hours of certain of our direct stores. Since mid-June 2022, substantially all of our stores have been operated under normal business hours. For details, see "Financial Information — Results of Operations" in this document.

The following table sets forth a breakdown of our gross profit and gross profit margin by service offerings for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (Unaudited)	%	*RMB'000*	%
Traditional beauty services										
– Direct stores	327,376	43.1	278,473	36.8	360,621	38.3	155,921	36.8	119,542	31.2
– Franchise and others	68,796	59.3	52,578	57.7	60,621	57.5	21,994	47.8	28,694	63.8
Aesthetic medical services	284,286	61.2	334,502	59.3	386,360	57.4	201,485	59.5	154,216	56.0
Subhealth assessment and intervention services	27,883	43.3	34,471	37.8	26,184	43.0	9,551	33.0	11,577	37.7
Total gross profit/overall gross profit margin	**708,341**	**50.4**	**700,024**	**46.6**	**833,786**	**46.8**	**388,951**	**46.5**	**314,029**	**42.8**

The following table sets forth a breakdown of our gross profit and gross profit margin by brands for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (Unaudited)	%	*RMB'000*	%
BeautyFarm (美麗田園)	291,552	43.1	262,732	37.7	328,562	38.4	142,651	37.4	114,291	32.5
Palaispa (貝黎詩)	35,824	42.7	15,741	25.9	32,059	37.5	13,270	32.0	5,251	16.9
CellCare (秀可兒)	284,286	61.2	334,502	59.3	386,360	57.4	201,485	59.5	154,216	56.0
Neology (研源)	27,883	43.3	34,471	37.8	26,184	43.0	9,551	33.0	11,577	37.7
Franchise and others	68,796	59.3	52,578	57.7	60,621	57.5	21,994	47.8	28,694	63.8
Total gross profit/overall gross profit margin	**708,341**	**50.4**	**700,024**	**46.6**	**833,786**	**46.8**	**388,951**	**46.5**	**314,029**	**42.8**

Our overall gross profit and gross profit margin are affected by our revenue mix due to the differences among the gross profits and gross profit margins of our service offerings and brands. For traditional beauty services by direct stores, we recorded a decrease in gross profit and gross profit margin from 2019 to 2020, primarily resulted from the outbreak of COVID-19 pandemic in 2020. In particular, our traditional beauty services were negatively affected due to the strict social distancing restrictions and temporary store closures in early 2020. Despite the decreased customer volume and store closures, we continued to incur fixed costs such as staff costs, rental expenses and other operation related expenses, which consisted of over 50% of the total cost of sales and services. As a result, we recorded decreased gross profit margin in 2020. Similarly, we also recorded a decrease in gross profit and gross profit margin by brands of BeautyFarm (美麗田園) and Palaispa (貝黎詩). From 2020 to 2021, we recorded an increasing trend in gross profit and gross profit margin of traditional beauty services, primarily due to the continued business expansion. This increasing trend can also be reflected from our business growth in BeautyFarm (美麗田園) and Palaispa (貝黎詩) brands. For example, we opened 13 BeautyFarm (美麗田園) stores and one Palaispa (貝黎詩) store in 2021. Correspondingly, our active members served as well as average spending per active member increased significantly. As a result, we achieved better operational efficiency resulting from economies of scale in relevant costs as well as depreciation and amortization charges in relation to rents. In 2022, due to the Recurrence, especially the strict lockdown in Shanghai, our traditional beauty services by direct stores as well as BeautyFarm (美麗田園) and Palaispa (貝黎詩) brands, recorded a decrease in gross profit and gross profit margin from the six months ended June 30, 2021 to the six months ended June 30, 2022. In general, during the Track Record Period, our gross profit margin of franchised stores and others was significantly higher than that of direct stores given that (i) gross profit margin of sales of products (being the major component of revenue from franchised stores and others) were higher than that of sales of services (being the major component of revenue from direct stores) as nominal fixed costs such as staff costs, rental expenses and operation related expenses were incurred and (ii) no corresponding costs were incurred in generating the franchise fees.

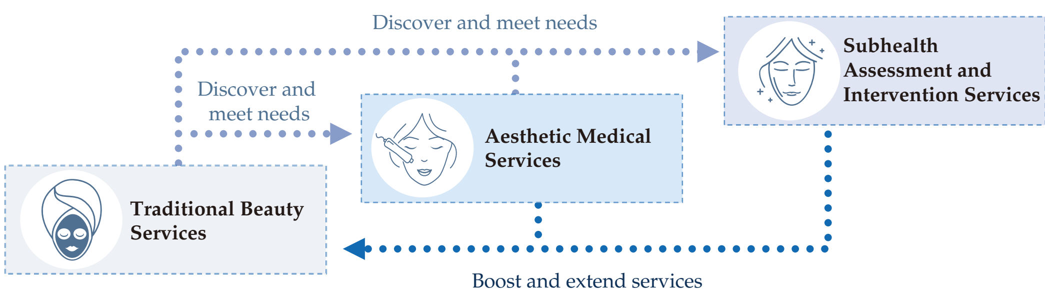
For aesthetic medical services, our gross profit generally increased over years except during the period from the six months ended June 30, 2021 to the six months ended June 30, 2022. Such decrease in gross profit during the first six months of 2022 was resulted from the negative impact of Recurrence as mentioned above. The overall increasing trend of gross profit over years in aesthetic medical services was primarily due to the business growth. However, we experienced a decrease in gross profit margin of aesthetic medical services during the Track Record Period. Our gross profit margin of aesthetic medical services decreased from 2019 to 2020, primarily because we offered an increasing number of injection services with discounts to attract new customers to try our services. Our gross profit margin of aesthetic medical services further decreased from 2020 to 2021, primarily due to the evolvement in product portfolio with increased popularity and acceptance in hyaluronic acid injection services, which have a relatively lower margin. In 2022, our gross profit margin of aesthetic medical services further decreased due to the Recurrence as mentioned above.

