# BEAUTY FARM

## 2023 ESG REPORT

Beauty Farm Medical and Health Industry Inc.
(Incorporated in the Cayman Islands with limited liability)
Stock Code:02373

美麗田園
BEAUTY FARM

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# ABOUT THIS REPORT

Beauty Farm Medical and Health Industry Inc. ("Beauty Farm", the "Company", the "Group" or "we"/"us"/"our") is pleased to publish the Environmental, Social, and Governance (ESG) report (the "Report") in accordance with the principles of objectivity, comprehensiveness, standardization, and transparency. This Report presents the Group's ESG practices, including management philosophy, highlighted practices, and annual performance for the year 2023.

## Reporting Scope

This Report mainly covers the information and key performance in respect of fulfilment of environmental, social and governance responsibilities of Beauty Farm and its subsidiaries in 2023, including the Group's offices, stores and two Beauty Farm Training Centres, etc. Since the daily operations of the franchised stores are independent of the Group's management, they are excluded from the reporting scope.

## Reporting Period

The Report covers the period from January 1, 2023 to December 31, 2023 ("the current year" or "the Reporting Period")

## Reporting Standards

This Report is prepared mainly with reference to the Environmental, Social and Governance Reporting Guide the Guide under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is reported in accordance with the principles of materiality, quantitative, balance and consistency included in the Guide. The contents are in accordance with the disclosure principles set out in the Guide and have complied with the "mandatory disclosure requirements" and "comply or explain" provisions set out in the Guide to address the environmental and social impacts of the Company's business and operational activities. Part of the report content also refers to the requirements of the "Guidance on Social Responsibility" (GB/T 36000–2015)/"Guidance on Social Responsibility Reporting" (GB/T 36001–2015).

The content of this Report is determined according to a set of systematic procedures, which include identifying major stakeholders, identifying and assessing the materiality of ESG-related issues, defining the coverage of the ESG Report, collecting relevant materials and data, conducting data collation and aggregation, examining the figures in this Report, preparing this Report and reviewing by the management.

## Reporting Principles

**Materiality:** We continuously communicate with our stakeholders, regularly review the materiality of each sustainable development area, and conduct materiality assessments to determine critical ESG issues. The assessment result is being approved by The Board of Directors.

**Quantitative:** This Report explains the criteria and methodology for calculating the relevant data, accompanied by associated assumptions. The ESG key performance indicators (KPIs) are supplemented by explanatory notes to establish benchmarks where feasible.

**Consistency:** Unless otherwise specified, this Report applies consistent methodology in preparing and presenting ESG information to allow for meaningful comparisons over time.

**Balance:** We appointed external sustainability consultants to provide an unbiased disclosure of all our positive and potentially negative data in this Report, describing the ESG performance of the Group fairly and ensuring that accurate information is available to the public and that the data presented has no selections, omissions, or other forms of manipulation that may inappropriately influence readers' decisions or judgments.

## Data Sources and Reliability Guarantee

Data and cases in this Report are primarily extracted from the statistical reports and internal documents of the Group. The Group undertakes that the Report contains no false representations or misleading statements, and assumes responsibility for the truthfulness, accuracy and completeness of its contents.

## Acknowledgement and Approval

Upon confirmation by the management, this Report was approved by the Board on March 26, 2024.

## Contact Us

We attach great importance to the views of stakeholders and the public in this Report. If you have any inquiries or suggestions, please feel free to contact the Company through email: ir@beautyfarm.com.cn.

Since our establishment in 1993 until now, we have been serving the life-cycle beauty and health needs of our customers with our corporate vision of being the pilot of beauty and health. Today, with diverse brand portfolio and stores in over 100 cities nationwide, we serve millions of high-end customers in China's top-tier cities with beauty and health services.

We are in a vast industry with trillion-dollar market potential in the future, characterized by sustained and foreseeable market growth. In such market environment, we have been operating under high-quality brand image for nearly 30 years, establishing a nationwide network of stores and cultivating strong brand recognition and positive reputation. With our comprehensive one-stop life-cycle services, standardized operations and services, and healthy cash flow, we have also built a robust and mature business model. We have accumulated large and continuously growing customer base in the middle to high-end segments, along with excellent customer repurchase and retention rates, which are driving our continuous growth. In addition to organic growth, we are actively pursuing external expansion through strategic mergers and acquisitions, capitalizing on the opportunities in the highly diversified market. Under the impetus of our highly scalable and replicable standardized business model, strategic acquisitions are also accelerating our growth.

As one of the early entrants into the high-end beauty industry in China, Beauty Farm has adapted to the ever-changing market dynamics over the years. Despite facing various challenges, it has continued to grow rapidly. This success can be attributed not only to its role as a business but also as a home. We prioritize the experience of every customer, care about the growth and development of each employee, and strive for mutual progress with every supplier and partner. To elaborate, our success stems from:

Beauty Farm focuses on establishing strong connections with customers. Through synergies among our three major business segments and consistently high-quality nationwide standardized services, we have accumulated a large number of high-quality, high-retention active members who continue to repurchase our services over the long term. Our one-stop service also allows us to meet their changing needs throughout the customer lifecycle. From this, we have pioneered CellCare aesthetic medical brand and Neology subhealth medical service, and established "Small Changes, Big Differences" as the core brand concept of CellCare. This approach is based on the perspective of our female customers, providing them with the perfect choices from Beauty Farm's services, allowing them to naturally and confidently harness the power of beauty and confidence.

A robust digital platform supports standardized services, building a proven business model to achieve rapid and sustainable business growth. The standardization and digitization of our business platform have accumulated economies of scale across various aspects of our operations, standardizing operations and continuously improving and optimizing customer experiences, greatly enhancing the Company's operational efficiency. Through platform-based management, we implement unified operational and service standards across company-owned and franchise stores. At the same time, through measures such as regular visits by mystery shoppers and mobile evaluation systems, we promptly and effectively gather customer feedback, better supervise store operations, and ensure that each store consistently provides high-quality service to customers.

We also place significant emphasis on the long-term career development of our employees, making considerable efforts to provide promotion opportunities through tracking their career paths and offering strong financial incentives. Given the nature of our industry, frontline employees are predominantly female, with many hailing from small towns. The Beauty Farm platform serves as a means for them to enhance their professional skills, acquire knowledge, and cultivate female leadership. Being able to witness and participate in empowering initiatives for women is an honor for Beauty Farm.

"

Beauty Farm is committed to improving the industry. We also aim to continuously spread the concepts of long-term commitment, collaboration, and sharing throughout the industry, while promoting and improving the industry, enhancing the overall image and status of the beauty industry. Over the years, every step has been a transformative experience. With nearly three decades of relentless effort, we have laid a solid foundation and will continue to grow stronger in the future. We always believe that perseverance can change the impossible. All things grow because of beauty, and together with Beauty Farm, we witness the future!

"

# MESSAGE FROM MANAGEMENT

Pilot of Beauty and Health

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# Highlight Performance

## Responsible Governance

- Female in Management Team

**62%**

- 6 Major Risk Controls, 7 Internal Audits of Different Business Cycles

**0**

Lawsuits Related to Embezzlement, Bribery, Fraud, Deception, or Money Laundering

- Formation of the Women's Federation of the Group, Group Labor Union in process
- 5 Major Compliance Initiatives

## Green Development

- Setting Environmental Targets
- Conducting Climate Change Risks and Opportunities Analysis

**100%**

Medical Waste Compliance Handling

- Establishment of Green Supply Chain

## Responsible Service

- 100% Signing of Integrity Cooperation Agreement by Suppliers

**6** Areas to Ensure Procurement Management

- Average **8** Times/Store Quality Control Inspections, Covering **100+** Hardware Indicators

- Average **6 Times/Store** Mysterious Shopper Unannounced Visit

- 23 Special Medical Training Sessions, Totaling 817 Participants

**6** Dimensions to Build Information Security Fortress

- 7 Major Steps + 34 Key Tasks in Launch Process to Realize Full Life Cycle Management of Projects

## Customer Experience

- Overall NPS (Net Promoter Score) of

**88.79%**

- Overall Customer Satisfaction Rate of

**97%**

- 6 Main Channels Gathering Feedback from Customers, Coverage Rate of Service Evaluation Questionnaires Sent through Mini-Program

**100%**

- Closed-loop Processing Rate of Manual Customer Responses of Dissatisfied Questionnaires

**100%**

- 500,000+ Accumulated Mini Program Users, 15,000+ Daily Average Visitors, 19%+ Online Pre-Appointment Flow, 1 Million+ Customer Insights and Demands

- Closure Rate of Valid Customer Complaints

**100%**

- Seven Principles for Customer Information Protection

## Employee Development

- Labour Contract Signing Rate and Social Insurance Coverage Rate

**100%**

- Training Courses with a Total of

**126**

Training

**226,754 hours**

- Comprehensive Coverage and Continuous Innovation of Training System and Training Methods

- Multi-Channel Internal Promotion System

- Rich Employee Recreational Activities

- Annual Retention Rate of Professional Service Staff

**72.1%**

## Industry Empowerment

- Study Trips and Industry Exchanges with a

**12**

Participation of

**5,680 Individuals**

- Trained from the School-Enterprise Cooperation Program to Start Career Paths

**927 Students**

- "Traditional Chinese Medicine Beauty and Wellness Techniques" Available for Free on Smart Vocational Education Platform

- of Free Live Broadcasting Platform of Professional Medical Aesthetic Knowledge

**36,466 Views**

- Participation in Vocational Skill Textbooks

**2** 本

## Social Welfare

- Participation in the "Village-Enterprise Pairing Precise Poverty Alleviation" Program in Hongkou District, Shanghai, Benefiting

**1,000+ Villagers**

- Providing Beautician Training Program for Unemployed Women

**15-day**

- Participation in "99 Giving Day" to Support Female Teachers in Rural Areas

# STATEMENT FROM THE BOARD

Since its inception, Beauty Farm has been committed to building a long-lasting brand. Our philosophy recognizes that long-term success depends on the Company's ability to make a positive impact on the environment, society, and our stakeholders, and to create sustainable value for our shareholders. As such, corporate social responsibility is core part of our business philosophy and we have adopted ESG policies in accordance with the Listing Rules, which sets out our ESG objectives and provides guidance on practicing social responsibility in our day-to-day operations.

