

## CONTRACTUAL ARRANGEMENTS

### BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

#### PRC Laws and Regulations Relating to Foreign Ownership Restriction

The Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "**Negative List**") promulgated jointly by the MOFCOM and the NDRC, the Negative List stipulates industries in which foreign investments is restricted and prohibited. According to the Negative List, the operation of medical institutions falls within the "restricted category", and therefore may not be held 100% by foreign investors.

According to the Provisional Measures for the Administration on Sino-Foreign Equity and Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法), foreign investors are not allowed to hold more than 70% equity interest in a medical institution.

As part of our business, our Group operates medical institutions which offer medical services including aesthetic medical services (including a limited amount of surgical aesthetic medical services that are classified as low-risk Grade I medical procedures according to the applicable laws and regulations) and subhealth assessment and intervention services (the "**Relevant Businesses**"). The operation of such medical institutions fall into the scope of the "restricted" category of the Negative List. As such, Relevant Businesses are operated in accordance with above-mentioned restrictions by the Group. With respect to the foreign investment restriction on medical services and medical institutions, the respective PRC Legal Advisers of our Company and of the Joint Sponsors conducted verbal consultations with officers of the National Health Commission of the PRC (the "**NHC**") and the Shanghai Municipal Commission of Commerce (上海市商務委員會) ("**Shanghai MOFCOM**"). None of the Group's medical institutions is directly foreign-owned and thus constitutes Sino-foreign joint ventures. Meanwhile, the Foreign Ownership Restriction to medical institutions is applied on a see-through basis. Shanghai Aiyumei, being an entity established in Shanghai and the indirect shareholder of the Company's medical institutions, is the only foreign-owned entity within the Group to function as the holding company and holds up to the shareholding which foreign-owned entity are permitted to hold in medical institutions under the relevant foreign investment restrictions. Pursuant to the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) and the information in the official websites of Shanghai MOFCOM and the officer consulted with regarding the introduction of their responsibilities, such officer is competent person to provide the confirmation, and the Shanghai MOFCOM has regulatory oversight over the foreign-owned entity located in Shanghai and is the competent authority supervising the activities of foreign investment in Shanghai, based on the foregoing, the PRC Legal Advisers of Company are of the view that Shanghai MOFCOM, rather than other provincial MOFCOM in the PRC, should be the competent and proper authority to be consulted on the Foreign Ownership Restriction about Contractual Arrangements of Company.

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Pursuant to the consultation, foreign investors are not allowed to hold, either directly or indirectly, more than 70% equity interest in a medical institution. Our PRC Legal Advisers are of the view that the NHC and Shanghai MOFCOM are the competent authorities to give such confirmation in respect of foreign investments. Based on the information in the official websites of such authorities regarding their respective functions as well as the officer's introduction of their responsibilities and confirmation provided during the consultation, the PRC Legal Advisers of the Company are of the view that the officers of NHC and Shanghai MOFCOM who provided the regulatory confirmations are competent persons to give such confirmations.

Based on above, our PRC Legal Advisers are of the opinion that, the Company, as a foreign entity, shall not hold, either directly or indirectly, more than 70% equity interest in the Company's Medical Institutions (the "**Foreign Ownership Restriction**").

The Contractual Arrangements are narrowly tailored to address solely the Foreign Ownership Restriction as set forth in the above paragraph. The Contractual Arrangements are also narrowly tailored to achieve the business purposes of the Company and to minimize the potential conflict with relevant PRC laws and regulations. The Company will not incur additional income tax and business tax after the entering into of the Contractual Arrangements.

As such, the Company, through Shanghai Meiju, currently holds equity interest in the Restricted Medical Institutions up to the permissible threshold of foreign investment under the Foreign Ownership Restriction, and the remaining shareholding in the Restricted Medical Institutions are held by Shanghai Liernuo and other PRC shareholders. In addition to the businesses operated under the Contractual Arrangement, we also derive revenue from our other subsidiaries which operates our stores and healthcare centers. For details, see "Business" and "Financial Information" in this document.

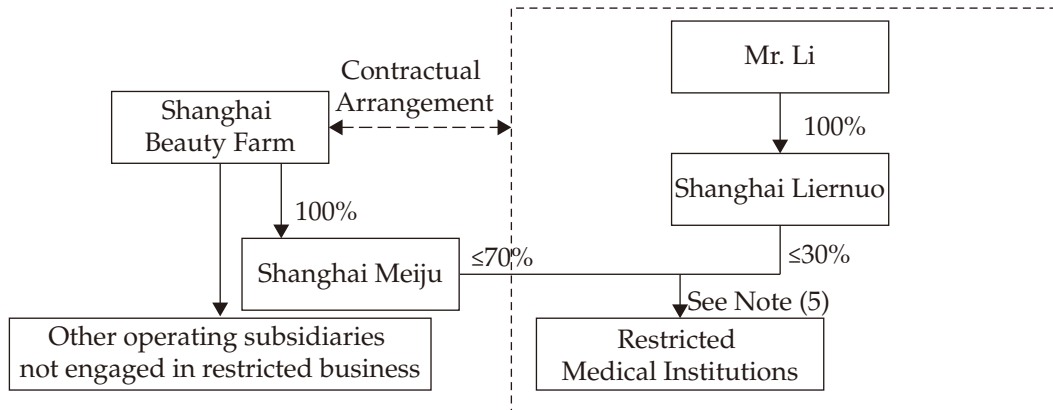
### **Circumstances in Which We Will Unwind the Contractual Arrangements**

As regards the Contractual Arrangements, if and when MOFCOM and/or other relevant governmental departments promulgate any measures for the administration of foreign-invested enterprises engaging in operating medical institution business or such entities invested by foreign investors, depending on the limit of the percentage equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the Medical Institutions up to the percentage limit prescribed by such measures; and if there is no prescribed limit of the percentage equity interest permitted to be held by foreign investors and that our Company would be allowed to directly hold 100% of the equity interests in the Medical Institutions, we will fully unwind the Contractual Arrangements and directly hold the entire equity interest in the Medical Institutions.

