

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Company has sought [and has been granted] the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our management, business operations and assets are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in the PRC. Our Company considers that our Group's management is best able to attend to its functions by being based in the PRC. Our executive Directors are not or will not be ordinarily resident in Hong Kong after the [REDACTED] of our Company. Our Directors consider that relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that our Company implements the following arrangements to maintain effective communication between the Stock Exchange and us:

- (1) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorized representatives, namely, Mr. LI Yang (李陽), our executive Director, and Ms. KWOK Siu Ying Sarah (郭兆瑩) ("**Ms. Kwok**"), one of our joint company secretary, to be the principal communication channel at all times between the Stock Exchange and the Company. Each of our authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;
- (2) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;
- (3) each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;

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- (4) we have appointed Haitong International Capital Limited as our compliance adviser (the "**Compliance Adviser**"), pursuant to Rule 3A.19 of the Listing Rules, which will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us for the period commencing from the [REDACTED] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Adviser will maintain constant contact with the authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules;
- (5) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address, if any), and in the event that any Director expects to travel or otherwise be out of the office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives; and
- (6) we will also retain legal advisers to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after [REDACTED].

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, an issuer must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint an individual as the company secretary of our Company who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers that the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); or
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

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Note 2 to Rule 3.28 of the Listing Rules provides that in assessing "relevant experience", the Stock Exchange will consider the individual's:

- (a) length of employment with the Company and other listed companies and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulation in Hong Kong, he/she also needs to have experience relevant to our Company's operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs as company secretary.

We have appointed Ms. ZHOU Min (周敏) ("**Ms. Zhou**") and Ms. Kwok as the joint company secretaries of our Company. Ms. Kwok is an associate member of The Hong Kong Chartered Governance Institute and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules. Ms. Zhou, however, does not possess the qualifications set out in Rule 3.28 of the Listing Rules. We believe that Ms. Zhou, by virtue of her knowledge and experience in corporate administrative matters and familiarity with the Group's business, is capable of discharging her functions as a joint company secretary. We therefore believe that it would be the best interests of our Company and of the corporate governance of our Group to appoint Ms. Zhou as a joint company secretary. For the biographical information of Ms. Zhou and Ms. Kwok, see "Directors and Senior Management" in this document.

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We have therefore applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the conditions that: (i) Ms. Kwok is appointed as a joint company secretary to assist Ms. Zhou in discharging her functions as our joint company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Ms. Kwok, during the three-year period, ceases to provide assistance to Ms. Zhou as our joint company secretary; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. We expect that Ms. Zhou will acquire the qualifications or relevant experience required under Rule 3.28 of the Listing Rules prior to the end of the three-year period after the [REDACTED]. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Zhou, having had the benefit of Ms. Kwok's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after the [REDACTED]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, waivers from strict compliance (i) with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraphs headed "Connected Transactions — Continuing Connected Transactions subject to the Reporting, Annual Review, and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" and "Connected Transactions — Non-exempt Continuing Connected Transactions — Contractual Arrangements", and the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements as disclosed in the paragraph headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Contractual Arrangements", pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules. Please refer to the section headed "Connected Transactions" in this document for further information.

WAIVER IN RELATION TO ACQUISITION AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant includes in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial years immediately preceding the issue of the listing document.

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Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver of Rules 4.04(2) and 4.04(4) of the Listing Rules taking into account the following factors:

- (a) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period;
- (b) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (c) (i) where a new applicant's principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rule 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, "control" means the ability to exercise or control the exercise of 30% (or any amount specified in the Hong Kong Code on Takeovers and Mergers as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or (ii) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules on each acquisition. In this regard, "unduly burdensome" will be assessed based on each new applicant's specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target's books and records for the purpose of complying with the disclosure requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules).