In accordance with our ESG policies, our goal is to support local initiatives and collaborate with employees, customers, and business partners to build sustainable communities. Through various initiatives, including corporate philanthropy and empowering industries, we aim to create meaningful and long-term benefits for local communities while reducing the environmental impact of our operations. Under the supervision of management, we actively identify and monitor social, environmental, and climate-related risks that may impact our business, strategy, and financial performance, both actual and potential. We incorporate these considerations into our business, strategic, and financial planning, assessing the likelihood of ESG related risks and the potential impact of any such risks. Additionally, relevant business units are responsible for promoting and implementing various sustainable development measures.

The Board of Directors collectively and overall holds responsibility for establishing, adopting, and reviewing the ESG objectives and policies of the Group, and evaluating, identifying, and addressing ESG related risks at least once a year. In current year, the Board has commissioned an independent third party to assist in managing ESG matters, including data collection and analysis, assessing ESG risks, reviewing our existing strategies, objectives, and internal controls, and then implementing necessary improvement measures to mitigate risks, and providing recommendations on the Group's ESG performance.

To further systematize the implementation of ESG work, the Group has established an ESG Committee consisting of representatives from the Company's management and cross-departmental teams. The committee is responsible for the overall ESG governance of the Group and reports directly to the board of directors. The members of the committee include senior executives of the Group, representatives from our various brands, and heads of different functional departments. The ESG Committee reports on significant ESG-related matters and the achievement of the Group's ESG goals to the board of directors through regular meetings. This allows the board to understand that all functional departments and operating centers of the Group are operating and practicing according to the strategy and can adjust the targets and details of execution of each ESG measure reasonably. This ensures that the Group operates in responsible and sustainable manner, while creating value for stakeholders and maintaining its competitive position in the market.

# 01

## Pilot of Beauty and Health

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Group and Brand Introduction

• Beauty Minds, A Journey Through Corporate Culture

• Beauty Map

## 1.1

# Group and Brand Introduction

## About Beauty Farm

Beauty Farm is a leading beauty and health management platform in China. Beauty Farm developed a unique business model in the past 30 years, the dual-beauty model, covering customer beauty and health needs along their lifetime cycle. We offer a diversified service matrix, including beauty and wellness brands Beauty Farm, Palaispa, aesthetic medical brand CellCare, and subhealth medical services brand Neology. Our nationwide store network reaches over 100 cities with over 400 stores and serves millions of mid-to-high-end customers in top-tier cities in China.

## Sub-Brand Introduction

美麗田園
BEAUTY FARM

Established in 1993, Beauty Farm is one of the longest-standing franchise brands in the industry and the Group's flagship beauty brand. With an unwavering commitment to "customer care first," Beauty Farm is devoted to providing each customer with gratifying facial beauty treatments and healthcare through sustained tech-powered innovation, international-leading beauty products and equipment, and superb standardized offerings. Our nationwide store network includes about 310 stores.

**310**stores

Our nationwide store network includes about

贝黎诗
PALAISPA

PALAISPA is the Group's premium professional beauty franchise brand. With a lineup of globally renowned beauty techniques and cutting-edge skincare products imported from Europe, Palaispa offers high-end beauty and body care treatments catering to the needs of Chinese female consumers. Palaispa's network includes over 60 stores.

**60**stores

Palaispa's network includes over

CellCare
秀可儿医美

CellCare is the Group's aesthetic medical franchise brand. Embracing the philosophy of "Minor Tweaks, Major Transformations," CellCare is committed to integrating and exploring advanced medical technology and resources from around the globe, offering Chinese women a professional, safe, and comfortable full-service aesthetic medical treatment experience. CellCare specializes in six domains, from skin texture management, skin tone management, integrated injection services and energy-based services, to body sculpting and surgical aesthetic medical services. CellCare operates 26 stores in landmark business centers across tier-one cities in China.

CellCare operates

**23**stores

stores in landmark business centers across tier-one cities in China

NEOLOGY
研源医疗

Neology is the Group's subhealth medical service brand. Neology integrates international leading medical technologies and a distinguished team of medical experts to deliver personalized subhealth management solutions powered by functional medicine. Neology's primary service offerings include subhealth management, prevention and intervention of chronic and metabolic diseases, and reproductive health for women, aiming to comprehensively enhance customers' quality of life. Neology currently operates nine stores in key urban neighborhoods in Chinese tier-one cities.

Neology currently operates

**7**stores

in key urban neighborhoods in Chinese tier-one cities

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## 1.2

# Beauty Minds, A Journey Through Corporate Culture

## Introduction to Beauty Farm Culture - Overview of Corporate Culture
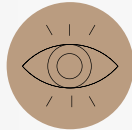


**Corporate Vision**
Pilot of Beauty and Health

**Operating Cornerstone**

- Pursuing long-term corporate growth
- Committed to building long-term relationships with customers

**Core Values**

- Customer orientation
- Continuous innovation
- Synergy
- Strive and share together

**Business Strategy**

- Innovative growth with the "Three-Beauties Combination"
- Provide comprehensive customer solutions
- Prioritize investments in digitalization
- Focused investment in areas of strength
- Continuous enhancement of organizational capabilities

## Reminiscing Beauty Farm's Original Aspiration - the starting point of the Company's operation

**Original Intention of Growth:**

- Ensuring the long-term survival of the enterprise in the market.
- Ensuring that employees constantly feel the progress of the enterprise.
- Ensuring that the service rights and interests of customers never become invalid.

**Principles of Growth:**

- Not pursuing profit maximization but rather maximizing growth to a certain level of profitability.
- Not swayed by short-term gains, always focusing on the core competitiveness of the enterprise.
- Achieving growth rates surpassing industry averages and surpassing major competitors.

To achieve long-term growth, we must excel in the following areas:

**(1) The products and services provided must fulfill customer needs.**

**(2) Adjusting the Company's service approach based on customer's changes**

Under the guidance of our corporate culture, the employees of Beauty Farm have created numerous case studies that demonstrate their ability to fulfill customer needs.

# Beauty Map

"The Second Greater Bay Area · JuMei · Six New High-Quality Release Conference: 'Born Anew, Crafting the Future'" COO Mr. Liu Jingfeng from Beauty Management Center of Beauty Farm shared practical insights live, as multiple brands stormed with short-term deployments of information, ushering in resilient growth!

In April 2023, CellCare was invited to participate in the 6th China Brand Economy Summit and won the "2023 Industry Influential Brand Award".

Xi'an Beilin CellCare Comprehensive Outpatient Nursing Team - Awarded as the Advanced Collective of Quality Nursing in Beilin District in 2023

Manager Sun Lan - Awarded as the Advanced Individual in Quality Nursing in Beilin District in 2023

Beilin District Health Bureau, Xi'an City

Manager Lu Fen - Honored as an Outstanding Nurse with over 20 years of Nursing Experience

Private Medical Institutions Association of Nanshan District, Shenzhen City

## Beauty Footprint, Keep Up With Times

### 2020

"Key Enterprise Contribution Award" by the People's Government of Hongkou District, Shanghai; "Shanghai Five-Star Beauty and Hair Salon" awarded by the Shanghai Hair and Beauty Industry Association.

### 2022

"Go with Allergan" Brand Award

Shanghai Hongkou District Mayor Quality Award Gold Award

### 2023

- "Annual Brand Economy Summit & Spirer Award"
- "Top 100 Brands with Industry Influence in the Annual Brand Economy Index"
- "MEVOS Annual Top-tier Institution"

- Establishment of the "Biodegradable New Materials Beijing Engineering Laboratory X Beauty Farm & CellCare Eye Rejuvenation Specialized Research Center"
- Establishment of the "CellCare & Allergan Aesthetics Oral Perioral Energy Aesthetics Demonstration Center"

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# Beauty Cutting-Edge, Professional Accreditation



Functional Medicine Professional Committee of the China Anti-Aging Promotion Association

Functional Medicine Branch of the Beijing Integrative Medicine Society

Chinese Association for Improving Birth Outcome and Child Development

Chinese Maternal and Child Health Association

# Benchmarking the United Nations Women's Empowerment Principles (WEPs)

The majority of customers and frontline employees of Beauty Farm are women. While providing beauty and health services to women, we also offer career development opportunities for women. Our corporate vision, foundation, and core values naturally focus on women's rights, using the opportunity of providing beauty and health services to actively harness the power of women. We adhere to initial aspiration of "doing good and achieving beauty" to promote industry and social prosperity.

## The development of women's leadership

is an important topic for employee development and training at Beauty Farm. Through the Company's growth, we continuously support the development of female employees, helping them to gain better self-awareness, achieve self-improvement, and shape their self-identity. By assisting them in achieving economic independence through successful career development, we contribute to their enhanced family and social status and spread positive influence to wider range of women in society. Nowadays, we are continuously engaged in women's empowerment actions. We acknowledge and respect the contributions of women in various aspects of society and the economy. We strive to align with international principles and take proactive measures to fulfill the principles of women's empowerment. Our goal is to promote gender equality and harness the power of women in communities, workplaces, business activities, and other areas. In the Report, we have started seeking alignment with the United Nations Women's Empowerment Principles (WEPs) and putting them into practice. We plan to sign and join the WEPs in 2024.

**02**

# Beauty Mission, Corporate Governance and Sustainable Development

- Establish ESG Committee and clearly define ESG responsibilities for each department

- Conduct regular risk management and internal audits to ensure operational compliance

- Strictly implement anti-corruption and clean management systems and processes

United Nations Sustainable Development Goals (UN SDGs)

We are committed to our core values, corporate social responsibility and creating sustainable value for our stakeholders. We strongly believe that sustainability is the key to our long-term success. We are committed to managing and developing our business in a sustainable manner that balances economic results, social responsibility and environmental protection. We actively incorporate the UNSDGs into our operational management in developing and practicing our vision, philosophy and values, adopt ESG policies on in compliance with the Listing Rules, and focus on responding to the expectations of our stakeholders and actively contributing to the selected SDGs in our business.

Beauty Farm will have an unwavering commitment to sustainable development and to achieving sustainability through effective management of ESG's affairs. We will continue to improve our practices to ensure that our business is aligned with our values, and that we are guided by ethical and social responsibility on the path to sustainable development together.