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Shanghai Liernuo is the holding company of our Restricted Medical Institutions. The Contractual Arrangements apply to the equity interests in our Restricted Medical Institutions which cannot be directly held by the Group as a result of the Foreign Ownership Restriction. The following simplified diagram illustrates the flow of economic benefits from our Restricted Medical Institutions to our Group as stipulated under 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.

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- (5) As of the Latest Practicable Date, we own and operate 20 Restricted Medical Institutions. Amongst the Restricted Medical Institutions, 3 are at the pre-opening stage and 2 has closed down. 1 of the Restricted Medical Institutions at pre-opening stage are currently in the process of applying for the relevant medical institution practicing license. Other than the 1 aforementioned Restricted Medical Institutions, each of the other 19 Restricted Medical Institutions has obtained the necessary medical institution practicing license (either through themselves or their branch company) to operate as a Medical Institution. Details of our interest in the Restricted Medical Institutions are set forth below:

	<b>Medical Institutions</b>	<b>Brand that the Medical Institution operates under</b>	<b>Interest held or controlled by the Group<sup>(i)</sup></b>
1	Shanghai Xiukeer Clinic Co., Ltd.* (上海秀可兒門診部有限公司)	CellCare, Neology	100%
2	Ningbo Jiangbei Yongjiang Xiukeer Medical Beauty Clinic Co., Ltd.* (寧波江北甬江秀可兒醫療美容診所有限公司)	CellCare	100%
3	Nanjing Xiukeer Medical Beauty Clinic Co., Ltd.* (南京秀可兒醫療美容診所有限公司)	CellCare	100%
4	Shenzhen Xiukeer General Outpatient Department* (深圳秀可兒綜合門診部)	CellCare	100%
5	Hangzhou Liyan Medical Beauty Clinic Co., Ltd.* (杭州麗研醫療美容診所有限公司)	CellCare	100%
6	Zhengzhou Liyan Medical Beauty Service Co., Ltd.* (鄭州麗研醫療美容服務有限公司)	CellCare	100%
7	Haikou Meilan Meishuyue Medical Beauty Clinic Co., Ltd.* (海口美蘭美束悅醫療美容門診部有限公司)	CellCare	100%
8	Beijing Hexin Medical Beauty Clinic Co., Ltd.* (北京禾欣醫療美容門診部有限公司)	CellCare	100%
9	Beijing Yanyuan Clinic Co., Ltd.* (北京研源診所有限公司)	Neology	100%
10	Chengdu Gaoxinxiu Keer Medical Beauty Clinic Co., Ltd.* (成都高新秀可兒醫療美容診所有限公司)	CellCare	100%
11	Chongqing Xiukeer Comprehensive Outpatient Department Co., Ltd.* (重慶秀可兒綜合門診部有限公司)	CellCare, Neology	95% <sup>(v)</sup>
12	Xi'an Meiju Medical Technology Development Co., Ltd.* (西安美聚醫療科技發展有限公司)	CellCare <sup>(iii)</sup>	100% <sup>(vi)</sup>
13	Wuhan Qiyuan Comprehensive Outpatient Department Co., Ltd.* (武漢啟研綜合門診部有限公司)	CellCare, Neology	90.25% <sup>(vii)</sup>
14	Beijing Meishu Laser Medical Clinic Co., Ltd.* (北京美束激光醫療診所有限公司)	Neology <sup>(iii)</sup>	86% <sup>(viii)</sup>
15	Changchun Meiju Medical Technology Development Co., Ltd.* (長春美聚醫療科技發展有限公司) ("Changchun Meiju")	CellCare, Neology <sup>(iv)</sup>	90% <sup>(ix)</sup>
16	Qingdao Aimei Medical Beauty Co., Ltd.* (青島艾美醫療美容有限公司)	CellCare	100%
17	Haikou Xiukeer Medical Beauty Clinic Co., Ltd.* (海口秀可兒醫療美容門診部有限公司)	CellCare <sup>(ii)</sup>	100%
18	Xi'an Beilin Xiukeer Comprehensive Outpatient Department Co., Ltd.* (西安碑林秀可兒綜合門診部有限公司)	CellCare, Neology	84% <sup>(x)</sup>
19	Haikou Yanyuan Clinic Co., Ltd.* (海口研源診所有限公司)	Neology <sup>(ii)</sup>	100%
20	Hefei Xiukeer Medical Beauty Clinic Co., Ltd.* (合肥秀可兒醫療美容診所有限公司)	CellCare <sup>(ii)</sup>	100%

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Notes:

- \* English translations are for reference only
- (i) Unless otherwise indicated, non-controlling interests are held by Independent Third Parties.
- (ii) stores that are at the pre-opening stage.
- (iii) store that has closed down.
- (iv) Changchun Meiju operates both the CellCare and Neology brand through its branches, and the branch operating the Neology brand is currently in its pre-opening stage.
- (v) 95% of the equity interest is controlled by the Group. The remaining 5% equity interest is controlled by Chongqing Douma Technology Development Co., Ltd. (重慶度瑪科技發展有限公司), a company controlled by Zhang Hong (張虹).
- (vi) 60% of the equity interest is controlled by the Group, the remaining 40% of the equity interest is controlled by Xi'an Beauty Farm Beauty Service Co., Ltd. (西安美麗田園美容服務有限公司), the Group in turn controls approximately 54.00% of its equity interest and the remaining interest controlled by Long Yongli (龍永麗) as to 36.00% and Shanghai Shengqian Business Management Partnership (Limited Partnership) (上海盛芊商業管理合夥企業(有限合夥), "Shanghai Shengqian") as to 10.00%. Shanghai Shengqian partners include Mr. Li (our executive Director who is interested in 0.01% of its interest), the Group (as to 49.99% of its interest) and six other Independent Third Parties.
- (vii) 90.25% of the equity interest is controlled by the Group, the remaining equity interest is controlled by Zheng Hua (鄭華) and Li Bo (李波) as to 5.00% and 4.75%, respectively.
- (viii) 86% of the equity interest is controlled by the Group, the remaining equity interest is controlled by Jiang Huicheng (蔣會成), Lin Keting (蘭科婷) and Lin Ping (林萍) as to 8%, 3% and 3%, respectively.
- (ix) 90% of the equity interest is controlled by the Group, the remaining equity interest is held equally by two entities ultimately controlled by Zhang Xiaoda (張效達), Ren Xianshi (任憲石) and Wang Xiaohong (王曉紅).
- (x) 84% of the equity interest in controlled by the Group, the remaining equity interest is controlled by Long Yongli (龍永麗).

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### SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

#### (1) Exclusive Operation Services Agreement

Mr. Li, Shanghai Beauty Farm and the Restricted Medical Institutions have entered into exclusive operation services agreements with Shanghai Liernuo on April 13, 2022 and on November 4, 2022, (the "**Exclusive Operation Services Agreements**"), pursuant to which, the Restricted Medical Institutions, Mr. Li and Shanghai Liernuo agreed to engage Shanghai Beauty Farm as their exclusive provider of technical support, consulting services and other services in exchange for a service fee.

Under the Exclusive Operation Services Agreement, the services to be provided include but are not limited to (i) business, financing and investment, (ii) medical technology related consultation, medical resources sharing and medical professionals training, (iii) human resources management, (iv) market research, (v) strategies for marketing and business expansion, (vi) supplier and inventory management, (vii) operation and marketing strategy formulation and monitoring, (viii) medical service quality control, (ix) internal management and (x) other services relating to management and operation of medical institutions. Shanghai Beauty Farm has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Service Agreement, Shanghai Beauty Farm may use the intellectual property rights owned by Shanghai Liernuo and the Restricted Medical Institutions free of charge and without any conditions. Shanghai Liernuo and the Restricted Medical Institutions may also use the intellectual property work created by Shanghai Beauty Farm from the services performed by Shanghai Beauty Farm in accordance with the Exclusive Operation Service Agreement.

Under the Exclusive Operation Services Agreement, the service fee shall be an amount equal to the distributable net profit of the Restricted Medical Institutions of a given audited financial year, after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable). Apart from the service fees, Shanghai Liernuo and the Restricted Medical Institutions shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Shanghai Beauty Farm in connection with the performance of the Exclusive Operation Services Agreement and provision of services.

In addition, absent of a prior written consent of Shanghai Beauty Farm, during the term of the Exclusive Operation Services Agreement, Mr. Li, Shanghai Liernuo and the Restricted Medical Institutions shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationships with any third party. Shanghai Beauty Farm has the right to appoint any third party to provide any or all of the services, or to fulfill its obligations under the Exclusive Operation Services Agreement.

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The Exclusive Operation Services Agreements shall become effective from April 13, 2022 and from November 4, 2022, respectively, shall remain valid for three years and shall, subject to compliance with the Listing Rules, be automatically renewed for three years each time when its term ends, unless being terminated in accordance with the terms therein.

According to the Exclusive Operation Services Agreement, unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Shanghai Beauty Farm) is entitled to unilaterally terminate the agreement. Furthermore, pursuant to the Exclusive Operation Services Agreement, it may only be terminated in the event that (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Shanghai Beauty Farm or its designated person directly holds all the equity interests in Shanghai Liernuo, and all of Mr. Li's equity interests in Shanghai Liernuo or all of the assets of Shanghai Liernuo attributable to Mr. Li are transferred to Shanghai Beauty Farm or its designated person pursuant to applicable PRC laws and regulations, or (iii) Shanghai Beauty Farm unilaterally terminates the agreement.

### (2) Exclusive Purchase Option Agreements

On April 13, 2022 and on November 4, 2022, Shanghai Beauty Farm, Mr. Li, Shanghai Liernuo, and the Restricted Medical Institutions entered into exclusive purchase option agreements (the "Exclusive Purchase Option Agreements").