For subhealth assessment and intervention services under Neology (研源), our gross profit and gross profit margin fluctuated over year or period. The gross profit margin of subhealth assessment and intervention services decreased from 2019 to 2020 correspondingly as we incurred more costs as compared to revenue at initial stage of our subhealth assessment and intervention business despite the increase in gross profit due to business growth. Our gross profit from subhealth assessment and intervention services decreased from 2020 to 2021, primarily due to the decrease in revenue resulted from the disposal of Hainan Qiyan. Due to such disposal, we started to recognize cooperation fee in relation to subhealth assessment and intervention services, and that lead to the increase in our gross profit margin in the corresponding period. Our gross profit and gross profit margin from subhealth assessment and intervention services increased from the six months ended June 30, 2021 to the six months ended June 30, 2022. These increases were primarily due to the continued business growth of subhealth assessment and intervention services, partially offset by the negative impact of temporary closure of our Neology (研源) healthcare center in Shanghai due to the Recurrence. For details, see "Financial Information — Results of Operations" in this document.

Measuring and comparing gross profits among our different service offerings, our aesthetic medical services still enjoy better gross profit margin than traditional beauty services by direct stores. Aesthetic medical services are in general a more lucrative service category than traditional beauty services, which can be reflected in the significantly higher price charged per each service session. One important reason behind the relatively higher margin is therefore the deep trust from our members and their willingness to purchase service packages with high value in pursuit of high quality services. Additionally, the different cost structure also contributes to the difference in gross profit margin. The cost of sales of traditional beauty services is largely composed of fixed costs such as staff costs and depreciation and amortization charges, and the service nature of traditional beauty services, which involves a relatively longer service period with the reliance on manual labor, also requires higher staff costs. By contrast, one of the largest cost of sales components of aesthetic medical services was product and consumable costs, which are only incurred when delivered to customers thus the costs are proportionate to client visit volume instead of fixed.

The traditional beauty services provided under our BeautyFarm (美麗田園) and Palaispa (貝黎詩) brands are non-medical and non-invasive in nature, and primarily include facial and body care service procedures intended to improve skin condition and overall physical well-being of our clients. The aesthetic medical services provided under our CellCare (秀可兒) brand are primarily non-surgical procedures, including energy-based services and injection services. The energy-based service procedures involve the use of energy-based equipment, such as laser, radiofrequency, intense pulsed light and Cryolipolysis. The injection service procedures are minimally invasive injection procedures using active substance such as botulinum toxin type A and hyaluronic acid. To a limited extent, our CellCare (秀可兒) stores also provided low-risk surgical aesthetic medical services during the Track Record Period, such as double eyelid construction, lipofilling and liposuction procedures, which contributed 2.8%, 5.5%, 4.8% and 3.8% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. In addition, surgical aesthetic medical services are performed by registered physicians who have obtained requisite licenses and training. We have obtained requisite licenses and approvals to provide such low-risk surgical aesthetic medical services during the Track Record Period. The subhealth assessment and intervention services provided under our Neology (研源) brand include detection, assessment and intervention of subhealth conditions. We offer a wide variety of traditional beauty service procedures and aesthetic medical service procedures. The average price range of traditional beauty service procedures is from approximately RMB100 to RMB2,000 and the average price range of aesthetic medical service procedures is from RMB800 to RMB396,000, depending on the nature of the selected procedure and the specific client's conditions and needs. The average price of an subhealth assessment and intervention service procedure varied with the nature of the purchased service procedure, averagely costing from approximately RMB1,000 to RMB38,000.

We first win client trust from traditional beauty services, and then extend to more sophisticated services such as aesthetic medical services and subhealth assessment and intervention services. Our depth of insight enables us to maintain a strong attachment with our clients, which has helped us to develop and discover additional demands in beauty and health management service industry, enables us to efficiently provide more precise and diversified services to our clients, and further helps us retain clients and increase client spending:



Our Store Networks

We offer traditional beauty services under the brands of BeautyFarm (美麗田園) and Palaispa (貝黎詩), aesthetic medical services under CellCare (秀可兒) and subhealth assessment and intervention services under Neology (研源), and have formed an extensive coverage of middle-to-high end consumers in China. During the Track Record Period, the number of our BeautyFarm (美麗田園) stores increased from 119 as of December 31, 2019 to 138 as of December 31, 2021 and further increased to 139 as of June 30, 2022. The number of our Palaispa (貝黎詩) stores remained relatively stable during the Track Record Period and was 16 and 15 as of December 31, 2019 and June 30, 2022, respectively. The number of our CellCare (秀可兒) stores expanded from 14 as of December 31, 2019 to 18 as of December 31, 2021, and remained stable at 18 as of June 30, 2022. The number of our Neology (研源) healthcare centers remained relatively stable during the Track Record Period and was five and five as of December 31, 2019 and June 30, 2022, respectively. Aside from the above four main brands, historically we also created XURFACE in 2018 as our attempt to target younger clients for non-manual traditional beauty services (including the use of skincare equipment in combination with skincare products to keep skin hydrated, lighten the skin, or soften the appearance of fine lines, wrinkles and sagging skin) and ceased the operations of the three XURFACE stores in early 2020. For details, see "Business — Our Store Operation Model — Direct Store Model" in this document. Following our inception, we firstly established our presence in tier-one cities with large populations and high *per capita* income, where we grew rapidly and became a top market player. As of June 30, 2022, we had 84 direct stores in three tier-one cities, namely Beijing, Shanghai, and Shenzhen, and additional 73 direct stores in new tier-one cities, representing 88.7% of our total direct stores. In addition, within our store network, there were 175 stores operated by our franchisees, as of June 30, 2022, to expand our client scale, location coverage and service offerings. The following map sets forth the relevant information of our store network as of June 30, 2022:

Note: As of June 30, 2022

KEY OPERATING METRICS

The following table sets forth certain key performance indicators of our services by our direct stores for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Traditional beauty services				
– Number of active members served	69,895	67,178	75,548	59,632
– Average spending per active member *(RMB)*	10,596	10,866	11,843	6,008
Aesthetic medical services				
– Number of active members served	12,683	14,291	16,896	12,476
– Average spending per active member *(RMB)*	36,631	39,471	39,833	22,087
Subhealth assessment and intervention services				
– Number of active members served	1,895	3,305	2,675	1,723
– Average spending per active member *(RMB)*	33,959	27,567	16,364	11,930

The number of active members served under our traditional beauty services slightly decreased from 2019 to 2020, which was largely due to the restrictions on mobility and social interaction as a result of the COVID-19 pandemic. Such number rebounded as the pandemic gradually came under control in 2021. We recorded robust growth for our aesthetic medical services during the Track Record Period, as we expanded our aesthetic medical service network and the demand for aesthetic medical services was relatively less elastic. The number of active members, who used our subhealth assessment and intervention services, increased from 2019 to 2020 primarily because we expanded our network of subhealth assessment and intervention services in the second half of 2019 and more clients became aware of our subhealth assessment and intervention services since its introduction in 2018. The decrease of average spending per active members from 2019 to 2020 for our subhealth assessment and intervention services was largely due to the impact of the COVID-19 pandemic. We disposed of Hainan Qiyan in 2020, resulting in the decrease of number of active members served and average spending per active number for our subhealth assessment and intervention services in 2021.

In the six months ended June 30, 2022, our stores in cities such as Shanghai, Shenzhen, Nanjing and Changchun experienced temporary closure largely due to the regional outbreak of the COVID-19 in these cities, which negatively impacted our operating performance in this period. For details, please see "— Recent Developments and No Material Adverse Change — Impact of COVID-19 Outbreak" in this section. Consequently, the average spending per active member and number of visits per active member for our traditional beauty services decreased from RMB6,899 and 6.4 in the six months ended June 30, 2021 to RMB6,008 and 5.5 in the six months ended June 30, 2022, respectively; the average spending per active member and number of visits per active member for our aesthetic medical services decreased from RMB28,732 and 2.1 in the six months ended June 30, 2021 to RMB22,087 and 1.9 in the six months ended June 30, 2022, respectively; and the average spending per active member for our subhealth assessment and intervention services decreased from RMB13,220 in the six months end June 30, 2021 to RMB11,930 in the six months end June 30, 2022, while the number of visits per active member slightly increased from 2.5 to 2.7.

The temporary closure of our stores due to the regional outbreak of the COVID-19 also contributed to the decrease of total same-store revenue from RMB776.5 million in the six months ended June 30, 2021 to RMB653.8 million in the six months ended June 30, 2022.

Our BeautyFarm (美麗田園) and Palaispa (貝黎詩) stores can be categorized into three groups based on their respective opening date, namely newly-established stores (i.e., stores that have been established for less than three years), developing stores (i.e., stores that have been established for at least three years, but less than eight years) and matured stores (i.e., stores that have been established for at least eight years). As of June 30, 2022, we had 31 BeautyFarm (美麗田園) and Palaispa (貝黎詩) stores in newly-established stage, 50 BeautyFarm (美麗田園) and Palaispa (貝黎詩) stores in developing stage, and 73 BeautyFarm (美麗田園) and Palaispa (貝黎詩) stores in matured stage.

We, however, do not manage our CellCare (秀可兒) stores and Neology (研源) healthcare centers by stages. Instead, we only proceed to open a CellCare (秀可兒) store or a Neology (研源) healthcare center in a city where we see clear and sufficient demand for aesthetic medical services and subhealth assessment and intervention services from our existing traditional beauty service clients in the same city. Therefore, our CellCare (秀可兒) stores and Neology (研源) healthcare centers normally do not experience a long ramp-up period, and are able to form a large and loyal client base soon after opening. As of June 30, 2022, we had 18 CellCare (秀可兒) stores and five Neology (研源) healthcare centers. The following table sets forth certain key performance indicators of our

BeautyFarm (美麗田園) and Palaispa (貝黎詩) stores by development stage and our CellCare (秀可兒) stores and Neology (研源) healthcare centers during the Track Record Period:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2019	2020	2021	2022
Number of stores				
Traditional beauty service stores				
– Newly-established stores	34	33	35	31
– Developing stores	52	50	53	50
– Matured stores	49	57	66	73
CellCare stores	14	17	18	18
Neology healthcare centers	5	4	5	5
Total	**154**	**161**	**177**	**177**
Revenue (in thousands of RMB)				
Traditional beauty service stores				
– Newly-established stores	77,183	91,361	103,971	43,010
– Developing stores	257,515	225,054	263,482	89,350
– Matured stores	425,128	440,593	573,904	250,684
CellCare stores	464,586	564,076	673,025	275,556
Neology healthcare centers	64,353	91,110	43,772	20,555
Total	**1,288,765**	**1,412,194**	**1,658,154**	**679,155**

Our stores have achieved healthy growth during the Track Record Period. However, we experienced negative same-store growth rate across our developing and matured stores of traditional beauty service stores, CellCare stores and Neology healthcare centers and may continue to experience negative same-store growth rate in the future. For more details of the relevant risks, see "Risk Factors — Risks Relating To Our Business and Industry — Risks Relating To Our Customers — We may not be able to maintain and increase the sales and profitability of our existing stores" in this document.