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Sustainability Governance Structure • Sustainable Development Approaches and Goals • Stakeholder Communication and Response • Materiality Assessment • Governance Mechanisms and Diversity Policies • Risk Management and Control • Compliance Operation • Anti-Fraud and Anti-Corruption • Intellectual Property Protection
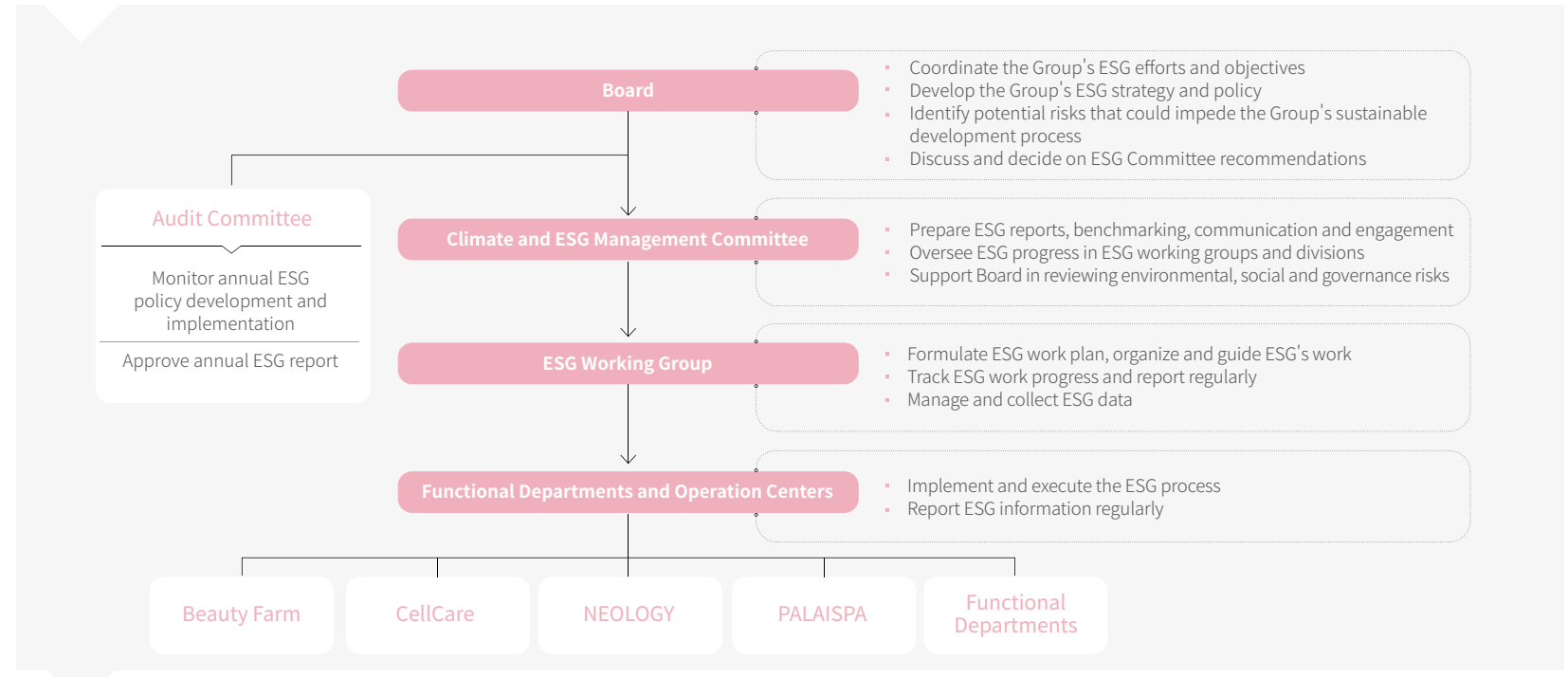
## 2.1

# Sustainability Governance Structure

During the Reporting Period, we have improved the ESG organizational structure of the Group, forming a working framework consisting of the Board of Directors, the Climate and ESG Management Committee, and ESG working groups. Relevant personnel from various business units and functional departments are integrated into the overall ESG work of the Company, aiming to organically integrate ESG management work with the existing management system as much as possible. We will further develop and refine the scope of responsibilities of the ESG working groups, clarify the responsibilities of the Board of Directors, management, and execution layers in ESG management, to steadily improve the Company's ESG management level. At the same time, the Company actively explores climate change management mechanisms to examine and address climate risks and opportunities faced by the Company and strengthen the Company's resilience against climate risks.

**Board**
- Coordinate the Group's ESG efforts and objectives
- Develop the Group's ESG strategy and policy
- Identify potential risks that could impede the Group's sustainable development process
- Discuss and decide on ESG Committee recommendations

**Audit Committee**

Monitor annual ESG policy development and implementation

Approve annual ESG report

**Climate and ESG Management Committee**
- Prepare ESG reports, benchmarking, communication and engagement
- Oversee ESG progress in ESG working groups and divisions
- Support Board in reviewing environmental, social and governance risks

**ESG Working Group**
- Formulate ESG work plan, organize and guide ESG's work
- Track ESG work progress and report regularly
- Manage and collect ESG data

**Functional Departments and Operation Centers**
- Implement and execute the ESG process
- Report ESG information regularly

| Beauty Farm | CellCare | NEOLOGY | PALAISPA | Functional Departments |

Our ESG governance mechanism oversees the Group's ESG development process from top down approach and promotes the Company's ESG strategy, as well as regular reporting on ESG matters and related feedback from the bottom up. The ESG Management Committee reports to the Group's Board of Directors on major ESG-related matters and the achievement of ESG objectives through regular meetings to ensure that the Board of Directors understands the operational practices are in line with the strategy and can rationalize the implementation details of the objectives and ESG measures to ensure that the Group operates in responsible and sustainable manner and creates value for its stakeholders and maintains its competitive position in the market. The Board is responsible for developing, adopting and reviewing the Group's ESG vision, policies and objectives, as well as collectively and holistically responsible for assessing, characterizing and addressing our ESG-related risks at least once a year. The Board may assess or engage an independent third party to assess environmental, social and governance risks, review our existing strategies, objectives and internal controls and then implement the necessary improvements to mitigate the risks. Among other things, the Group's risk and internal audit management system also clearly identifies and evaluates the risks of the Group in various aspects. For details of the Group's approach in managing the relevant risks, please refer to the section headed "Risk Management and Control" in this Report.

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Sustainability
Governance Structure

• **Sustainable Development
Approaches and Goals**

• **Stakeholder Communication
and Response**

• Materiality
Assessment

• Governance Mechanisms
and Diversity Policies

• Risk Management
and Control

• Compliance
Operation

• Anti-Fraud and
Anti-Corruption

• Intellectual Property
Protection

**2.2**

# Sustainable Development Approaches and Goals

As a leading beauty service provider in China, we firmly believe that sustainability is an important factor in driving the progress of our industry and society.

We are committed to adopting a series of proactive sustainability measures in our business operations to ensure that our business is economically, socially, and environmentally sustainable in the long run. We support and adopt the UNSDGs as the guiding framework for the Group's sustainable development and use this framework as the foundation for setting up our ESG development strategy, prioritizing and focusing our attention on areas of relevance to our business and stakeholders in order to optimize the use of resources to contribute to the SDGs.
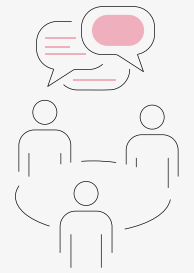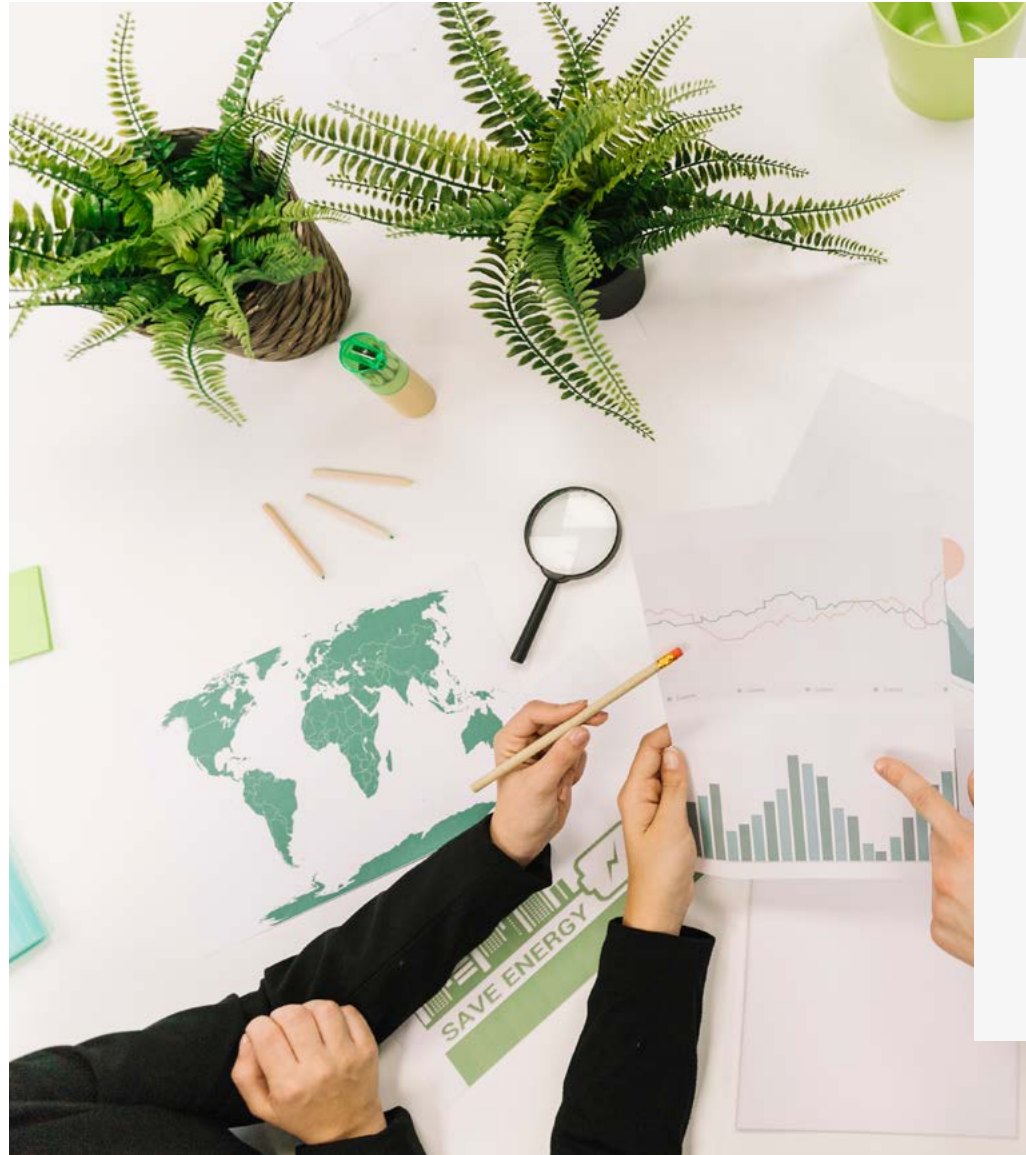
**2.3**

# Stakeholder Communication and Response

The Group attaches great importance to feedback from stakeholders and actively communicates with various stakeholders, taking into account the significance of their views on our business operations, management and performance and incorporating them into the consideration of our sustainable development strategy. Through different communication channels and activities, such as regular meetings, seminars and community engagement activities, we maintain close contact with our internal and external stakeholders to understand their concerns and expectations.