Pursuant to the Exclusive Purchase Option Agreements, (i) Mr. Li irrevocably and unconditionally grants an exclusive option to Shanghai Beauty Farm which entitles Shanghai Beauty Farm to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in Shanghai Liernuo itself or through its designated person(s), (ii) Shanghai Liernuo irrevocably and unconditionally grants an exclusive option to Shanghai Beauty Farm which entitles Shanghai Beauty Farm to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Shanghai Liernuo itself or through its designated person(s), (iii) Shanghai Liernuo irrevocably and unconditionally grants an exclusive option to Shanghai Beauty Farm which entitles Shanghai Beauty Farm or its designated person to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests held by Shanghai Liernuo in the Restricted Medical Institutions from Shanghai Liernuo itself or through Shanghai Beauty Farm's designated person(s), (iv) the Restricted Medical Institutions irrevocably and unconditionally grants an exclusive option to Shanghai Beauty Farm which entitles Shanghai Beauty Farm to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests of the Restricted Medical Institutions, and (v) the Restricted Medical Institutions irrevocably and unconditionally grant an exclusive option to Shanghai Beauty Farm which entitles Shanghai Beauty Farm to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the Restricted Medical Institutions from the Restricted Medical Institutions directly or indirectly attributable to Shanghai Liernuo themselves or through Shanghai Beauty Farm's designated person(s), Shanghai Beauty Farm may appoint designated person(s) in its sole discretion when exercising its

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option. The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC law, and each of Mr. Li, Shanghai Liernuo and the Restricted Medical Institutions will undertake that he/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interests or assets to Shanghai Beauty Farm and/or its designated person(s) within ten (10) business days.

Mr. Li and Shanghai Liernuo undertake to develop the business of the Restricted Medical Institutions and not to take any action which may affect their asset value, goodwill and effectiveness of business licenses. Furthermore, in the absence of prior written consent of Shanghai Beauty Farm, Mr. Li and Shanghai Liernuo shall not (i) transfer or otherwise dispose of any option under the Exclusive Purchase Option Agreements, or create any encumbrances thereon; and the Restricted Medical Institutions shall not assist in transferring or otherwise disposing of any option under the Exclusive Purchase Option Agreements, or creating any encumbrances thereon; and (ii) directly or indirectly (by itself or through the entrustment of any other natural person or legal person entity) carry out, own or acquire any business compete with or likely compete with the business of Shanghai Beauty Farm or our Group.

In addition, Mr. Li, Shanghai Liernuo and the Restricted Medical Institutions undertake that, upon Shanghai Beauty Farm issuing the notice to exercise the option in accordance with the Exclusive Purchase Option Agreements, they will implement necessary actions to affect the transfer to Shanghai Beauty Farm or its designated person and relinquish any pre-emptive right, if any. Each of the parties to the Exclusive Purchase Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of Shanghai Liernuo and the Restricted Medical Institutions (as applicable) under the PRC laws, all the residual assets which are attributable to Mr. Li and Shanghai Liernuo (as applicable) shall be transferred to Shanghai Beauty Farm or its designated person(s) at the minimum purchase price permitted under PRC law, and each of Mr. Li, Shanghai Liernuo and the Restricted Medical Institutions undertakes that they will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Shanghai Beauty Farm or its designated person(s), (ii) in the event of bankruptcy, reorganization or merger of Shanghai Liernuo, death or incapacity of Mr. Li or any other event which causes changes to Mr. Li's shareholding in Shanghai Liernuo and Shanghai Liernuo's shareholding in the Restricted Medical Institutions, (a) the successor of Mr. Li's equity interest in Shanghai Liernuo and the successor of Shanghai Liernuo's equity interest in the Restricted Medical Institutions shall be bound by the Contractual Arrangements, and (b) any disposal of shareholding in Shanghai Liernuo and the Restricted Medical Institutions shall be governed by the Contractual Arrangements unless Shanghai Beauty Farm consents otherwise in writing.

Exclusive Purchase Option Agreements shall become effective from April 13, 2022 and from November 4, 2022, respectively. Each of the Exclusive Purchase Option Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreements (except Shanghai Beauty Farm) is entitled to unilaterally terminate the agreements.



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Each of the Exclusive Purchase Option Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Shanghai Beauty Farm or its designated person directly holds all the equity interests in Shanghai Liernuo, and all of Mr. Li's equity interests in Shanghai Liernuo or all of the assets of Shanghai Liernuo attributable to Mr. Li are transferred to Shanghai Beauty Farm or its designated person pursuant to applicable PRC laws and regulations, (iii) Shanghai Beauty Farm or its designated person directly holds all the equity interests in the Restricted Medical Institutions and all of Shanghai Liernuo's equity interests in the Restricted Medical Institutions or all of the assets of the Restricted Medical Institutions are transferred to Shanghai Beauty Farm or its designated person pursuant to applicable PRC laws and regulations or (iv) Shanghai Beauty Farm unilaterally terminates the agreements.

The Group may incur substantial cost (such as the cost in the change of ownership) in order to exercise the option (or procure a designated person) to acquire Mr. Li's interest in Shanghai Liernuo or Shanghai Liernuo's interest in the Restricted Medical Institutions.

### (3) Shareholders' Rights Entrustment Agreements

On April 13, 2022 and on November 4, 2022, Shanghai Beauty Farm, Mr. Li, Shanghai Liernuo and the Restricted Medical Institutions entered into the shareholders' rights entrustment agreements (the "**Shareholders' Rights Entrustment Agreements**").