MARKET AND COMPETITION

We have been dedicated to providing traditional beauty services since 1993. We are primarily operating in China's traditional beauty service industry, which is characterized as fast growing, constantly evolving and strictly regulated. According to Frost & Sullivan, its market size reached RMB403.2 billion in 2021, and is projected to grow at a CAGR of 5.3% to RMB640.2 billion in 2030. As the largest provider of traditional beauty services, leveraging our brand awareness, nationwide store coverage and strong client base, we believe we are well-positioned to capture this industry tailwind. In addition, we provide aesthetic medical services and subhealth assessment and intervention services within the broad beauty and health management service industry. According to Frost & Sullivan, the market of non-surgical aesthetic medical services and subhealth assessment and intervention services is forecasted to grow at a CAGR of 17.5% and 17.1% from 2021 to

2030 and will reach RMB415.7 billion and RMB29.0 billion in 2030, respectively. We believe that the market growth of traditional beauty services, aesthetic medical services and subhealth assessment and intervention services will drive the growth of our business. For more details of our market position and the competitive landscape of the markets, see "Industry Overview" in this document.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated statements of profit or loss for the Track Record Period, derived from the Accountants' Report set out in Appendix I. The summary consolidated financial data set forth below should be read together with the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with HKFRS.

Selected Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (Unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	1,404,752	100.0	1,503,296	100.0	1,780,740	100.0	836,830	100.0	734,318	100.0
Cost of sales and services	(696,411)	(49.6)	(803,272)	(53.4)	(946,954)	(53.2)	(447,879)	(53.5)	(420,289)	(57.2)
Gross profit	**708,341**	**50.4**	**700,024**	**46.6**	**833,786**	**46.8**	**388,951**	**46.5**	**314,029**	**42.8**
Selling expenses	(277,973)	(19.8)	(270,521)	(18.0)	(299,464)	(16.8)	(130,338)	(15.6)	(120,236)	(16.4)
Research and development expenses	(9,142)	(0.7)	(12,670)	(0.8)	(18,029)	(1.0)	(7,751)	(0.9)	(14,992)	(2.0)
General and administrative expenses	(237,375)	(16.9)	(224,057)	(14.9)	(272,450)	(15.3)	(131,835)	(15.8)	(164.151)	(22.4)
Operating profit	**207,175**	**14.7**	**213,325**	**14.2**	**278,035**	**15.6**	**139,001**	**16.6**	**40,156**	**5.5**
Profit before income tax	**179,763**	**12.8**	**188,531**	**12.5**	**255,102**	**14.3**	**127,282**	**15.2**	**29,149**	**4.0**
Income tax expenses	(32,340)	(2.3)	(36,346)	(2.4)	(46,761)	(2.6)	(22,175)	(2.6)	(6,191)	(0.8)
Profit for the year/period	**147,423**	**10.5**	**152,185**	**10.1**	**208,341**	**11.7**	**105,107**	**12.6**	**22,958**	**3.1**

Non-HKFRS Measure

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use non-HKFRS measure, namely, adjusted profit for the year or period, as an additional financial measure, which is not required by, or presented in accordance with HKFRS. We define adjusted profit for the year or period as profit for the year or period by adding back share-based compensation expenses and [**REDACTED**]. Share-based payment expenses are non-cash expenses arising from share awards granted to certain general management personnel and employees and do not result in cash outflow. [**REDACTED**] are expenses in relation to the [**REDACTED**] and the [**REDACTED**]. These two items are commonly not included in similar non-HKFRS measures adopted by other companies. We have made the adjustments consistently during the Track Record Period complying with Guidance Letter HKEX-GL103-19 issued by the Stock Exchange.

We therefore believe that these items should be adjusted for when calculating our adjusted net profit in order to provide potential [**REDACTED**] with a complete and fair understanding of our core operating results and financial performance, so that they can assess our underlying core performance undistorted. For details, please see "Financial Information — Non-HKFRS Measure" in this document. The following table reconciles our net profit for the year or period presented to the most directly comparable financial measure calculated and presented under HKFRS:

	Year ended December 31,			**Six months ended June 30,**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit for the year/period	147,423	152,185	208,341	105,107	22,958
Adjustments:					
Share-based compensation expenses	1,592	6,988	6,290	2,852	6,419
[REDACTED]	–	–	12,063	–	21,264
Adjusted profit (non-HKFRS measure) for the year/period	**149,015**	**159,173**	**226,694**	**107,959**	**50,641**

Our business continued growing from 2019 to 2021, and our net profit consequently increased steadily from RMB147.4 million in 2019 to RMB152.2 million in 2020, and further to RMB208.3 million in 2021, with a stable net profit margin of 10.5%, 10.1% and 11.7% in the three years respectively. The outbreak of COVID-19 and accompanying social distancing restrictions negatively impacted our operations in early 2020, but the demand soon resumed in the second half after the pandemic became contained, and consequently we still managed to record an increasing net profit in 2020 as compared to 2019 though with a slightly lower net profit margin. In the first six months of 2022, however, our net profit decreased to RMB23.0 million from RMB105.1 million in the same period of 2021, and net profit margin dropped from 12.6% to 3.1%, primarily as a result of the Recurrence of COVID, mobility restriction, and in particular the strict lockdown in Shanghai where we operated 41 direct stores. In addition, we incurred substantial non-operational related expenses, such as share-based compensations of RMB6.4 million and [**REDACTED**] of

RMB[**REDACTED**], which resulted in the decrease in our profit for the six months ended June 30, 2022. For details, see "Financial Information — Results of Operations" in this document.

