

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS AND PROSPECTS

For details of the description of our future plans, see "Business — Our Strategies" in this document.

[REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED] commissions, 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] range stated in this Document. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the high end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will increase by approximately HK\$[46.7] million. If the [REDACTED] is set at HK\$[REDACTED] per Share, which is the low end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED].

Assuming an [REDACTED] at the mid-point of the indicative [REDACTED] range, we currently intend to apply these net [REDACTED] for the following purposes. In addition to the net [REDACTED] from the [REDACTED] to be received and allocated, we also plan to utilize our internal liquidity sources to supplement any shortfall in expenditure, if any. Specifically,

1. [REDACTED]%, or approximately HK\$[REDACTED], will be allocated to expand and upgrade our service network, including:
 - (a) [REDACTED]%, or approximately HK\$[REDACTED], will be used for expansion of our direct store network for traditional beauty services through organic growth and acquisitions. We consider our traditional beauty services as the foundation to our success as they help us cultivate and expand our active client base. We first gain client trust from traditional beauty services, and then extend to more sophisticated services such as aesthetic medical services and subhealth assessment and intervention services. We aim to expand rapidly across tier-one cities and new tier-one cities, catering to the demand and growth potential for high-quality traditional beauty services and tapping into a more diverse client pool to fuel further growth.

We plan to add 25, 30, 30, and 30 direct stores in 2023, 2024, 2025 and 2026, respectively. We will consider, among other things, (i) site location, (ii) spending power of future clients, (iii) our existing store network, (iv) avoidance of cannibalization and (v) potential costs and estimated return, when expanding our store network. We will strategically seek prime locations with high client traffic, such as shopping malls, which can be conveniently accessible by public transportation, to target clients who are white-collar professionals or management personnel with spending power comparable to that of our existing clients. We plan to further expand our network for our

FUTURE PLANS AND USE OF [REDACTED]

traditional beauty services with a focus on tier-one cities and new tier-one cities while expanding to other cities to acquire market shares. To avoid cannibalization, for our BeautyFarm (美麗田園) store network, we generally do not open a new direct BeautyFarm (美麗田園) store in a city where we already have a franchised BeautyFarm (美麗田園) store, and for our Palaispa (貝黎詩) store network, we generally do not open a new store within a two-and-a-half-kilometer radius of an existing store. We would also take into consideration factors such as rental rate and store size when adding a store to our traditional beauty service network and expect to reach a return comparable to that of a similarly-sized store in a same-tier city.

The following table sets forth the relevant information of expansion of our direct traditional beauty service network for the periods indicated. For any shortfall in expenditure, we plan to utilize our internal liquidity sources to finance such expansion.

	Number of new stores				Estimated amount of annual investment			
	2023	2024	2025	2026	2023	2024	2025	2026
	<i>(HK\$ in millions)</i>							
Tier one cities								
BeautyFarm (美麗田園) store	10	11	13	12	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Palaispa (貝黎詩) store	2	3	1	2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
New-tier one and other cities								
BeautyFarm (美麗田園) store	13	16	16	16	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Palaispa (貝黎詩) store	-	-	-	-	-	-	-	-
Total	25	30	30	30	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

- (b) [REDACTED]%, or approximately HK\$[REDACTED], will be used for expansion and upgrade of our store network for aesthetic medical services and subhealth assessment and intervention services in new tier-one cities, of which (i) [REDACTED]%, or approximately HK\$[REDACTED], will be used to expand our store network for aesthetic medical services, (ii) [REDACTED]%, or approximately HK\$[REDACTED], will be used to expand our store network for subhealth assessment and intervention services, and (iii) [REDACTED]%, or approximately HK\$[REDACTED], will be used to upgrade our existing store network for aesthetic medical services and subhealth assessment and intervention services such as renovating stores, upgrading medical devices, expanding our service offerings, and enlarging store sizes.

We have established a sizeable client base for our traditional beauty services. We believe expanding and upgrading our store network for aesthetic medical services and subhealth assessment and intervention services in new tier-one cities, where we have existing traditional beauty service stores, could capitalize on our clients' evolving demands for premium aesthetic medical services and subhealth assessment and intervention services through the offering of beauty and health management services by our well-established and widely recognized brand portfolios.