Pursuant to the Shareholders' Rights Entrustment Agreements, (i) Mr. Li irrevocably agree to authorize Shanghai Beauty Farm (and its successors or liquidators) or a natural person designated by Shanghai Beauty Farm to exercise all of its rights and powers as a shareholder of Shanghai Liernuo, including the rights to vote at a shareholders' meeting, sign minutes, and file documents with the relevant companies registry, (ii) Shanghai Liernuo irrevocably agrees to authorize Shanghai Beauty Farm (and its successors or liquidators) or a natural person designated by Shanghai Beauty Farm to exercise all of its rights and powers as a shareholder of the Restricted Medical Institutions (as applicable), including the rights to vote at a shareholders' meeting, sign minutes, and file documents with the relevant companies registry. Pursuant to the Shareholders' Rights Entrustment Agreements, the power of attorney granted in favor of Shanghai Beauty Farm and actions it takes in relation to the Contractual Arrangement will only be decided by officers or Directors other than Mr. Li (being a registered holder). As Shanghai Beauty Farm is a subsidiary of the Company, the terms of the Shareholders' Rights Entrustment Agreements will give the Company control over all corporate decisions of the Restricted Medical Institutions and 100% equity interests of Shanghai Liernuo.

The Shareholders' Rights Entrustment Agreements shall become effective from April 13, 2022 and from November 4, 2022, respectively. Each of the Shareholders' Rights Entrustment Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Shanghai Beauty Farm) is entitled to unilaterally terminate it.

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Each of the Shareholders' Rights Entrustment Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Shanghai Beauty Farm or its designated person directly holds all the equity interests in Shanghai Liernuo, and all of Mr. Li's equity interests in Shanghai Liernuo or all of the assets of Shanghai Liernuo are transferred to Shanghai Beauty Farm or its designated person pursuant to applicable PRC laws and regulations, (iii) Shanghai Beauty Farm or its designated person directly holds all the equity interests in Restricted Medical Institutions and all of the Shanghai Liernuo's equity interests in Restricted Medical Institutions or all of the assets of Restricted Medical Institutions attributable to Shanghai Liernuo are transferred to Shanghai Beauty Farm or its designated person pursuant to applicable PRC laws and regulations; or (iv) Shanghai Beauty Farm unilaterally terminates the agreement.

#### (4) Equity Pledge Agreements

On April 13, 2022 and on November 4, 2022, Shanghai Liernuo, Mr. Li, Shanghai Beauty Farm and the Restricted Medical Institutions entered into equity pledge agreements (the "**Equity Pledge Agreements**"). Pursuant to the Equity Pledge Agreements, (i) Mr. Li agree to pledge all of his equity interests in Shanghai Liernuo, and (ii) Shanghai Liernuo agrees to pledge all of its equity interests in the Restricted Medical Institutions to Shanghai Beauty Farm to secure performance of all their obligations and the obligations of Mr. Li, Shanghai Liernuo and the Restricted Medical Institutions under the Exclusive Operation Services Agreement, the Exclusive Purchase Option Agreements, the Shareholders' Rights Entrustment Agreements and the Equity Pledge Agreements underlying the Contractual Arrangements.

If Shanghai Liernuo or the Restricted Medical Institutions declare any dividend during the term of the pledge, Shanghai Beauty Farm is entitled to receive all dividends or other income arising from the pledged equity interests, if any. In case of any breach of obligations by any of Shanghai Liernuo, Mr. Li or the Restricted Medical Institutions, upon issuing a written notice to Mr. Li or Shanghai Liernuo, Shanghai Beauty Farm will be entitled to all remedies available in the Contractual Arrangements including but not limited to disposing of the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreements, Mr. Li and Shanghai Liernuo undertake to Shanghai Beauty Farm, among other things, not to transfer their pledged equity interests and not to create or allow any pledge or encumbrance thereon that may affect the rights and interest of Shanghai Beauty Farm without its prior written consent. Shanghai Liernuo and the Restricted Medical Institutions undertake to Shanghai Beauty Farm, among other things, not to consent to any transfer the pledged equity interests or to create or allow any pledge or encumbrance thereon without Shanghai Beauty Farm's prior written consent.

We will register the equity pledges contemplated under the Equity Pledge Agreements as soon as practicable and our PRC Legal Advisers have confirmed that there is no legal impediment to completing the registration of the equity pledges contemplated under the Equity Pledge Agreements with the relevant PRC legal authorities so long as we comply with the relevant legal requirements.

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Each of the Equity Pledge Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Shanghai Beauty Farm) is entitled to unilaterally terminate it.

Each of the Equity Pledge Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Shanghai Beauty Farm or its designated person directly holds all the equity interests in Shanghai Liernuo, and all of Mr. Li's equity interests in Shanghai Liernuo or all of the assets of Shanghai Liernuo are transferred to Shanghai Beauty Farm or its designated person pursuant to applicable PRC laws and regulations, (iii) Shanghai Beauty Farm or its designated person directly holds all the equity interests in the Restricted Medical Institutions or all of the assets of the Restricted Medical Institutions attributable to Shanghai Liernuo are transferred to Shanghai Beauty Farm or its designated person pursuant to applicable PRC laws and regulations or (iv) Shanghai Beauty Farm unilaterally terminates the agreement.

### (5) Spouse Undertakings

Ms. Chen Xiaomei (陳曉梅), the spouse of Mr. Li has signed an undertaking (the "Spouse Undertakings") to the effect that she has no right to or control over such interests of the respective persons and will not have any claim on such interests.