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Background of the Targets Acquisition

In July 2022, Chongqing Beauty Farm Beauty Development Co., Ltd. (重慶美麗田園美容發展有限公司), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement in acquisition of the business operated by two beauty stores operated by Chongqing Weiwei Beauty Co., Ltd. (重慶薇薇美容有限公司) and three affiliated beauty stores located in Chongqing (together, the "Targets") from LUO Wei (羅維) and LUO Meishu (羅美姝), being shareholders and operators of the Targets businesses and each being an Independent Third Party (the "Targets Acquisition"). The Targets Acquisitions were made in order to expand the Group's network of members and employees within the Chongqing area by leveraging on the Targets' long track record of over a decade.

The acquisition agreement provided that the Group shall acquire the Target's business (including certain of its employees and existing members networks of the Targets (including any unused prepaid packages from such members)) with assistance from the Targets and the sellers for a total consideration of RMB3.97 million. The Targets Acquisition was completed in July 2022, and the consideration paid for the Targets Acquisition was determined through arms' length negotiation between the parties based on the value of the Targets taking into account their existing customer network and the outstanding unused prepaid packages. The consideration has been satisfied in cash with the Group's internal resources (the Group has retained RMB0.6 million from the total consideration in security of continuing assistance from the sellers and the Group expects to settle the amount in cash with the Group's internal resources in accordance with the terms of the acquisition agreement).

Based on the unaudited management accounts of the Targets, its total assets amounted to approximately RMB2.73 million as of December 31, 2021 and its net profit before tax was RMB0.58 million and RMB0.40 million for the years ended December 31, 2020 and December 31, 2021, respectively. Its net profit after tax was RMB0.46 million and RMB0.32 million for the years ended December 31, 2020 and December 31, 2021, respectively.

Our Directors considered that the Targets Acquisition is on normal commercial terms, fair and reasonable and in the interest of our Company and the Shareholders as a whole. Our Directors considered that the Targets Acquisition will enable the Group to expand more rapidly in the Chongqing region by leveraging on customer networks and experienced staff developed and maintained by the Targets.

Conditions to the waiver granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Targets Acquisition on the following grounds:

(a) Ordinary and usual course of business and independent third parties collaboration

As explained above, the Targets are stores providing traditional beauty services and are closely related to the existing business of our Company. As a result, we are of the view that the Group's acquisition is within the ordinary and usual course of business of our Company. In addition, to the best of our knowledge, the Targets and their ultimate beneficial owners are Independent Third Parties.

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(b) Immateriality

Under Rule 14.04(9) of the Listing Rules, all the applicable percentage ratios in relation to the acquisition of the Targets are below 5% by reference to the most recent audited financial year of the Track Record Period. We consider the acquisition of the Targets to be immaterial in the context of our Company operations as a whole and therefore a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules will not affect potential [REDACTED]' assessment of our business and future prospects when considering an [REDACTED] in our Company.

(c) Impracticality

The Targets Acquisition was only completed in the third quarter of 2022 and it will require considerable time and resources for our Company and the Reporting Accountants to familiarize with the accounting policies of the Targets in order to collect the necessary audit evidence and prepare audited financial information for the Targets in accordance with the Group's accounting policies and reporting standards. Accordingly, having considered the immateriality of the Targets as well as the additional time and resources required, we are of the view that it would be unduly burdensome for our Company to audit the historical financial information of the business underlying the Targets in conformity with our accounting policies within the short timeframe between the completion of the Targets Acquisition and the [REDACTED].

(d) Alternative disclosure

With a view of allowing potential investors to understand the Targets Acquisition, we have set out in this section alternative information in relation to the Targets Acquisition which is comparable to the information that is required for a discloseable transaction under Chapter 14 of the Listing Rules, including, among other things, (i) description of the principal business activities of the Targets; (ii) a confirmation that the vendors of the Targets are Independent Third Parties, (iii) the consideration for the Targets Acquisition and how it was satisfied, (iv) basis upon which the consideration for the Targets Acquisition was determined, (v) the book value of the asset which is the subject of the Targets Acquisition, (vi) the net profit/loss (both before and after taxation) attributable to the asset which is the subject of the Targets Acquisition for the two financial years immediately preceding the transactions and (vii) the reasons for entering into the Targets Acquisition and the benefits which are expected to accrue to our Company as a result of the Targets Acquisition.