We plan to expand our direct store network for aesthetic medical services and subhealth assessment and intervention services by four, six, six and two stores in new tier-one cities through organic growth in 2023, 2024, 2025 and 2026, respectively. Based on our experiences, we anticipate that (i) approximately [REDACTED]% to [REDACTED]% of the investment costs for opening a CellCare (秀可兒) store or Neology (研源) healthcare center will be incurred for capital expenditure, such as decoration and purchase of equipment, furniture and office facilities, (ii) [REDACTED]% to [REDACTED]% will be incurred for staff salaries and training expenses, and (iii) the remaining will be incurred for marketing and other expenses.

The following table sets forth the relevant information of expansion of our direct aesthetic medical service and subhealth assessment and intervention services network for the periods indicated. For any shortfall in expenditure, we plan to utilize our internal liquidity sources to finance such expansion.

	Number of new stores				Estimated amount of annual investment			
	2023	2024	2025	2026	2023	2024	2025	2026
	<i>(HK\$ in millions)</i>							
CellCare (秀可兒) store	4	4	4	–	[REDACTED]	[REDACTED]	[REDACTED]	–
Neology (研源) healthcare center	–	2	2	2	–	[REDACTED]	[REDACTED]	[REDACTED]
Total	4	6	6	2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

The business sustainability of the Neology Brand, the provision of subhealth assessment and intervention services, the business need and business potential to have two new Neology healthcare centers in each of the year 2024, 2025 and 2026 are due to the following reasons:

1. *To-be-established Neology healthcare centers are expected to incur less costs.* The loss-making position of the existing Neology healthcare center was due to specific reasons: (i) during the Track Record Period, the flagship Neology healthcare centers in Shanghai and Beijing were designed to occupy larger areas and furnish with premium decoration, since they were established not only for profit creation but also for marketing purposes — we desired to create a brand effect for the Neology brand through the establishment and operation of the two centers; (ii) the loss-making position of the Neology healthcare center in Wuhan was due to unpredictable reasons as it was established in 2019 and experienced the COVID-19 outbreak shortly after its opening; (iii) regarding the loss-making Neology healthcare center in Shenzhen, it was a newly-established store in 2021, and therefore might not be considered as an indicator for the overall business performance of the existing Neology healthcare centers. We expect that the to-be-established Neology healthcare centers would not incur as much cost as the aforementioned ones. In the future, we will focus more on the establishment of functional Neology healthcare centers, featured with smaller areas and plain decoration. In addition, we expect to promote a more optimized product portfolio as well as price discounts to attract customers to our Neology healthcare centers.
2. *Rapid industry growth.* The industry growth of the subhealth assessment and intervention service market fuels us to further expand the provision of such services. According to Frost & Sullivan, the subhealth assessment and intervention service market is forecasted to reach RMB29.0 billion in 2030, with a CAGR of 17.1% from 2021 to 2030.
3. *The expansion of our subhealth assessment and intervention services is in line with our business development strategy.* Aiming to provide extensive beauty and health management service offerings, the provision of subhealth assessment and intervention services to our clients would enhance our image as an overall beauty and health management service provider and is beneficial in improving the customer stickiness. In addition, we have completed our business layout of the subhealth assessment and intervention services in tier-one cities, such as Shanghai, Beijing and Shenzhen, and in certain new tier-one cities, such as Wuhan, Xi'an and Chongqing, and has gradually expanded and advanced to other cities, such as Changchun, where the subhealth assessment and intervention service is underpenetrated. Based on our research and investigation, there is significant potential customer demand in new tier-one cities and other cities in China. Therefore, we plan to extend our footprint to Chengdu and Taiyuan in 2024, Nanjing in 2025, and Hangzhou and Zhengzhou in 2026.

FUTURE PLANS AND USE OF [REDACTED]

In addition, we plan to upgrade three, three and three existing aesthetic medical service or subhealth assessment and intervention service stores in new tier-one cities in 2023, 2024, and 2025, respectively, with an estimated annual spending of HK\$[REDACTED]. For any shortfall in expenditure, we plan to utilize our internal liquidity sources to finance such upgrade. Based on our experiences, we anticipate that (i) approximately [REDACTED]% to [REDACTED]% of the investment costs for upgrading a CellCare (秀可兒) store or Neology (研源) healthcare center will be incurred for capital expenditure, such as decoration and purchase of equipment, furniture and office facilities (ii) approximately [REDACTED]% to [REDACTED]% will be incurred for staff salaries and training expenses, and (iii) the remaining will be incurred for marketing and other expenses.

- (c) [REDACTED]%, or approximately HK\$[REDACTED], will be used to build one flagship beauty and health management service center in each of Shanghai and Beijing on the basis of existing store network of aesthetic medical services and subhealth assessment and intervention services in Shanghai and Beijing. Each such flagship store is expected to cost approximately HK\$[REDACTED]. For any shortfall in expenditure, we plan to utilize our internal liquidity sources to finance such expansion.