Our PRC Legal Advisers are of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of Mr. Li, and (ii) the death or divorce of Mr. Li would not affect the validity of the Contractual Arrangements, and Shanghai Beauty Farm or our Company can still enforce their right under the Contractual Arrangements against Mr. Li and his successors.

### Common Terms of the Contractual Arrangements

#### *Dispute Resolution*

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai Arbitration Commission for arbitration, in accordance with the then effective arbitration rules.

The language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Mr. Li, Shanghai Liernuo and the Restricted Medical Institutions or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Shanghai Liernuo and the Restricted Medical Institutions; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Shanghai Beauty Farm or Shanghai Liernuo or the Restricted Medical Institutions are located for interim remedies or injunctive relief.

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However, our PRC Legal Advisers have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Shanghai Liernuo and the Restricted Medical Institutions pursuant to the current PRC laws. Also, the equity pledge shall only be legally effective after the completion of registration procedures by the competent PRC governmental authorities. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Shanghai Liernuo, the Restricted Medical Institutions or Mr. Li breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert fully effective control over Shanghai Liernuo and conduct our business could be materially and adversely affected. For details, see "Risk Factors — Risks Relating To Our Corporate Structure" in this document.

### *Succession*

As advised by our PRC Legal Advisers, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of Mr. Li as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the PRC Civil Code, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents. In the case of a breach, Shanghai Beauty Farm can enforce its rights against the successors. Pursuant to the Contractual Arrangements, in the event of changes in the shareholding of Shanghai Liernuo, any successor(s) of Shanghai Liernuo shall assume any and all rights and obligations of Shanghai Liernuo under the Contractual Arrangements as if such successor were a signing party to the relevant contract.

### *Conflicts of Interests*

Mr. Li and Shanghai Liernuo undertake that, during the period that the Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Shanghai Beauty Farm or its direct or indirect shareholders. If there is any conflict of interest, Shanghai Beauty Farm shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. Mr. Li and Shanghai Liernuo will unconditionally follow the instructions of Shanghai Beauty Farm to take any action to eliminate such conflict of interest.

### *Loss Sharing*

Under the relevant PRC laws and regulations, none of our Company or Shanghai Beauty Farm is legally required to share the losses of, or provide financial support to Shanghai Liernuo and the Restricted Medical Institutions. Further, Shanghai Liernuo and the Restricted Medical Institutions are limited liability companies and shall be solely liable for its own debts and losses with assets and properties owned by them. In addition,

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given that our Group conducts a substantial portion of its business operations in the PRC through Shanghai Liernuo and the Restricted Medical Institutions, which hold the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if Shanghai Liernuo and the Restricted Medical Institutions suffer losses.

### *Liquidation*

Pursuant to the Equity Interest Pledge Agreements, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Shanghai Liernuo and the Restricted Medical Institutions shall, upon the request of Shanghai Beauty Farm, give the proceeds they received from liquidation as a gift to Shanghai Beauty Farm or its designee(s) to the extent permitted by the PRC laws.

Accordingly, in the event a winding up of Shanghai Liernuo and the Restricted Medical Institutions, Shanghai Beauty Farm is entitled to liquidation proceeds of Shanghai Liernuo and the Restricted Medical Institutions based on the Contractual Arrangements for the benefit of our Company's creditors and shareholders.

### *Insurance*

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

### **Our Confirmation**

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through Shanghai Liernuo and the Restricted Medical Institutions under the Contractual Arrangements.

### **Legality of the Contractual Arrangements**

As advised by our PRC Legal Advisers, and with regards to the confirmation from the NHC and Shanghai MOFCOM as the competent authorities for foreign investment administration of the Company, are of the view that the Company, as a foreign entity, shall not hold more than 70% of equity interest in any medical institution.

Our PRC Legal Advisers conducted verbal consultations with officers of NHC and Shanghai MOFCOM and according to the consultations, the execution of the Contractual Arrangements is not subject to approval from NHC or Shanghai MOFCOM. Our PRC Legal Advisers are of the view that NHC and Shanghai MOFCOM are the competent authorities to give such confirmation in respect of foreign investments in medical institutions.

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Based on the above, our PRC Legal Advisers are of the opinion that:

- each of the agreements under the Contractual Arrangements, taken individually and collectively, constitutes legal, valid and binding obligations of the parties thereto, 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; except that under current PRC laws, (a) the Shanghai Arbitration Commission has no power to grant injunctive relief, nor will it be able to order the winding up of the Restricted Medical Institutions; and (b) interim remedies or enforcement orders granted by overseas courts or arbitral bodies such as the courts of Hong Kong and the Cayman Islands are subject to applications to competent PRC courts for recognition and enforcement;
- no approval or authorization from the PRC governmental authorities are required for entering into the Contractual Arrangements except that each of the equity pledges under Equity Pledge Agreements is subject to registration requirements with the relevant Administration for Market Regulations and the exercising of the exclusive options by Shanghai Beauty Farm, according to the Exclusive Purchase Option Agreements, shall be subject to the then effective PRC laws and regulations and relevant approval procedures (if applicable).

Furthermore, the PRC Civil Code (中華人民共和國民法典) came into effect on January 1, 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law were repealed simultaneously. The PRC Civil Code stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on false expression of intention, a civil juristic act violates the mandatory provisions of laws and administrative regulations, a civil juristic act violates of public order and morals, etc. The provisions on the validity of civil juristic acts also apply to the validity of contracts.