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Sustainability
Governance Structure • Sustainable Development
Approaches and Goals • Stakeholder Communication
and Response • **Materiality
Assessment** • Governance Mechanisms
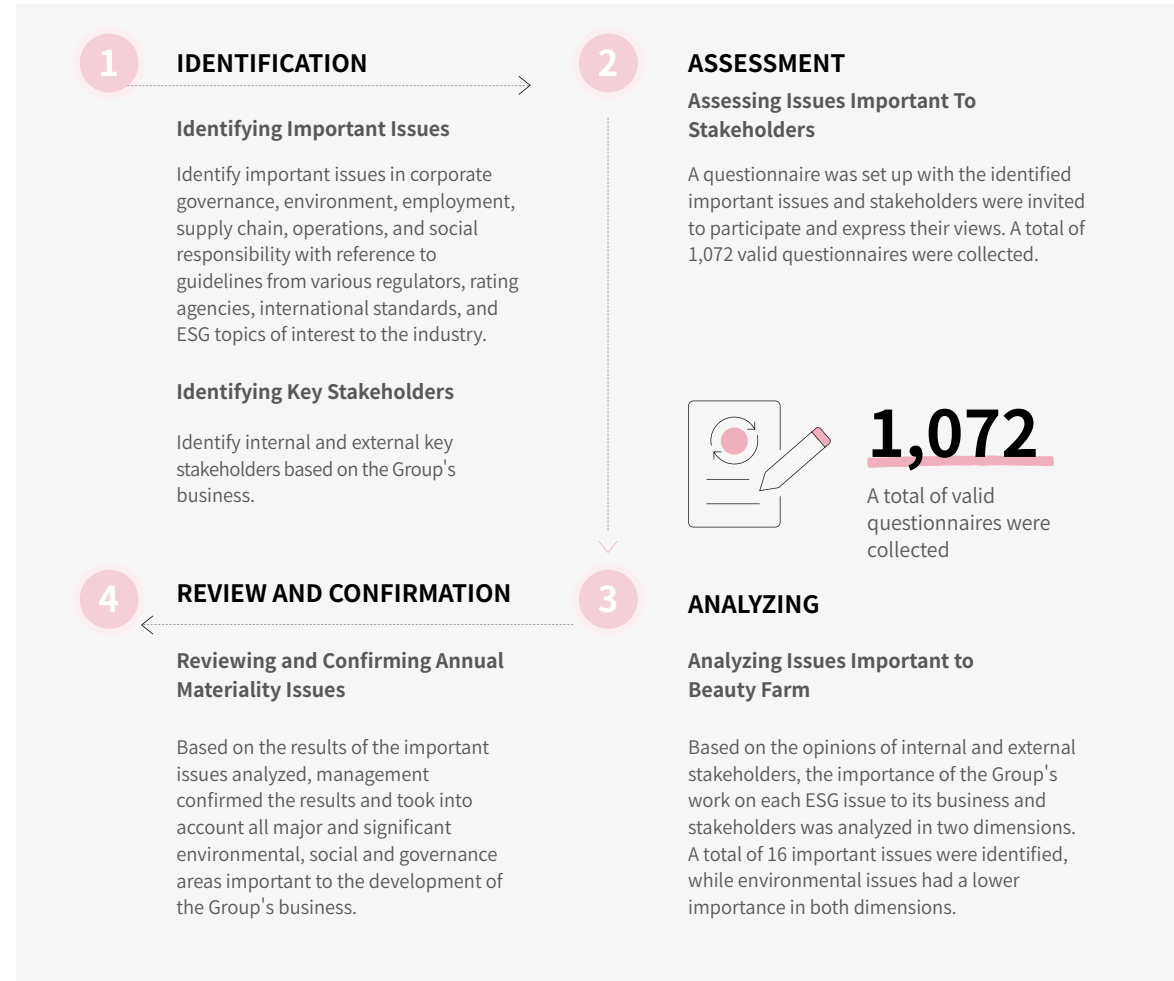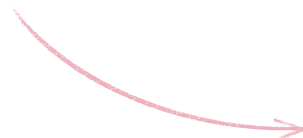and Diversity Policies • Risk Management
and Control • Compliance
Operation • Anti-Fraud and
Anti-Corruption • Intellectual Property
Protection

## 2.4

# Materiality Assessment

By assessing the level of stakeholders' concerns on various ESG issues and determining the level of materiality of the issues to the Group, we identify the issues that we need to focus on and consider in our ESG strategy and operations. During the year, the Board of Directors continued to engage an independent third-party consultant to conduct an objective materiality assessment of the issues, investigate the demands and expectations of stakeholders, review our existing strategies, objectives and internal controls, and formulate improvement measures to minimize risks and strengthen our ability to respond to risks.

With reference to the guidelines of various regulatory bodies, rating agencies, international standards and ESG issues of concern to the industry, we conducted a questionnaire survey on ESG issues with stakeholders such as management, employees, customers, investors/shareholders, suppliers, etc., in order to understand the views of the key groups and changes in requirements.

The evaluation and expectations of stakeholders on the Group's ESG performance have been an important reference material for this assessment of ESG issues. At the same time, we are focusing on the concerns and requirements of stakeholders and systematically optimizing the company's ESG strategy and management policies.

**1  IDENTIFICATION**

**Identifying Important Issues**

Identify important issues in corporate governance, environment, employment, supply chain, operations, and social responsibility with reference to guidelines from various regulators, rating agencies, international standards, and ESG topics of interest to the industry.

**Identifying Key Stakeholders**

Identify internal and external key stakeholders based on the Group's business.

**2  ASSESSMENT**

**Assessing Issues Important To Stakeholders**

A questionnaire was set up with the identified important issues and stakeholders were invited to participate and express their views. A total of 1,072 valid questionnaires were collected.

## 1,072

A total of valid
questionnaires were
collected

**4  REVIEW AND CONFIRMATION**

**Reviewing and Confirming Annual Materiality Issues**

Based on the results of the important issues analyzed, management confirmed the results and took into account all major and significant environmental, social and governance areas important to the development of the Group's business.

**3  ANALYZING**

**Analyzing Issues Important to Beauty Farm**

Based on the opinions of internal and external stakeholders, the importance of the Group's work on each ESG issue to its business and stakeholders was analyzed in two dimensions. A total of 16 important issues were identified, while environmental issues had a lower importance in both dimensions.

**Corporate Government**

1. Governance Mechanism and Risk Management
2. Compliance Operation
3. Anti-Corruption
4. Intellectual Property Right Protection

**Employment**

9. Compliance Employment
10. Child Labour and Forced Labour Prevention
11. Employee Care and Welfare
12. Occupational Health and Safety
13. Diverse Development and Training

**Operation**

16. Quality Management
17. Product and Service Diversity
18. Consumer Protection
19. Compliance Marketing and Advertising

**Environment**

5. Climate Change Risk and Opportunity
6. Use of Resources
7. Emissions Management
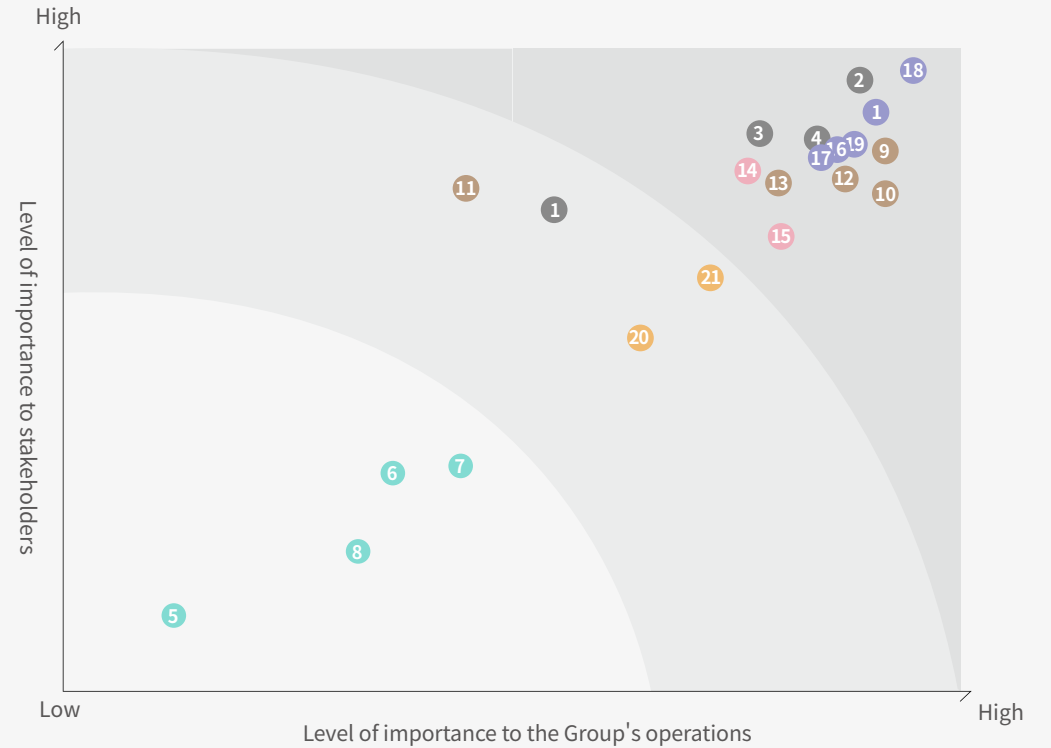8. Environmental and Natural Resources

**Supply Chain**

14. Supply Chain Management
15. Responsible and Green Procurement

**Social Responsibility**

20. Charity and Educational Donations
21. Contribution to Industry Development

**2023 ESG Materiality Matrix**



Level of importance to stakeholders

Level of importance to the Group's operations

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Sustainability Governance Structure • Sustainable Development Approaches and Goals • Stakeholder Communication and Response • Materiality Assessment • **Governance Mechanisms and Diversity Policies** • Risk Management and Control • Compliance Operation • Anti-Fraud and Anti-Corruption • Intellectual Property Protection

## 2.5

# Governance Mechanisms and Diversity Policies

## Governance Mechanisms

Beauty Farm strictly complies with Appendix C1 of the Hong Kong Listing Rules, the "Corporate Governance Code" and the laws and regulations of the jurisdictions in which it operates, with the objective of safeguarding the interests of our stakeholders and the development of our business, in order to build and continuously improve our governance structure and rules of procedure, and to enhance the level of our governance.