Summary Data From Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**1,162,736**	**1,116,451**	**1,167,832**	**1,186,976**
Property, plant and equipment	307,943	217,443	259,504	264,733
Right-of-use assets	551,527	466,467	451,795	464,145
Goodwill	152,268	176,057	194,273	191,537
Current assets	**655,891**	**986,737**	**1,309,480**	**1,204,673**
Financial assets at fair value through profit or loss	358,898	658,387	926,338	709,736
Cash and cash equivalents	104,819	143,538	157,284	149,696
Current liabilities	**1,326,456**	**1,588,319**	**1,853,753**	**1,839,727**
Contract liabilities	914,730	1,155,062	1,347,685	1,387,521
Net current liabilities	**670,565**	**601,582**	**544,273**	**635,054**
Non-current liabilities	**439,416**	**374,161**	**361,023**	**368,355**
Lease liabilities	430,100	367,943	352,279	358,328
Net assets	**52,755**	**140,708**	**262,536**	**183,567**

We had net current liabilities of RMB670.6 million, RMB601.6 million, RMB544.3 million and RMB635.1 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. The largest current liability item during the Track Record Period was contract liabilities. They represent the payments in advance by our customers and it does not require incremental spending to fulfill our service obligations other than maintaining our facilities and service crew. In our operation, for every dollar we receive from our customers in prepayments, we will use a portion to fund our daily operation or save them in liquid form of financial assets at fair value through profit or loss, while we will also invest some in long-term assets to fund our growth, such as property, plant and equipment or right of use assets. This business model — reasonable and commonly seen in the industry — inevitably creates net current liability position, but we see no liquidity concern due to the reasons stated above as well as our strong ability to generate cash from operation.

From the changes in equity level, our net asset increased from RMB52.8 million in 2019 to RMB140.7 million in 2020, primarily due to the profit for the year of RMB152.2 million, which was partially offset by the dividends declared of RMB72.8 million. Our net asset further increased from RMB140.7 million in 2020 to RMB262.5 million in 2021, primarily due to (i) the profit for the year of RMB208.3 million and (ii) disposal of the Shanghai Beauty Farm's shares through a limited partnership reserved for employee share scheme of RMB18.3 million. Such increase was partially offset by (i) dividends declared of RMB86.7 million and (ii) transactions with non-controlling interests of RMB21.6 million. Our net asset decreased to RMB183.6 million as of June 30, 2022, primarily due to the dividend declared of RMB122.5 million, which was partially offset by the profit for the period of RMB23.0 million.

Summary Consolidated Statements of Cash Flows

The following table sets forth our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash generated from operations	495,692	717,234	715,862	281,230	153,697
Income tax paid	(32,382)	(36,702)	(45,929)	(26,481)	(23,041)
Net cash flows generated from operating activities	463,310	680,532	669,933	254,749	130,656
Net cash flows generated from/(used in) investing activities	(256,732)	(368,943)	(385,347)	(93,048)	172,994
Net cash flows used in financing activities	(250,221)	(273,330)	(271,065)	(174,781)	(311,650)
Cash and cash equivalents at end of the year/period	**104,819**	**143,538**	**157,284**	**130,291**	**149,696**

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we were a party to a limited number of litigations primarily arising from disputes on rental agreement, service contract, clients' missing items, trademark, franchise agreement and medical disputes, and as of the Latest Practicable Date, most of the litigations had been either resolved in favor of us or withdrawn by the plaintiff and had non-material impact on our general operations. We were also involved in a limited number of labor arbitrations and mediations due to disputes on employment termination or employee salaries and as of the Latest Practicable Date, such labor arbitrations and mediations had been properly resolved and had non-material impact on our general operations. As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation. For details, see "Business — Legal Proceedings" in this document.

Non-Compliance

During the Track Record Period and up to the Latest Practicable Date, we experienced certain non-compliance incidents, including failure to obtain the required as-built acceptance check on fire prevention or fire safety filing and/or fire safety inspection certificate ("**Fire Safety Inspection Approvals**"). As of the Latest Practicable Date, we had fully rectified the non-compliance incidents in relation to failure in obtaining the required Fire Safety Inspection Approvals for all our direct stores and franchised stores in operation as of the Latest Practicable Date. For details, see "Business — Compliance, Licenses and Permits — Fire Safety" in this document. We have adopted a number of enhanced internal control measures to prevent the recurrence of similar non-compliances, including (i) regular compliance review from senior management, including Mr. Li, our chairman of our Board, Mr. Lian, our chief executive officer, and Ms. Zhou, our chief financial officer, on internal control and compliance measures; (ii) establishing a compliance management inspection team comprising staff from our legal and compliance department as well as audit department, which will assist our senior management in monitoring and supervising the rectification of the identified non-compliances, and in preventing the recurrence of similar non-compliances; and (iii) arranging our Directors, officers and other employees to attend training sessions conducted by our PRC Legal Advisers on applicable laws, regulations and rules in relation to our operation. See "Business — Compliance, Licenses and Permits" for more information about the non-compliance incidents and the rectification measures we took in relation thereto, and see "Business — Internal Control and Risk Management" for more information about the enhanced internal control measures we adopted to prevent the recurrence of the non-compliances and their implementation status. We undertake to continue to use our reasonable best efforts to rectify our historical non-compliances and to prevent similar non-compliances from recurring, and expect to incur additional costs as a result of our such efforts. See "Risk Factors — Risks Relating to Our Business and Industry" in this document for the various risks in this regard.

OUR CLIENTS AND SUPPLIERS

Major Customers

During the Track Record Period, our customers mainly consisted of individual clients and franchisees. None of the total sales to any clients accounted for more than 0.5% of our total revenue and the sales to our five largest customers in total accounted for less than 2.0% of our total revenue during the Track Record Period. For our individual members, we generally enter into standard membership agreement with them, under which eligibilities, rights, privileges and obligations of our membership are stipulated.

Major Suppliers

During the Track Record Period, our suppliers primarily included suppliers of body and skin care products and medical consumables. During the Track Record Period, we did not experience any interruption in our supplies, shortage of supplies, early termination of supply agreements, or failure to secure sufficient supplies that had any material adverse impact on our business or results of operations. Our suppliers generally offer us a credit term of 0 to 90 days. We typically settle trade payable obligations with respect to our suppliers through bank transfers.