Based on the analysis below and the Company's confirmation, the PRC Legal Advisers of Company are of the view that the Contractual Arrangements would not fall within the circumstances stipulated in the PRC Civil Code which will lead such arrangements as invalid civil juristic act:

**Circumstances Stipulated in The PRC Civil Code Which Will Lead to The Invalidation of Civil Juristic Acts**

**Analysis of the PRC Legal Advisers of the Company**

Article 144 – A civil juristic act performed by a person who has no capacity for performing civil juristic acts is void.

The parties to the Contractual Arrangements has full capacity for performing civil juristic acts, hence it does not fall within the circumstances specified in this article.

Article 146 – A civil juristic act performed by a person and another person based on a false expression of intent is void.

All parties executed the Contractual Arrangements based on a genuine expression of intent, hence it does not fall within the circumstances specified in this article.

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### Circumstances Stipulated in The PRC Civil Code Which Will Lead to The Invalidation of Civil Juristic Acts

### Analysis of the PRC Legal Advisers of the Company

Article 153 – A civil juristic act in violation of the mandatory provisions of laws or administrative regulations is void, unless such mandatory provisions do not lead to invalidity of such a civil juristic act. A civil juristic act that offends the public order or good morals is void.

As elaborated in this document, the Contractual Arrangements constitutes legal, valid and binding obligations of the parties thereto and the execution, delivery and performance of Contractual Arrangements by the parties thereto, are not in violation of any mandatory provisions of current PRC Laws and regulations or do not result in any offense to public order or good morals in PRC, hence it does not fall within the circumstances specified in this article.

Article 154 – A civil juristic act is void if it is conducted through malicious collusion between a person who performs the act and a counterparty thereof and thus harms the lawful rights and interests of another person.

The execution, delivery and performance of Contractual Arrangements by the parties thereto are based on a genuine expression of intent without the malicious collusion, hence it does not fall within the circumstances specified in this article.

Based on the above analysis of our PRC Legal Advisers and subject to the limitations and restrictions set out herein, our Directors are of the view that the agreements under the Contractual Arrangement conferring significant control and economics benefit from the Restricted Medical Institutions is enforceable under the relevant laws and regulations.

We have been advised by our PRC Legal Advisers, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC governmental authorities will not take a view that is different or otherwise contrary to the above opinion of our PRC Legal Advisers. We have been further advised by our PRC Legal Advisers that if the PRC governmental authorities finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the Relevant Businesses, we could be subject to severe penalties, which could include:

- (a) revoking the business and/or operating licenses of relevant entities;
- (b) restricting or prohibiting the Contractual Arrangements;
- (c) imposing fines or other requirements with which we may find difficult or impossible to comply; and
- (d) requiring us to restructure the relevant ownership structure or operations.

Any of these events could cause significant disruption to our business operations and severely damage our reputation, which could have a material adverse effect on our financial condition and results of operation. For details, see "Risk Factors — Risks Relating To Our Corporate Structure" in this document.

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The Company's PRC Legal Advisers are of the view that none of the agreements under the Contractual Arrangements violates any provisions of the existing articles of association of each of Shanghai Liernuo, Shanghai Meiju and the Restricted Medical Institutions.

Pursuant to the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法》(徵求意見稿)) published in December 2021 (collectively, the "Draft Regulations for Comments"), assuming the Draft Regulations for Comments had come into effect and were implemented with its current contents and in its current form, the Company's proposed [REDACTED] would constitute an indirect overseas issuance of shares and [REDACTED] by a domestic enterprise and therefore would be required to comply with the filing procedures and submit the relevant information to the CSRC.

However, as advised by our PRC Legal Advisers, this would not have a material and adverse impact on our business operations and our proposed [REDACTED] for the following reasons:

- (i) on December 24, 2021, the spokesperson of the CSRC held a press conference in relation to the Draft Regulations for Comments, during which the spokesperson of the CSRC stated that "conditional upon complying with the domestic laws and regulations, enterprises with VIE structure that have met the compliance requirements may seek listing overseas after completing proper filing procedures". Our reorganization and the contractual arrangement do not violate the M&A Rules and other relevant PRC laws and regulations and the registration under SAFE Circular 37 has been duly completed;
- (ii) as of the Latest Practicable Date, there are no laws, regulations or regulatory documents cited by the CSRC in effect that would explicitly require us to comply with any approval, verification or filing procedures for our proposed [REDACTED]. If the Draft Regulations for Comments are promulgated and implemented with its current contents and in its current form, there is no material obstacles for us to comply with the filing procedures under the Draft Regulations for Comments for the followings: (a) There are no specific clauses in national laws and regulations and relevant provisions prohibiting our proposed [REDACTED]; (b) we have not received any inquiry, notice, warning, or sanctions regarding cybersecurity review, the [REDACTED] plan or other national security related issues;
- (iii) based on the assessment of our PRC Legal Advisers, we do not fall into the scope of any of the following circumstances under which overseas securities offering and listing by domestic companies should be prohibited, as prescribed in the Drafts for Comments: (a) there are material ownership disputes over the equity, major assets, and core technology, etc.; (b) our



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domestic company or its controlling shareholders and actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy in recent three years, or are currently under judicial investigations for suspicion of criminal offenses or under investigations for suspicion of major violations; (c) the directors, supervisors, or senior management have been subject to administrative punishments for severe violations in recent three years, or are currently under judicial investigations for suspicion of criminal offenses or under investigations for suspicion of major violations;