At the same time, we continue to enhance internal management systems that align with the development of the Group, clarifying roles and responsibilities in decision-making, execution, and oversight. This uplifts the Group's governance standards, providing organizational support and institutional safeguards for its development.

The chairman of the Group provides the ultimate leadership to the Board by ensuring effective functioning and discharging responsibilities. The Board serves as the cornerstone of the Group's governance structure, responsible for managing and operating our business.
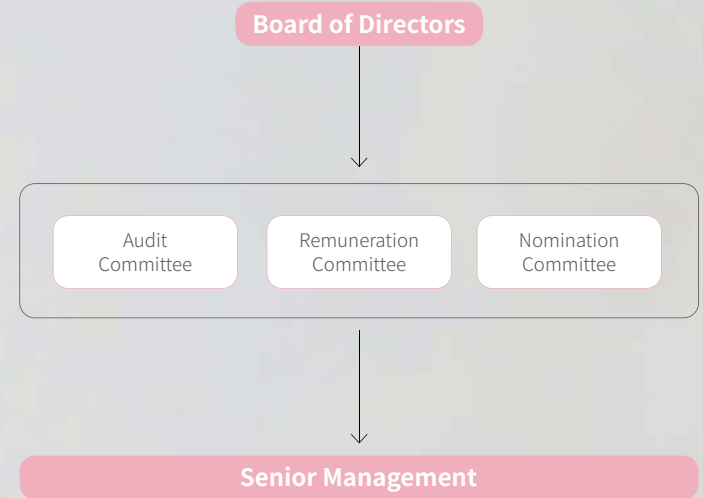
| General Meeting of Shareholders, Board of Directors and its Committees | Number of meetings held per year |
|---|---|
| General Meeting of Shareholders | at least once a year |
| Board of Directors | at least four times a year |
| Nomination Committee | at least once a year |
| Remuneration Committee | at least once a year |
| Audit Committee | at least twice a year |

**Corporate Governance Structure**

**Board of Directors**

| Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|

**Senior Management**

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# Diversity Policies

In order to achieve sustainable and balanced growth in the beauty industry, the Group views the increasing diversity of the Board as a key element to support the achievement of its strategic objectives and to maintain sustainable growth. The Group has developed and implemented Board Diversity Policy, which is regularly reviewed by the Nomination Committee. This includes the development of Board policies that set measurable objectives and track progress towards those objectives. The Nomination Committee will also make recommendations on board retirement and succession planning at the Group's annual general meeting.
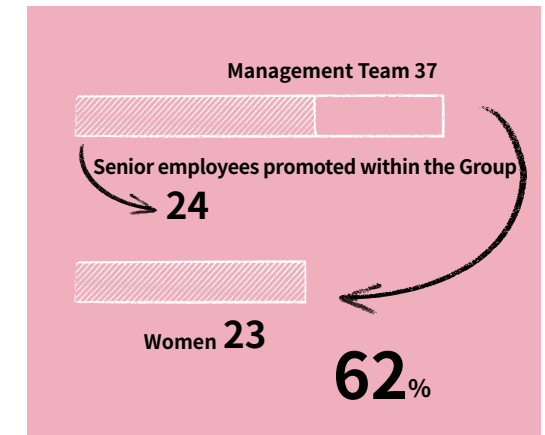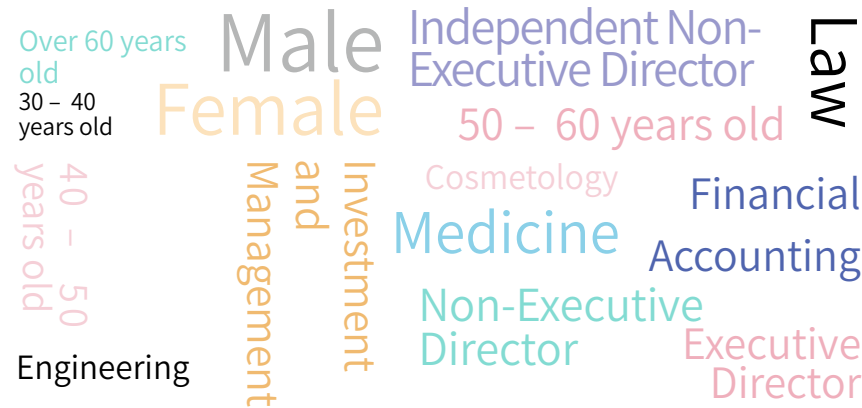
In determining the composition of the Board, we consider the diversity of the Board in a number of ways and selections are benchmarked against a range of diversity categories including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments to the Board are made on the basis of meritocracy, based on the diversity of skills and experience required to meet the needs of the various business sectors of the beauty industry. When considering candidates, we give due consideration to the benefits of diversity on the Board and continue to focus on the proportion of female executives.

The Board comprises eight members, including two executive Directors, three non-executive Directors, and three independent non-executive Directors, responsible for steering the direction and overseeing the development of the Group. The Board is responsible for the overall governance, supervision and regular review of the Group and guarantees long-term interests of the Group and stakeholders. The Board has established three committees, namely the Audit Committee, Remuneration Committee, and Nomination Committee, to ensure the proper operation of the Group. These committees are responsible for evaluating and advising on significant decisions, providing oversight, and maintaining high level of governance standards. Through their efforts, the Group aims to enhance transparency, credibility, and accountability, thereby strengthening stakeholder confidence.
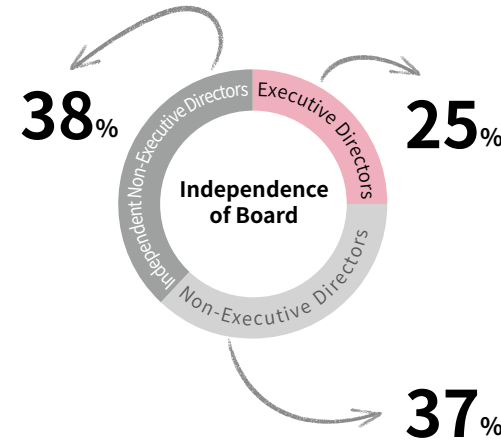
In order to promote gender diversity and enhance corporate governance, we will actively focus on diversifying and balancing the backgrounds of our Board of Directors and consider increasing the number of individuals with relevant experience in sustainability, as well as identifying female candidates with suitable qualifications for Board membership based on the actual needs of the Board of Directors, and endeavoring to achieve the goal of 20% female representation on the Board of Directors when suitable candidates are available (currently at 12.5%). Currently, 23 out of 37 members of the management team, or 62%, are women, 24 of whom are senior employees promoted within the Group as part of our efforts to promote gender equality. By increasing women's representation on the Board of Directors and in management, we will further strengthen the fairness and transparency of our corporate governance and enhance our reputation in society and the industry. We expect this initiative to bring broader perspective to the Group and set an example for other companies to follow in promoting gender equality and diversity in business.



**Independence of Board**

38% Independent Non-Executive Directors

25% Executive Directors

37% Non-Executive Directors



Over 60 years old · Male · Independent Non-Executive Director · Law · 30 – 40 years old · Female · 50 – 60 years old · 40 – 50 years old · Investment and Management · Cosmetology · Financial Accounting · Medicine · Non-Executive Director · Executive Director · Engineering



**Management Team 37**

**Senior employees promoted within the Group**
24

**Women** 23

62%

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## 2.6

# Risk Management and Control

Managing strategic planning, operational plans, and risk factors in actual business operations is an important aspect of our Company's governance.

We strengthen internal control and risk management through clear organizational structure and established systems. In accordance with the regulatory laws such as the Securities and Futures Ordinance of the Hong Kong Securities and Futures Commission and the Listing Rules of the Hong Kong Stock Exchange, as well as the Company's articles of association, the Group has formulated "Risk Management System" based on actual business situation. We have established comprehensive risk management and control system to identify and evaluate various uncertain events that may affect the Group's goals. We implement appropriate measures to ensure that the impact of these events is within an acceptable range. Our risk management and internal control system have clear organizational structure, defined responsibilities, power limitations, reporting methods, and accountability to identify and manage potential risks and safeguard the Group's assets.

**1 Risk Identification**

The Board of Directors and relevant functional departments identify external and internal risks facing the Group based on the Company's strategic planning, operation planning, and business budgets.

**Six Major Risk Types**

Strategy · Operation · Legal · Information · Market · Financial

**3 Risk Response**

The Risk Management Department determines specific measures and instruments for risk control based on the results of the risk assessment, and the Board of Directors ensures the appropriateness and effectiveness of risk response measures.

Risk control programs are jointly developed:

| Rating Manual | Management System |
| Control Process | Internal Control Manual |

**2 Risk Assessment**

The Board of Directors and relevant functional departments assess identified risks based on two main guidelines: risk measurement and scoring criteria, and the severity of impact on the organization's objectives. A comprehensive assessment is conducted using both qualitative and quantitative methods.

The Group's Board of Directors is fully responsible for overall risk management of the Group and has established preliminary risk and internal audit management system. This system is used to assess and determine the nature and extent of risks that the Group is willing to undertake in order to achieve its strategic objectives. Our Chairman and respective departments are responsible for functional department risk management. Under the guidance of the Audit Committee, the Group's Audit Department, Financial Center, Legal Department, and Medical Management Department jointly form the Group's internal control and risk management system. They manage the risk factors within their respective departments within the risk management framework of the Beauty Farm. The Audit Department takes the lead and is required to submit risk management report to the Audit Committee every six months, covering risk identification, assessment, and response measures. Regular discussions and improvements to the system are carried out regarding risk management and internal monitoring. Management departments and business units are primarily responsible for identifying risks within their respective departments, while the Audit Committee and the Internal Audit Department regularly report to the Board of Directors, review and evaluate the results of the risk management process, and provide improvement suggestions. The Risk Management Department, based on the results of risk assessment, collaboratively determines specific measures and methods for risk control and formulates risk control plans.