For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB78.9 million, RMB86.4 million, RMB154.8 million and RMB70.0 million, respectively, representing approximately 46.5%, 41.0%, 48.8% and 52.4%, respectively, of our total purchases for the respective periods. For the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, purchases from our largest supplier in each year/period during the Track Record Period amounted to RMB22.8 million, RMB28.7 million, RMB48.6 million and RMB29.3 million, respectively, representing approximately 13.5%, 13.6%, 15.3% and 21.9%, respectively, of our total purchases for the respective periods. For details of concentration risk, see "Risk Factors — Risks Relating To Our Business and Industry — Risk Relating To Our Suppliers and Employees — We have engaged a limited number of suppliers, which may render us vulnerable to supply shortages and price fluctuations" in this document.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section. As different **[REDACTED]** may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to **[REDACTED]** in our **[REDACTED]**. Some of the major risks that we face include: (i) any negative public perception of our brand or reputation will materially and adversely affect our business; (ii) our operations and business plans may be adversely affected by the COVID-19 pandemics; (iii) we are subject to customer complaints, claims and legal proceedings in the regular course of our operations; (iv) we may not be able to obtain, maintain or renew all the permits, licenses, certificates and other regulatory filings; (v) we conduct our business in a heavily regulated industry and incur ongoing compliance costs as well as face penalties for non-compliance; (vi) our business performance may be negatively affected by unfavorable public perception of the overall beauty and health management service industry; (vii) we face risk of impairment loss relating to the goodwill recognized in connection with acquisitions; and (viii) impairment losses relating to intangible assets could materially affect our profits.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Store Network

As of the Latest Practicable Date, our store network consisted of 189 direct stores and 177 franchised stores.

Impact of COVID-19 Outbreak

In an effort to control the spread of the COVID-19 pandemic, China took precautionary measures, such as travel restrictions, quarantines, remote working, cancellation of public events, and recommendations against travel for leisure, among others. These measures adversely affected our operations and financial performance during the Track Record Period.

Strict social distancing restrictions and temporary store closures were imposed after the COVID-19 emerged in early 2020. It significantly restricted our ability to provide our face-to-face services to our clients, and some customers remained hesitant to have in-person services such as spas or massages even after the restrictions were relaxed or lifted. Stores in our network were closed temporarily due to cautionary measures.

Our network expansion was also affected. While we managed to increase the number of our direct stores and franchised stores according to our plan, stores opened in 2020 were nevertheless afforded less time to organize their operations and ramp up, and their results of operations have been negatively affected. Meanwhile, we have experienced and may continue to experience impacts caused by business disruptions to certain of our suppliers as a result of the COVID-19 pandemic.

We currently do not anticipate any material deviation from our operation and expansion plan due to the COVID-19 pandemic. We believe that the level of liquidity is sufficient to successfully navigate an extended period of uncertainty.

We cannot guarantee you, however, that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. Recently, there has been an increasing number of COVID-19 cases, including the COVID-19 Delta and Omicron variant cases, in multiple cities in China. The Chinese local authorities have reinstated certain measures to keep COVID-19 in check, including travel restrictions and stay-at-home orders, and we may have to adjust various aspects of our operations. In addition, the highly-transmissible Delta and Omicron variants of COVID-19 have caused many governmental authorities to reimpose restrictions such as mask mandates, curfews and prohibitions on large gatherings. As of the Latest Practicable Date, we were actively monitoring the development of COVID-19 in China. The recent emergence of the Omicron virus variant ("**Recurrence**"), a COVID-19 virus variant that is more infectious than its predecessors, created uncertainties for our business operations and our business was affected in the following ways:

- **Operations:** We took a series of measures in response to the outbreak to protect our employees and business operations. Since March 2022, a total of 142 direct stores in 18 cities have experienced temporary closures to certain degree to actively comply with the relevant government policies related to prevention and control of COVID-19 pandemic. Specifically, from mid-March to late March 2022, 13 direct stores in Shenzhen were temporarily closed; from mid-March to mid-April 2022, 7 direct stores in Nanjing were temporarily closed; from mid-March to late May 2022, 6 direct stores in Changchun were temporarily closed; from mid-March to mid-June 2022, 40 direct stores in Shanghai were temporarily closed. In addition, 7 direct stores in Shanghai were also experienced sporadic closures from July to September 2022; from early May to early July 2022, 28 direct stores in Beijing were temporarily closed; from early March to late August 2022, 6 direct stores in Xi'an were temporarily closed; from late July to mid-September 2022, 9 direct stores in Chengdu were temporarily closed; from early April to late August, 7 direct stores in Hainan province were temporarily closed; and some stores in the remaining 9 cities also experienced temporary store closures within 15 days. In addition, our franchised stores also experienced temporary closures during the corresponding period. Specifically, since March 2022 to September 2022, 93 franchised stores (including both BeautyFarm (美麗田園) and Palaispa (貝黎詩) franchised stores) were temporarily closed and the average store closure days for franchised stores were approximately 32 days. Since the late September to the Latest Practicable Date, there are sporadic outbreaks in multiple regions. However, since early June 2022, Beijing and Shanghai have gradually restored the normal order of production and living across the cities and many cities mentioned above had gradually resumed normal operation. As the Recurrence gradually became contained, our business operations had gradually resumed to the normal operation. For example, in July and August of 2022, our operating income achieved year-on-year growth of 16%, with some cities achieving year-on-year growth of 20% or more. To minimize the impact of COVID-19 outbreak, we take active measures in promoting our services through online channels during the Recurrence, and we have a stable number of clients and members who are willing to purchase prepaid packages from us during the Recurrence. In particular, we use live broadcasting, online interaction among members and community group purchase during the Recurrence to tackle the continuous impact of COVID-19. In addition, we expect our aesthetic medical services will increase because of the low elasticity of customers' demand of such services — clients who did not receive the service during the COVID-19 restriction of mobility and social interaction would mostly seek the service once the restriction is lifted. In respect of the overall management, we continue to apply stringent financial management procedures and control our investments in fixed assets. In addition, we reduce non-essential and non-emergency expenses, such as costs in relation to traveling and team building. In addition, our management team voluntarily suspends certain of their remuneration during this period.