We believe there is sufficient market demand for our expansion efforts for the following reasons:

1. **Industry growth.** According to Frost & Sullivan, the traditional beauty service market will continue to grow as the population receiving traditional beauty services is forecasted to increase from 155.2 million in 2021 to 197.5 million in 2030 in China. The market of traditional beauty services also see a similar forecasted growth, reaching RMB640.2 billion in 2030 from RMB403.2 billion in 2021, with a CAGR of 5.3% from 2021 to 2030. The market 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. In concurrent with the projected market growth, the population receiving non-surgical aesthetic medical services in China is projected to reach 67.2 million in 2030 with a CAGR of 14.2% from 2021 to 2030. Moreover, the market of subhealth assessment and intervention services is forecasted to reach RMB29.0 billion in 2030, with a CAGR of 17.1% from 2021 to 2030, and the population with suboptimal health status in China is expected to reach 583.1 million in 2030 from 568.4 million in 2021. For details, see "Industry Overview" in this document. Given the magnitude of the expected increase in potential client pool of our services, we believe there will be a sufficient demand for our services.
2. **Leading market position well-positioned for industry consolidation.** According to Frost & Sullivan, the fragmented market of traditional beauty services and aesthetic medical services is expected to become increasingly consolidated. Frost & Sullivan concludes, which we agree, that large-scale chain institutions, like us, with comprehensive service portfolio, established brand reputation and loyal client bases in mid-to-high-end markets are more likely to gain market shares in the future.

FUTURE PLANS AND USE OF [REDACTED]

Through decades of efforts, we have evolved into the largest provider of traditional beauty services and the fourth largest non-surgical aesthetic medical service provider in China with a market share of 0.2% and 0.6%, respectively, as measured by revenue in 2021. Our store network consisted of 177 direct stores, including 84 stores in tier-one cities and 73 stores in new tier-one cities, with another 175 franchised stores as of June 30, 2022. Our extensive store network, digitalized CRM and other systems, standardized training through BeautyFarm Training Centers (美麗田園培訓中心) and strict quality assurance measures ensure that our clients can conveniently access quality services within our store network. Our comprehensive service portfolio makes us well positioned to meet a client's different and evolving demands. Our direct stores are largely located in tier-one and new tier-one cities with clients having a higher spending power. Further expanding our presences in these cities would enable us to capitalize on the high growth rate of these cities. Based on the foregoing, we believe we can leverage our large-scale store network, our ability to offer comprehensive service portfolios together with the existing presence in tier-one and new tier-one cities, to quickly obtain a higher market share in the fragmented but increasingly consolidated industry.

3. *Synergies among our services.* Our beauty and health management service offerings cover traditional beauty services, aesthetic medical services as well as subhealth assessment and intervention services that are all personalized to serve our clients' needs. We first gain client trust from traditional beauty services, and then extend to more sophisticated services such as aesthetic medical services and subhealth assessment and intervention services, which in turn helps us cultivate client loyalty, retain clients and increase client spending. We have established a sizeable client base for our traditional beauty services, who are confident in the quality of our services and our brands and are more likely to purchase our aesthetic medical services or subhealth assessment and intervention services to satisfy their evolving demands. In addition, through the beauty and health management service offerings, we are more likely to retain clients within our service network.

Because of the foregoing, we believe there is sufficient market demand that would justify our expansion plans. Although we saw negative same store growth between 2019 and 2020, that was largely due to the outbreak of the COVID-19 pandemic. And we successfully rebounded from such impact in 2021 and recorded a positive same-store growth rate across all business lines. We believe there is sufficient market demand that is commensurate with our plan to build a flagship beauty and health management service center in each of Shanghai and Beijing. We have a large number of direct stores in these two cities and have established a large client base consisting of clients with high spending power, who are ideal client candidates for our aesthetic medical services and subhealth assessment and intervention services. According to Frost

FUTURE PLANS AND USE OF [REDACTED]

& Sullivan, people in tier-one cities and new tier-one cities are more acceptable to aesthetic medical services. On the other hand, heavy workloads and unhealthy lifestyles of white-collars in urban areas have brought about many sub-health issues, which could be addressed by subhealth assessment and intervention services. Accordingly, we believe establishing a flagship in the two cities could leverage the synergies between our services to retain our clients within our service network.

The performances of our existing store network would also support our expansions plans.