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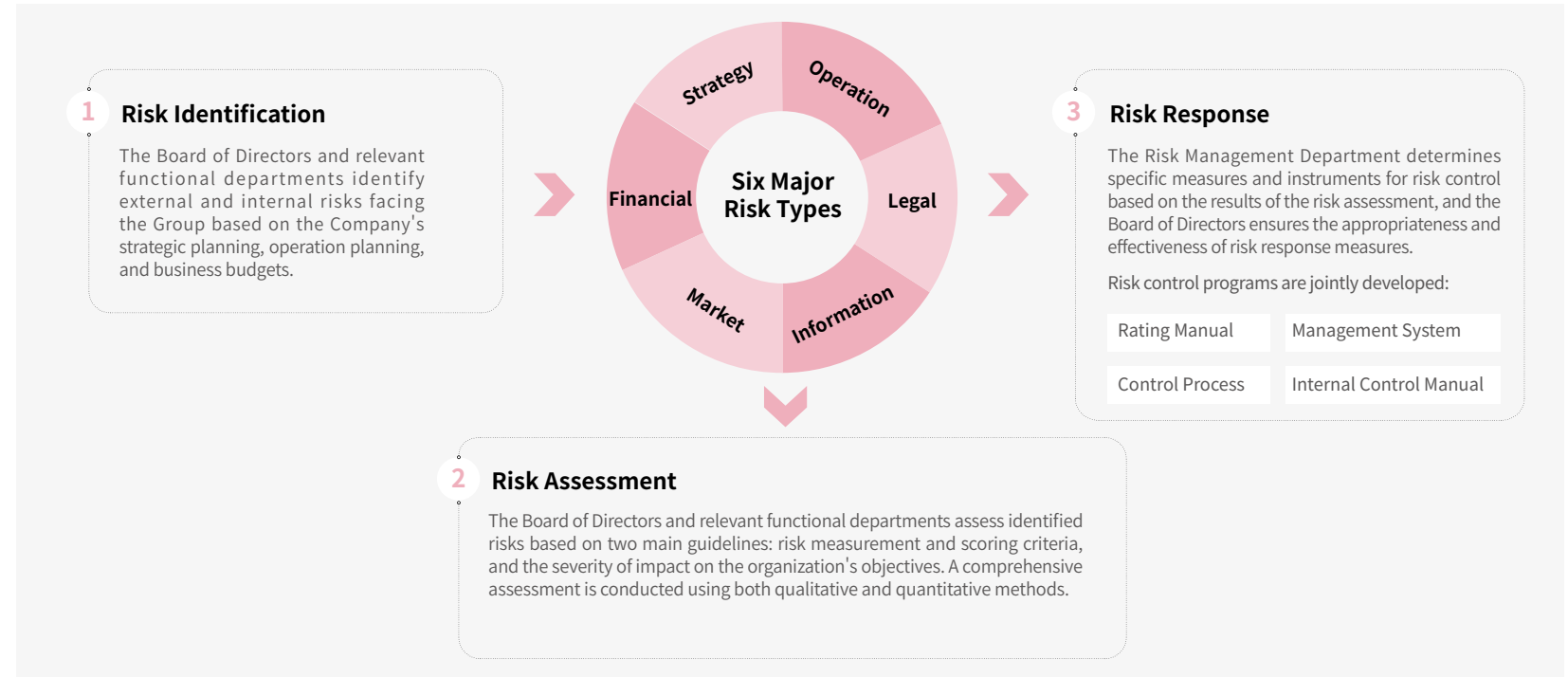
**19**

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In 2023, the Group published operational strategy with the motto "Stay Resolute, Innovate for Breakthroughs". This strategy analyzed the fundamental state of the industry, determined the Company's operational plans, and developed strategies that considered both short-term and long-term goals while managing strategic risks. The Group has established "Risk Management System" that outlines three-level risk management process. This system covers risk identification, risk assessment, and risk response, providing clear guidelines for risk management procedures and standardizing related workflow processes.



## Risk Management Workflow Diagram

| Main phase | | Basis of work | Results of work |
|---|---|---|---|
| Risk Collection | Establishment of work | Annual Risk Management Work Plan, Company StrategicPlan, Operating Plan and Operating Budget | Establishment ofwork |
| | Risk collection | Risk management system | Risk Collection Form |
| Risk assessment and management control | Risk analysis and assessment | Calculated risk taking and scoring criteria | Draft risk assessment |
| | Risk control scheme system | Risk assessment paper, acceptable risk level | Evaluation Manual Management System Control Process Manual |
| | | According to the results of the risk assessment, the risk management department jointly determines the specific risk control measures and measures. | |

### Risk&Internal Audit Management System

Plan to guide

risk management — Internal audit

Strategic risk · Operational risk · Financial risk · Legal risk · Market risk · Information risk — riski

model of

**Functional control model of internal control system**

| Committee | Digital Committee | Procurement Committee | Procurement Committee | Talent Development Committee |
| Business platform | Beauty Operation Management Center | Franchise Operation Management Center | PALAISPA | Aesthetic Medical Operation Management Center | Anti-Aging Operation Management Center |
| Deputy MiddleOffice | Babor Brand Department | Department of MedicalManagement | Medical Development Support |
| FunctionalMiddle Office | Investment Department | CRM | supply chain | Strategic Development Department | Construction Department | Beauty Farm University | Data Support Department! |
| Functional BackOffice | Finance Center · Human Resources Center · The Digital Center · President's Office |

Lead Assessment

Improve Assessment

## Internal Audit Workflow Chart

| Main phase | | Basis of work | Results of work |
|---|---|---|---|
| Audit Preparation | to lsunch a project | Annual Audit Work Pland Company Arrangement | Audit Project and Scope of Audit |
| | Issuance of Audit Notice | Pre liminary audit programme | Notice of Audit |
| Audit implementation | Audit implementation plan | Preparation of working papers | Audit working papersAudit conclusions |
| | Initial communication | Audit findings | Audit report (draft) |
| | Request for comments | The views of the respondents onthe conclusions of the report andthe requirements for rectification | Close the on-site audit andissue a report |
| Follow-up tracking | Follow-u p tracking | Company operating requirements | Company operating requirements |

The Group has also established "Internal Audit System" to implement national audit regulations and develop detailed implementation rules suitable for internal audit work within the Group. This system is put in place to safeguard shareholder investments and the Group's assets. Additionally, regular inspections, evaluations, and feedback are conducted to assess the integrity, reasonableness, and effectiveness of the Group's internal control system. For each year, the Internal Audit Department develops annual internal audit work plan based on the Group's annual work plan. They examine, evaluate, and provide feedback on the integrity, reasonableness, and effectiveness of internal control system within the Company and its subsidiaries. The department submits annual internal audit work report to the Board of Directors and reports any significant deficiencies or risks in internal controls. This ensures that relevant issues are promptly addressed, monitored, and rectified to effectively reduce or eliminate non-compliance risks within the Group. The Internal Audit Department also alerts management to the presence of fraud and corruption risks and undertakes specific corrective actions and enhancements based on identified deficiencies. They promote the participation of all employees in supervision, improve internal controls, and effectively mitigate various operational risks.

In 2023, the Group continued to deepen its internal control work by conducting regular audits for the Group's operational processes. Strict adherence to relevant laws and regulations and the standardization of employee conduct were emphasized to prevent any actions that could harm the legitimate rights and interests of the Group, shareholders, and employees. Throughout the year, we have conducted a total of 7 internal audit projects covering different business cycles. These audits included sales operations, procurement operations, inventory management, fixed asset management, financial reporting, warehousing, and general controls for computer information environments. Internal control issues within each business process were addressed and rectified by respective department's management.

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Sustainability
Governance Structure

• Sustainable Development
Approaches and Goals

• Stakeholder Communication
and Response

• Materiality
Assessment

• Governance Mechanisms
and Diversity Policies

• Risk Management
and Control

**• Compliance
Operation**

• Anti-Fraud and
Anti-Corruption

• Intellectual Property
Protection

## 2.7

# Compliance Operation

We believe that responsible operations in compliance with laws and regulations are the principles for our sustainable development. We have established relevant rules and regulations in various business areas and guide our employees to adhere to provisions of relevant laws and regulations concerning compliance operations, environmental protection, employment, occupational health, fire safety, product liability, consumer rights protection, advertising, and promotion. We conduct our business honestly, diligently, in accordance with the law, promote fair competition, and operate with integrity, while strictly adhere to business ethics standards.

### Compliance with Business Licenses and Qualifications

When selecting store locations, the Group has already taken compliance factors into consideration. In addition to considering commercial conditions, the Group considers the necessary conditions for site selection, such as the land use rights certificate, property ownership certificate, and fire safety records of the leased premises that are in line with the Group's business format.

During the design and construction process, priority is also given to comply with fire safety and healthcare regulations. The Group requires that stores must be completed necessary qualifications, including business licenses, public health permits (for beauty and health stores), medical institution practice licenses (for medical-related stores), and fire safety certifications, before opening for business.

### Personnel Compliance

The frontline beauty therapists and consultants employed in the Group's lifestyle and beauty business are not subject to mandatory administrative approval or the requirement to obtain professional licensing through examinations as per specific legal regulations. However, we still provide training with a period of 2 to 3 months for frontline beauty therapists before reporting their duties. This training is conducted to ensure the delivery of standardized services in accordance with the Company's standards.

All doctors employed in the Group's healthcare business have obtained their physician practicing licenses and have completed necessary registration at the medical institutions where they practice. Similarly, the nurses hired have obtained required nursing qualifications and have completed necessary registration at the medical institutions where they perform their duties.

### Projects Compliance

The cosmetics used in the Beauty Farm's beauty projects have obtained domestic cosmetic registrations that comply with their intended use. Imported products have also obtained corresponding import cosmetic registrations and have been imported through proper procedures. The instruments and products used in the medical projects have the corresponding Class I, Class II, and Class III medical device certificates, and the distribution and manufacturing institutions possess corresponding qualifications for operation and production of medical devices. The aforementioned qualifications will be verified during the establishment of the supplier database and selection of products, and they are recorded as necessary attachments in the master data system.