- **Product sales and supply chain:** The sales of our products and supply chain have been affected by the COVID-19 pandemic. Lockdowns and limitation on mobility affected our abilities to ship our products to franchised stores and other direct stores. We experienced slight delay in our supply procurement but did not experience significant fluctuations in the prices of our supplies. As the Recurrence gradually became contained, the delivery of products from warehouses has resumed normal.

- **Training:** Our employees are required to participate pre-work training and will participate another session prior to their promotions or introduction of new services. Due to the impact of Recurrence, we were unable to provide offline trainings as scheduled. However, we believe the impact of Recurrence on our training is temporary and we actively implement online training programs which allow our professional service personnel to participate at home. We also introduced tech-enabled solutions such as AI tools to simulate offline training scenarios. Through those tech-enabled tools, we are able to provide required trainings and evaluations on time and better prepare for the recovery of the Recurrence.

There remain significant uncertainties surrounding the COVID-19 pandemic, including the existing and new variants of COVID-19, and its further development as a global pandemic, including the effectiveness of vaccine against existing and any new variants of COVID-19. The extent of any business disruption and the related impact on our financial results and outlook cannot be reasonably estimated at this time. For more details, see "Risk Factors — Risks Relating To Our Business and Industry — Risks Relating To Our Services and Products — Our operations and business plans may be adversely affected by the COVID-19 pandemics" in this document.

Estimated Decrease in Net Profit for 2022

We currently estimate that our net profit for 2022 would decrease as compared to 2021. Due to the regional resurgence of COVID-19 cases in certain areas in China, especially the strict lockdown in Shanghai, as disclosed in "— Impact of the COVID-19 Outbreak" above, our revenue growth in 2022 might be negatively affected. Meanwhile, we expect that our operating expenses would significantly increase for 2022 as compared to 2021, primarily due to an increase in general and administrative expenses, mainly attributable to the [**REDACTED**] incurred in relation to the [**REDACTED**]. As a result of these factors, we currently estimate that our net profit for 2022 would decrease as compared to 2021.

No Material Adverse Change

Our Directors confirm that up to the date of this document, other than as disclosed under the "Recent Developments and No Material Adverse Change" in the "Summary" section in this document, there had been no material adverse change in our financial, operational or prospects since June 30, 2022, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant's Report in Appendix I to this document.

[REDACTED] STATISTICS[1]

	Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]
[**REDACTED**] of our Shares[2]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share[3]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) All statistics in this table are on the assumption that the [**REDACTED**] are not exercised.

(2) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately after completion of the [**REDACTED**].

(3) The [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per [**REDACTED**] is calculated after making the adjustments referred to in "Financial Information — Unaudited [**REDACTED**] Statement of Adjusted Net Tangible Assets" and on the basis that [**REDACTED**] Shares were in issue assuming the [**REDACTED**] has been completed on June 30, 2022 without taking into account of the [**REDACTED**] Shares to be issued pursuant to the Share Incentive Plan upon completion of Capitalization Issue.

SHAREHOLDER INFORMATION

As of the Latest Practicable Date, Mr. Li, Ms. Li, Mr. Lian, Niu Guifen, Cui Yuanjun, Yuan Huimin, LIY Holdings, LYBF Management Holdings Limited, LIY Management, LIFY Holdings, LFYE Management Holdings Limited, LIFY Management, Meiyao Holdings, LIANSY Holdings Limited, NIUGF Holdings Limited, LIANSY Family Holdings Limited, CUIYJ Holdings Limited, CUIYJ Management Holdings Limited, YUANHM Holdings Limited, and YUANHM Management Holdings Limited are collectively entitled to exercise voting rights of approximately [55.77]% of the total issued share capital of our Company. Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), they will be entitled to exercise voting rights of approximately [**REDACTED**]%. Therefore, Mr. Li, Ms. Li, Mr. Lian, Niu Guifen, Cui Yuanjun, Yuan Huimin, LIY Holdings, LYBF Management Holdings Limited, LIY Management, LIFY Holdings, LFYE Management Holdings Limited, LIFY Management, Meiyao Holdings, LIANSY Holdings Limited, NIUGF Holdings Limited, LIANSY Family Holdings Limited, CUIYJ Holdings Limited, CUIYJ Management Holdings Limited, YUANHM Holdings Limited, and YUANHM Management Holdings Limited, who have entered into a concert agreement with the other parties, are our Controlling Shareholders upon [**REDACTED**].

CITIC PE has been a Pre-[**REDACTED**] Investor of our Company since December 2013. As of the Latest Practicable Date, CITIC PE, through BVI Xinyu Meiye, holds 35.93% of our Shares. Mr. Zang Ye, through ZYLot Holdings Limited, invested in our Company in March 2022 and holds 0.19% of our Shares. Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the two Pre-[**REDACTED**] Investors will hold [**REDACTED**]% and [**REDACTED**]% of our Shares, respectively. For more details, see "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investments" in this document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDER — HAINAN QIYAN

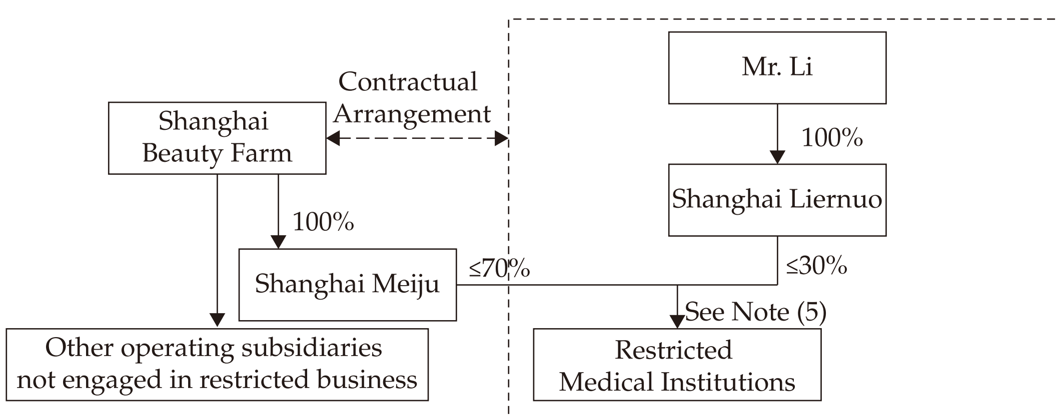
As of the Latest Practicable Date, our Controlling Shareholders are interested in the business of Hainan Qiyan, a medical services provider based in Bo'Ao, Hainan province. Hainan Qiyan operates a hospital primarily focused on the provision of frontier medical services with a focus on research, development and application of innovative technologies. In order to advance its capabilities in the technologies and as part of its business focus to offer its customers with frontier technologies and innovative products, Hainan Qiyan has made significant commitments on research and development.