In 2021, the overall utilization rate of our BeautyFarm (美麗田園) stores is 64.7% and 60.6% in tier-one cities and new tier-one cities, respectively. During the six months ended June 30, 2022, the overall utilization rate of our BeautyFarm (美麗田園) stores decreased to 55.0% in tier-one cities primarily due to the regional outbreak of the COVID-19 in Shanghai, and it increased to 62.2% in new tier-one cities.

In 2021, the overall utilization rate of our Palaispa (貝黎詩) stores is 54.2% in tier-one cities, and we did not have a Palaispa (貝黎詩) store in new tier-one cities. During the six months ended June 30, 2022, the overall utilization rate of our Palaispa (貝黎詩) stores decreased to 46.6% in tier-one cities primarily due to the regional outbreak of the COVID-19.

Given that our clients are mainly white-collar female professionals, many of whom may only enjoy our traditional beauty services during lunch break or after work, and that the average number of hours per client visit for our traditional beauty services is approximately three hours, we believe an overall utilization rate of approximately 75% to 80%, assuming two client visits per bed during weekdays and three client visits per bed during weekend, would be the optimal level we can achieve for our traditional beauty services in order to provide our clients with high quality service under a comfortable environment.

Taking into consideration the projected growth of the market of traditional beauty services, we anticipate that we can attract more clients and further increase the utilization rate of our traditional beauty service stores. Considering that our traditional beauty service stores overall had an utilization rate of approximately 60% in 2021 and the six months ended June 30, 2022, which is getting close to the optimal level, and that our newly established traditional beauty service stores had an overall utilization rate of above 40% during the Track Record Period, which could enable them to reach breakeven in a relatively short time, we believe expanding the network of our traditional beauty services would better help us capitalize on the projected growth, enable us to reach clients who used to be inaccessible due to physical distance, and allow us to quickly obtain market shares in this fragmented but increasingly consolidated industry.

In 2021, the overall utilization rate of our CellCare (秀可兒) stores is 65.2% in tier-one cities and 39.1% in new tier-one cities. During the six months ended June 30, 2022, the overall utilization rate of our CellCare

FUTURE PLANS AND USE OF [REDACTED]

(秀可兒) stores decreased to 43.0% in tier-one cities as our CellCare (秀可兒) store in Shanghai experienced temporary closure due to the regional outbreak of the COVID-19 while the utilization rate increased to 39.9% in new tier-one cities. The utilization rate of our Neology (研源) healthcare centers also increased from 9.7% in 2019 to 15.3% in 2021 and remained relatively stable at 13.9% in the six months ended June 30, 2022. We believe such utilization rate would further increase given i) the projected high growth of the market of the two services and ii) our position as a large and comprehensive health and beauty chain, according to Frost & Sullivan. In addition, our further-expanded traditional beauty service network would cultivate a larger client base consisting of clients with high spending power, who are confident in the quality of our services and our brands and are more likely to purchase our aesthetic medical services and subhealth assessment and intervention services, which would in turn raise the utilization of our CellCare (秀可兒) stores and Neology (研源) healthcare centers. In addition, in certain cities and regions, we do not operate a CellCare (秀可兒) store or Neology (研源) healthcare center but have established our presence through offering traditional beauty services, which would generate demand for our aesthetic medical services and subhealth assessment and intervention services. Expanding our network of aesthetic medical services or subhealth assessment and intervention services into said cities and regions could capitalize on our existing clients' evolving demands and increase client loyalty.

The annual targets of our planned store network expansion and upgrade are not completely fixed. The actual number, location, and timing of expansion and upgrade in any period will be affected by a number of factors and some of them are beyond our control. We may make necessary adjustment to our expansion and upgrade plans depending on market conditions, status of preparation of stores and other relevant factors, to strike a balance between our business expansion, upgrade and profitability.

We will also try to avoid cannibalization within our store network during the course of expansion. For example, we generally do not open a direct BeautyFarm (美麗田園) store in a city we already have a franchised store, and we plan not to open a new store within a two-kilometer radius of an existing store in Shanghai and three-kilometer radius of an existing store in other cities. And we generally do not open a new Palaispa (貝黎詩) store within a two-and-a-half-kilometer radius of an existing store. For details, see "Business — Our Network — Organic Growth and Acquisitions" in this document. Since each member will be assigned a dedicated client manager at a specific traditional beauty service store, who will know the member's unique needs well and better serve the member, the member tends to have a stable relationship with the relevant traditional beauty service store, further reducing the risk of cannibalization between our direct traditional beauty service stores.