### Escrow for Prepayments Compliance

Considering Beauty Farm's prepayment model, we actively guard against management risks associated with prepayment funds. In accordance with relevant laws and regulations governing prepaid cards, Beauty Farm has completed the registration of single-purpose prepaid cards. This ensures that government authorities are aware of the amount, balance, and details of collected prepaid funds. There are also restrictions on individual prepayment amounts, effectively regulating the use of prepaid card funds to safeguard the security of customer prepayment funds. In terms of fund custody, performance guarantee insurance method is employed, underwritten by Ping An Insurance Company of China. This effectively protects the rights of members and ensures worry-free consumer experience.

### Information Security Compliance

As a pioneer in industry informatization, Beauty Farm not only utilizes information technology to provide customers with better experiences but also pays attention to compliance requirements outlined in relevant national laws and regulations regarding the use of information technology. Systems involving customer identity information have completed Level 3 security assessment and certification, while systems involving general customer information have completed Level 2 security assessment and certification.

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Sustainability Governance Structure    • Sustainable Development Approaches and Goals    • Stakeholder Communication and Response    • Materiality Assessment    • Governance Mechanisms and Diversity Policies    • Risk Management and Control    • Compliance Operation    • **Anti-Fraud and Anti-Corruption**    • Intellectual Property Protection
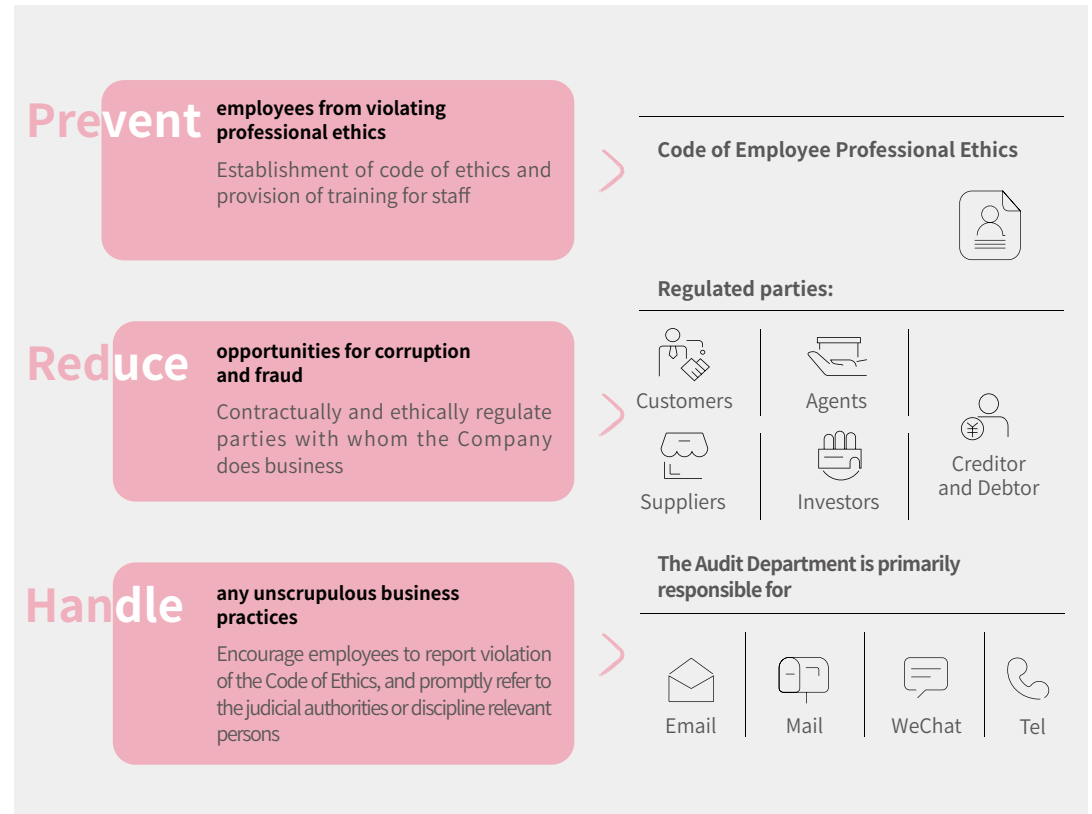
## 2.8

# Anti-Fraud and Anti-Corruption

Our Group attaches great importance to compliance and anti-corruption efforts to ensure the integrity and ethical conduct of the Company. In accordance with relevant laws and regulations, including the "Anti-Unfair Competition Law of the People's Republic of China" and "Interim Provisions on Prohibiting Commercial Bribery", we have developed "Anti-Fraud and Anti-Bribery Management System" and established corresponding internal control systems. We also conduct awareness campaigns throughout the Company to promote these measures.

The Board of Directors plays leadership role in anti-fraud and anti-bribery efforts by overseeing the establishment and improvement of the Company's anti-fraud and anti-bribery culture. They ensure the effective operation of the internal control system. We have established Integrity Leadership Group consisting of the Chairman and senior management, responsible for ongoing supervision of the Company's anti-fraud and anti-bribery efforts. Departments such as finance, legal, and audit actively participate in compliance management. The heads of these departments bear the responsibility for managing and preventing fraudulent and corrupt activities.

We strongly oppose any form of bribery and take serious disciplinary measures against employees who violate anti-corruption policies. In severe cases, employment relationships will be terminated. We actively comply with relevant laws and regulations, such as the Anti-Money Laundering Law of the People's Republic of China, the People's Bank of China's "Regulations on Anti-Money Laundering for Financial Institutions", and the "Anti-Money Laundering and Anti-Terrorist Financing Guidelines for Payment and Settlement Organizations". We have developed "Anti-Money Laundering and Anti-Terrorist Financing Management System" to strengthen our efforts in combating money laundering and terrorist financing, as well as to regulate the use of prepaid cards.

The audit department conducts specialized audits on the entire process of issuing valuable vouchers/cards and non-valuable vouchers/cards, based on existing risk management mechanisms. They provide improvement suggestions, including establishing incompatible position review mechanism and strengthening post-management, to form a closed-loop management system.

**Prevent** **employees from violating professional ethics**

Establishment of code of ethics and provision of training for staff

**Code of Employee Professional Ethics**

**Regulated parties:**

**Reduce** **opportunities for corruption and fraud**

Contractually and ethically regulate parties with whom the Company does business

Customers    Agents

Suppliers    Investors    Creditor and Debtor

**The Audit Department is primarily responsible for**

**Handle** **any unscrupulous business practices**

Encourage employees to report violation of the Code of Ethics, and promptly refer to the judicial authorities or discipline relevant persons

Email    Mail    WeChat    Tel

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We encourage employees and department heads to have obligation to report any violations of regulations and laws in their daily work. To facilitate this, we have established reporting channels and internal reporting procedures while striving to protect the privacy and data of whistleblowers. Additionally, reporting reward system has been established to encourage employees to supervise and report illegal activities. Within our Group, we strictly adhere to the "Code of Employee Professional Ethics", which provides detailed regulations on principles such as honesty and trustworthiness, conflict of interest management, stakeholder relations, information disclosure and confidentiality, protection of company assets, whistleblowing and penalties, and anti-fraud measures. Major fraud cases involving amounts exceeding RMB 50,000 or involving executives at or above the departmental level are directly reported to the Board of Directors by the leadership group. Other fraud cases involving amounts below RMB 50,000 or involving executives below the departmental level are registered and investigated according to the "Internal Reporting Procedures", with follow-up on the handling results. After the investigation of anti-fraud and anti-bribery cases is concluded, if fraudulent or corrupt behavior is indeed confirmed, the leadership group should recommend to the management to impose corresponding internal economic and administrative disciplinary measures according to the Company's relevant rules and regulations. After careful consideration, the responsible individuals may be subjected to fines of a certain amount. In cases of severe nature, the Company may terminate their labor contracts. If the fraudulent or corrupt behavior violates relevant laws, it should be reported to the government authorities or judicial agencies for legal action.

We are committed to creating a work environment that promotes anti-corruption and integrity. Prior to the promotion of executives, we conduct public notifications and gather feedback from various parties. We handle whistleblowing information impartially and have formulated the "Internal Reporting Procedures", which are distributed to every director and employee to ensure their awareness of relevant policies and provide a clear framework to follow. We will continue to adhere to the principles of compliance and anti-corruption, maintaining a work culture of honesty and integrity, and contributing to the sustainable development of the Company and the prosperity of society. During the Reporting Period, we have not been involved in any litigation cases related to embezzlement, bribery, fraud, deception, or money laundering.

## "Tree Hole Little Beauty", direct channel of communication with executives

Beauty Farm has integrated with Enterprise WeChat as an internal employee communication platform. The Group has established a dedicated account called "Tree Hole Little Beauty" as convenient channel for employee complaints and reports. The account is jointly managed by the Group's HR Director and other executives, who take turns handling the backend management. They provide direct responses to the issues raised by employees, ensuring prompt handling of feedback. The handling of issues through this account adheres to the principles of fairness and impartiality. Strict confidentiality measures are implemented to safeguard employee information and ensure smooth operation of the complaint channel and the security of employee privacy.

## Whistleblowing Channel

Whistleblowing acceptance email: shenjibu@beautyfarm.com.cn

Whistleblowing acceptance hotline: +86 21-60953299 (extension 8159)

Whistleblowing acceptance department: Beauty Farm Audit Department

Whistleblowing acceptance address: 12th Floor, Lujiazui East Tower, 1089 Dongdaming Road, Hongkou District, Shanghai

Other channel: Enterprise WeChat account "Tree Hole Little Beauty"

## 2023 Group Highlight Measures

**Signing the "Integrity Disclosure Notice"**

Beauty Farm has incorporated the "Integrity Disclosure Notice" as an annex to construction agreements and design commissioning agreements. The notice stipulates anti-corruption provisions and publicizes the reporting channels and responsible departments. In 2023, all 14 construction partners of Beauty Farm have signed the "Integrity Disclosure Notice" with 100% compliance rate. This ensures that both parties engage in economic activities based on the principles of fairness, impartiality, transparency, and integrity, thereby safeguarding the legitimate rights and interests of both parties.