Hainan Qiyan has a different business focus from our Group and provides services that is not otherwise provided by our Group. Hainan Qiyan has not generated any income from any overlapping services with the Company, including but not limited to traditional beauty services, aesthetic medical services, and subhealth assessment and intervention services which directly or indirectly competes with the Group since the Group's disposal in December 2020 and will not do so in the future. The Company is of the view that operation of Hainan Qiyan within our Group would require significant dedication of management attention on frontier technologies and innovative products offerings of Hainan Qiyan. For details on the delineation of business, please refer to the section headed "Relationship with our Controlling Shareholders" in this document. We have also entered into certain continuing connected transaction with Hainan Qiyan in relation to business cooperation and property leasing, please refer to the section headed "Connected Transactions" in this document.

Our Controlling Shareholders has entered into a deed of non-competition in favor of the Company, for more details, see "Relationship with Our Controlling Shareholders — Deed of Non-Competition" in this document.

CONTRACTUAL ARRANGEMENTS

Due to foreign ownership restrictions under PRC Laws, our Company is unable to own or hold 100% equity interest in the Restricted Medical Institutions conducting our businesses. We instead control part of their equity interest in these entities through Contractual Arrangements, through which we are able to consolidate the economic benefits enjoyed by Mr. Li from Shanghai Liernuo. The Contractual Arrangements apply to up to 30% equity interests in our Restricted Medical Institutions. In the opinion of our PRC Legal Advisers, the Contractual Arrangements does not constitute a breach of relevant laws and regulations and would not be deemed invalid or ineffective under the relevant PRC laws and regulations. For details, see "Contractual Arrangements" and also "Risk factors — Risks Relating To Our Corporate Structure" in this document. The following simplified diagram illustrates the key aspects of the Contractual Arrangements:



Notes:

(1) Mr. Li is the registered shareholder of Shanghai Liernuo.

(2) "⟷" denotes direct legal and beneficial ownership in the equity interest.

(3) "◄---►" denotes contractual relationship.

(4) "- - - - -" denotes the entities that are subject to the Contractual Arrangements.

(5) For details of our Restricted Medical Institutions, please refer to the section headed "Contractual Arrangements — Our Contractual Arrangements" in this document.

DIVIDENDS

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, certain companies comprising the Group declared dividends of RMB77.1 million, RMB72.8 million, RMB86.7 million, RMB78.0 million and RMB122.5 million, respectively, to then shareholders. We believe that the distribution of the dividend will not have a material impact on the sufficiency of our working capital after the **[REDACTED]** and we will be able to maintain sufficient funds to meet our working capital requirements and debt obligations. Our historical declarations of dividends may not reflect our future declarations of dividends. For details, see "Financial Information — Dividends" in this document.

USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]** million, after deducting **[REDACTED]**, fees and estimated expenses payable by us in connection with the **[REDACTED]**, and assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, which is the mid-point of the indicative **[REDACTED]** stated in this document. We intend to use the net **[REDACTED]** from the **[REDACTED]** for the following purposes: (i) **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be allocated to expand and upgrade our service network, including expanding our traditional beauty service network with a focus on tier-one cities and new tier-one cities, expanding and upgrading our store network for aesthetic medical services and subhealth assessment and intervention services in new tier-one cities, and building one flagship beauty and health management service center in each of Shanghai and Beijing; (ii) **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be used for strategic merger and acquisitions of franchised stores; (iii) **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be allocated to further invest in our IT systems; and (iv) **[REDACTED]**%, or approximately HK$**[REDACTED]**, will be allocated to the working capital and other general corporate purposes.

[REDACTED]

[REDACTED] to be borne by us are estimated to be approximately RMB **[REDACTED]** (HK$**[REDACTED]**) (including **[REDACTED]**), at the **[REDACTED]** of HK$**[REDACTED]** per Share, and assuming the **[REDACTED]** is not exercised. As of June 30, 2022, we incurred a total of RMB**[REDACTED]** (HK$**[REDACTED]**) in **[REDACTED]**, among which RMB**[REDACTED]** were recognized in our consolidated statement of comprehensive income, and RMB**[REDACTED]** were recognized in the consolidated statement of financial position to be accounted for as a deduction from equity upon **[REDACTED]**.

We estimate that additional **[REDACTED]** of approximately RMB**[REDACTED]** (HK$**[REDACTED]**) (including **[REDACTED]** of approximately RMB**[REDACTED]** (HK$**[REDACTED]**), assuming the **[REDACTED]** is not exercised and based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**) will be incurred by our Company, approximately RMB**[REDACTED]** (HK$**[REDACTED]**) of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB**[REDACTED]** (HK$**[REDACTED]**) of which is attributable to the issue of shares and will be deducted from equity upon **[REDACTED]**. Our **[REDACTED]** as a percentage of gross **[REDACTED]** is **[REDACTED]**%, at an **[REDACTED]** of HK$**[REDACTED]** per Share, and assuming the **[REDACTED]** is not exercised. The **[REDACTED]** above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.