FUTURE PLANS AND USE OF [REDACTED]

2. [REDACTED]%, or approximately HK\$[REDACTED], will be used for strategic mergers and acquisitions of franchised stores, which have demonstrated great market potential and will create synergies with our direct store network. We plan to acquire eight, eight, six and six franchised stores, in 2023, 2024, 2025 and 2026, respectively. We are actively evaluating the performance of our existing franchised stores to screen potential targets. Apart from assessing the compatibility with our growth strategies of the potential target franchised stores, we would further review the operation and financial performance of the target stores and in particular, expect each shall meet several of the following requirements (i) be at a developing stage, (ii) locate in tier-one cities, or cities with an annual GDP ranked top 10 among all cities with franchised stores; (iii) serve at least 800 active members; and (iv) for the most recent financial year, have a revenue of at least RMB10 million, or rank in top by revenue among all franchised stores. As of the Latest Practicable Date, our store network consisted of 177 franchised stores. In addition, we plan to continue expanding our franchised store network going forward. As advised by Frost & Sullivan, as traditional beauty service industry is growing fast, considering our existing franchised store network and our future store network expansion, there are adequate potential acquisition targets available in the market that satisfy our criteria. As of the Latest Practicable Date, as confirmed by our Directors, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets which meet the criteria as set out above.

The annual targets of our planned acquisitions are not completely fixed. The actual number, location, and timing of acquisitions in any period will be affected by a number of factors and some of them are beyond our control. We may make necessary adjustment to our acquisition plans depending on market conditions, availability of suitable targets and other relevant factors, to strike a balance between our acquisitions and profitability.

3. [REDACTED]%, or approximately HK\$[REDACTED], will be allocated to further invest in our IT systems to develop our internal digitalization capabilities to streamline our daily operations and improve operational efficiency. We plan to, but are not limited by:
- (i) allocating approximately [REDACTED]%, or approximately HK\$[REDACTED], to further develop our own digital systems to enhance the level of internal digitalization and foster the business development. In particular, we expect to develop or enhance, including but not limited to the following systems:
 - 1. an operating system for the store network, which integrates several different modules into one business management platform with functions such as employees' work scheduling, online and offline sales management, store operation management, client appointment and management, and product and inventory management;

FUTURE PLANS AND USE OF [REDACTED]

2. an enhanced WeChat-based marketing system, which enables customer development, membership management, client feedback collection, as well as product sales;
3. an operating system for the medical beauty clinics, with multiple functions including the management of electronic medical records, client reception and consultation, treatment planning, sales billing, clinic operation and employee management, and inventory management;
4. a client data analysis platform, which would facilitate the Company to establish an advanced data-based business model, and enable the Company's management to make more accurate and timely business decisions according to the client's needs and preferences; and
5. a system developing framework, which supports the uniform development, efficient deployment, and quality control of the Company's different digital systems and is expected to become the Company's exclusive system developing framework, integrated gateway, IT security, permission verification and other functions.

We will make full use of the existing software and technology for the development of self-owned IT systems aforementioned, and currently are unaware of any need for procuring brand-new software or technology. To support the development of our IT systems, we plan to add additional personnel in our R&D team, which largely constitutes of IT personnel. As of the Latest Practicable Date, we had 81 IT personnel, with an average monthly salary of RMB26.0 thousand.

- (ii) allocating approximately [REDACTED]% or approximately HK\$[REDACTED], to improve existing IT infrastructure for our national store network, such as purchase of necessary network services and hardware and construction of internal data center;
- (iii) allocating approximately [REDACTED]%, or approximately HK\$[REDACTED], to upgrade existing IT systems, such as our CRM system, ERP system and human resource system; and
- (iv) allocating approximately [REDACTED]%, or approximately HK\$[REDACTED], to implement IT security measures.

FUTURE PLANS AND USE OF [REDACTED]

4. [REDACTED]%, or approximately HK\$[REDACTED], will be allocated to the working capital and other general corporate purposes.

In the event that the net [REDACTED] from the [REDACTED] are not sufficient to fund our expansion plan as disclosed above, we plan to utilize our internal capital resources or external financing as we believe appropriate to fund our future expansion.

To the extent that the net [REDACTED] are not immediately applied to the above purposes, we intend to deposit the net [REDACTED] into short-term demand deposits with licensed banks or financial institutions.

The [REDACTED] estimates that it will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], at the [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range). We will not receive net [REDACTED] from the [REDACTED] of [REDACTED] Shares pursuant to the [REDACTED].