- (iv) each of our domestic subsidiaries has formulated its articles of association, improved its internal control system and regulated its corporate governance and financial and accounting practices in accordance with the Company Law of the PRC, the Accounting Law of the PRC and other PRC laws and regulations;
- (v) we have established a confidentiality system and taken necessary steps to implement our duty of confidentiality. At the same time, we have established data security management policies and procedures and personal information protection policies and procedures to ensure our data security and compliance processing, and as advised by Tian Yuan Law Firm, as of the Latest Practicable Date, we had complied with all applicable requirements on cybersecurity and data protection as stipulated in the Draft Regulations for Comments in all material aspects;
- (vi) the planned use of [REDACTED] from the [REDACTED] is in compliance with the requirements of the relevant regulations of the PRC.

Furthermore, the Negative List requires that a domestic enterprise engaged in businesses which are prohibited from foreign investment must complete an examination process and obtain approval of the relevant PRC competent authorities when it seeks to issue and list its shares overseas. However, according to the National Development and Reform Commission's response at a press conference held on January 18, 2022, this requirement only applies to direct overseas listing of domestic companies, i.e. H-shares listings. Moreover, our businesses do not fall into the category of businesses prohibited from foreign investment as stipulated in the Negative List. Therefore, this requirement does not apply to our plan to list on the Stock Exchange utilizing contractual arrangements.

However, as advised by our PRC Legal Advisers, there are substantial uncertainties regarding the promulgation, implementation, interpretation and application of the Draft Regulations for Comments accordingly, and there can be no assurance that the regulations on overseas listing officially issued in the future will not have different contents from the Draft Regulations for Comments and that the PRC governmental authorities will not take a view that is different or otherwise contrary to the above opinion of our PRC Legal Advisers.

## CONTRACTUAL ARRANGEMENTS

### Development in the PRC Legislation on Foreign Investment

#### *Background of the FIL*

On March 15, 2019, the NPC promulgated the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "FIL") and replaced effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. After the FIL comes into effect, the FIL replaced the law on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the law on Foreign-Capital Enterprises (《外資企業法》) and became the legal foundation for foreign investment in the PRC. The FIL stipulates certain forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

#### *The Potential Impact of the FIL on the Contractual Arrangements*

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our Restricted Medical Institutions. As advised by our PRC Legal Advisers, since Contractual Arrangements are not specified as foreign investment under the FIL or the Implementation Regulations on the FIL, and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, then the possibility that the legal effectiveness of the Contractual Arrangements become materially adversely affected due to violation of the entry requirements under the FIL is relatively low.

Notwithstanding the above, the FIL stipulates that foreign investment includes "Foreign Investors invest in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council". There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard Contractual Arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the Relevant Business will not be materially and adversely affected in the future due to changes in PRC laws and regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. For details, see "Risk Factors — Risks Relating To Our Corporate Structure" in this document.

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### Compliance with the Contractual Arrangements

Our Group will adopt the following measures to ensure the effective operation of our Group with the implementation and compliance of the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update our Shareholders and potential investors; and
- (d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Shanghai Beauty Farm, Shanghai Liernuo and the Restricted Medical Institutions to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that Mr. Li is our Director, our Company believes that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the [REDACTED] under the following measures:

- (a) the decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of our Group;
- (c) our Company will appoint three independent non-executive Directors, comprising more than one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole; and

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- (d) our Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

### Accounting Aspects of the Contractual Arrangements

Under the Exclusive Operation Services Agreements, it was agreed that, in consideration of the services provided by Shanghai Beauty Farm, Shanghai Liernuo will pay service fees to Shanghai Beauty Farm. The annual service fees payable are determined with the services provided. The amount and payment deadline will be determined by Shanghai Beauty Farm and Shanghai Liernuo through arms' length negotiations after considering (i) the complexity and difficulty of the services provided by Shanghai Beauty Farm, (ii) the title of and time consumed by employees of Shanghai Beauty Farm providing the services, (iii) the contents and value of the services provided by Shanghai Beauty Farm, (iv) the market price of the same type of services, (v) the operation conditions of Shanghai Liernuo, and (vi) the essential cost, expenses, taxes and statutory reserve or retaining funds. Accordingly, through the Exclusive Operation Services Agreement, Shanghai Beauty Farm has the ability, at its sole discretion, to extract substantially the economic benefit of all Restricted Medical Institutions held by Shanghai Liernuo.

In addition, under the Exclusive Operation Services Agreements, Shanghai Beauty Farm has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Shanghai Liernuo and the Restricted Medical Institutions as Shanghai Beauty Farm's prior written consent is required before any distribution can be made. In the event that Shanghai Liernuo and Mr. Li receive any profit distribution or dividend from the Restricted Medical Institutions, Shanghai Liernuo and Mr. Li must immediately pay or transfer all of such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company.

As a result of the aforementioned Contractual Arrangements, our Company has obtained control of the Restricted Medical Institutions through Shanghai Beauty Farm and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by the Restricted Medical Institutions. The operating profit generated from the Restricted Medical Institutions (not accounting for Group level cost and expenses) was approximately RMB232.3 million for the year ended December 31, 2021, representing 47.0% of Group's operating profit (not accounting for Group level cost and expenses) during the same period.