**Establishing the "Integrity Leadership Group"**

The members of the leadership group are comprised of the Chairman and senior executives of the Company. They actively supervise and urge the management to establish and improve the Company's anti-fraud and anti-bribery culture, as well as establish a robust internal control system that includes measures to prevent fraud and bribery. They are also responsible for approving the handling recommendations for anti-fraud and anti-bribery cases and are open to appeals regarding the handling recommendations.

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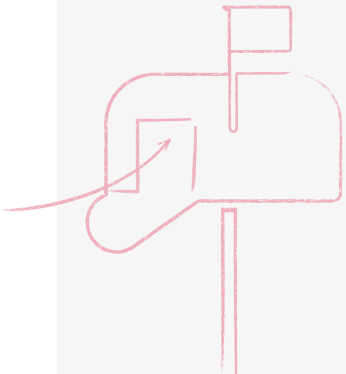
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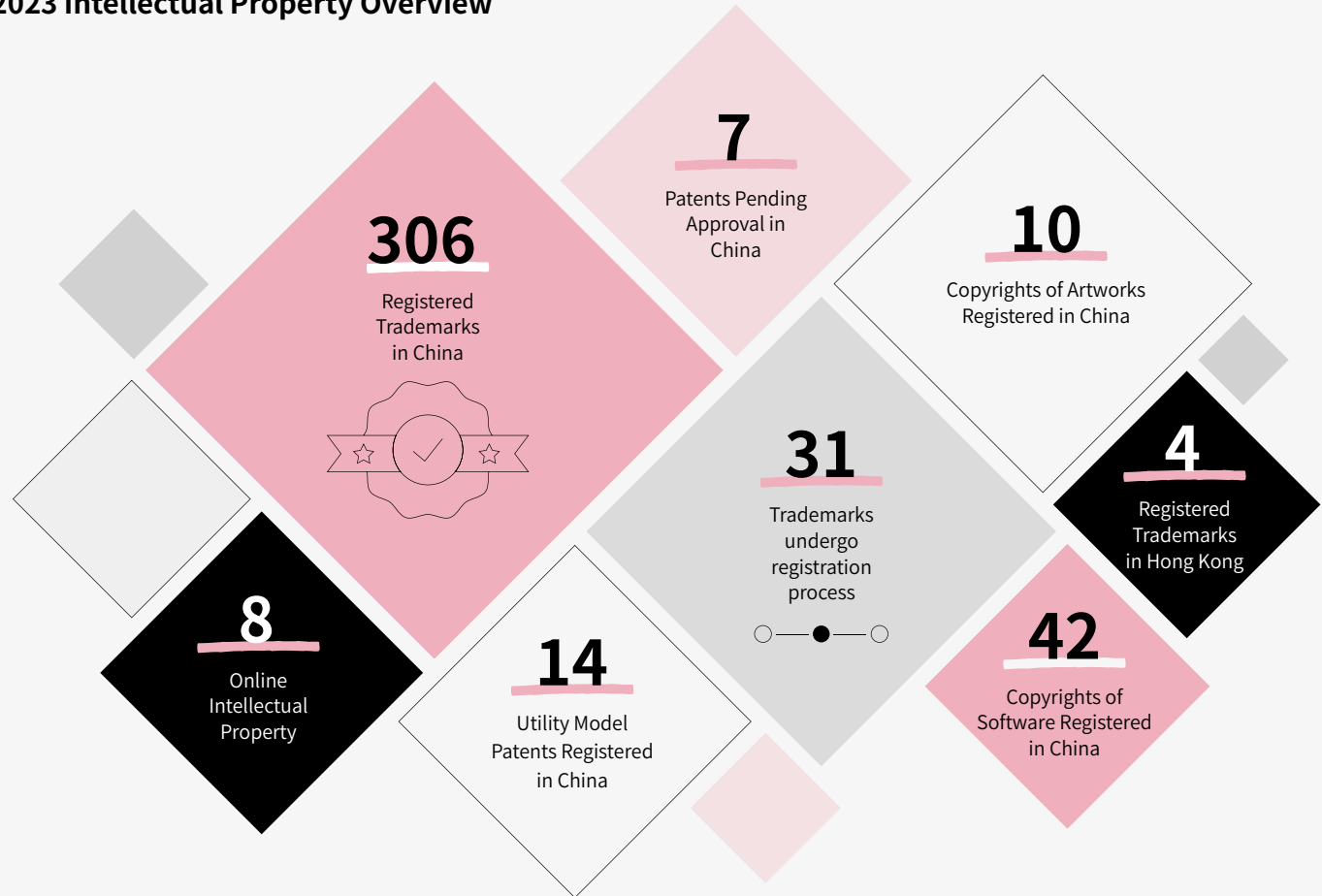
## 2.9

# Intellectual Property Protection

We strictly adhere to the relevant laws and regulations concerning intellectual property, such as the "Trademark Law of the People's Republic of China", "Patent Law of the People's Republic of China" and "Administrative Measures for Internet Domain Names". We are committed to protecting our rights in accordance with the law and have established comprehensive intellectual property management system. We firmly believe that protecting our intellectual property is crucial factor in achieving sustainable business success and maintaining competitiveness. We monitor our intellectual property through databases and other sources of information and have developed contingency plans for patent protection and enforcement.

We have implemented standardized management for trademarks, patents, domain names, and other intellectual property rights. We have established the "Intellectual Property Application System" which provides employees with clear guidelines and procedures for applying of intellectual property rights, ensuring the effective protection and maintenance of the Group's intellectual property in an orderly manner. During the Reporting Period, there were no significant cases of infringement on third-party intellectual property rights, and we have not received any notices regarding major infringements or disputes related to the protection of intellectual property rights.

We will continue to abide by relevant laws and regulations, strengthen intellectual property management, and protect our own intellectual property rights. We will also establish good cooperative relationships with other companies and partners to jointly promote the development of intellectual property protection.

**2023 Intellectual Property Overview**

**306**
Registered Trademarks in China

**7**
Patents Pending Approval in China

**10**
Copyrights of Artworks Registered in China

**31**
Trademarks undergo registration process

**4**
Registered Trademarks in Hong Kong

**8**
Online Intellectual Property

**14**
Utility Model Patents Registered in China

**42**
Copyrights of Software Registered in China

# 03

## Beauty in Harmony with Nature

- Reduce excessive packaging of consumables and develop recyclable post-operative masks

- Promote low carbon and paperless office in stores and offices

- Optimize use of energy and water to reduce waste

United Nations Sustainable Development Goals

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Environmental Management System

• Climate Change Risks and Opportunities

• Optimizing Resource Management

## 3.1

# Environmental Management System

Beauty Farm strictly adheres to laws and regulations such as "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Soil Pollution", "Law of the People's Republic of China on the Prevention and Control of Water Pollution", "Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution" and "Regulations on the Administration of Pollutant Discharge Permits". We have formulated a series of environmental management and energy-saving measures.

Based on actual situation of our business, we continuously revise and improve internal systems to ensure that various pollutant emissions comply with national and local standards. During the Reporting Period, we strictly complied with relevant laws and regulations and did not have any violations. We will continue our efforts to ensure that the concept of coexistence of beauty and green ecology is fully reflected in our business operations.

In terms of store decoration and design, we also pay more attention to the use of environmentally friendly materials. We have gradually upgraded the building materials of existing stores and installed air purification devices based on environmental conditions of the stores' location. Before opening of newly renovated stores, we hire professional third-party organizations to conduct air treatment. We proceed with the opening for business, only after the pollutant monitoring results meet the standard requirements.

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Environmental Management System

• **Climate Change Risks and Opportunities**

• Optimizing Resource Management

## 3.2
# Climate Change Risks and Opportunities

The Group believes that our business is not easily affected by climate change. Most of our operations are located in first-tier and new first-tier cities, which have higher resilience to extreme weather events such as typhoons, storms, and heavy rainfall in terms of rainwater drainage, building structures, communication infrastructure, and power grid facilities. Therefore, we believe that the impact of extreme weather on the Group's operations is limited.

As of the end of the reporting year, our business operations or financial performance have not been significantly affected by climate change or extreme weather conditions. However, regarding the risks arising from changes in policies, laws, technologies, and markets aimed at mitigating and adapting to climate change (transition risks), the Group is still at the preliminary stage of identifying relevant risks and implementing corresponding mitigation measures. The Group recognizes the importance of sound governance arrangements for effectively managing climate-related risks. We will continue to collaborate with third-party ESG advisors to incorporate climate risks into the Group's enterprise risk management framework. We will also promptly establish climate-related goals and indicators and disclose them to the board of directors and stakeholders through annual ESG reports, monitoring the progress made in achieving each designated key performance indicator.

**Transition risk**

| Risk Description | Increasingly stringent regulatory disclosures related to climate change | Increasing expectations from stakeholders |
|---|---|---|
| | • Risk of non-compliance with relevant laws and regulations (e.g. Hong Kong Stock Exchange ESG guidelines) | • Increased risk for the Group as it may not meet the growing focus on ESG performance |
| | • Facing legal or regulatory actions, business disruptions, reputational and/or financial losses | • Facing reputational and/or financial losses, or increased capital investment and marketing costs |
| | • Increased capital investment and compliance costs | |
| Mitigation Measures | • Regularly monitor existing and emerging trends, policies, and regulations related to climate to avoid cost increases, non-compliance fines, or reputational risks due to delayed response | • Promoted the Group's sustainable development efforts through online and offline channels |
| | • Engaged third-party ESG professionals to provide ESG reporting services, ensuring the quality and accuracy of the group's ESG reporting and compliance with relevant regulations | • Engaged with stakeholders to understand their changing demands and perspectives on the Group's performance and disclose corresponding information in the annual ESG report. |
| | • Regularly meet with ESG professionals to stay informed about the latest ESG news and regulatory updates, enabling timely actions to be taken. | |

**Physical Risk**

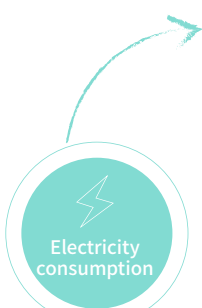| | Extreme weather |
|---|---|
| Risk Description | • Increased frequency and severity of extreme weather events such as typhoons, storms, and heavy rainfall |
| | • May potentially damage the power grid, communication infrastructure, or cause flooding, hindering and endangering the work of our employees, resulting in decreased capability and productivity |
| | • The Group faces risks associated with non-performance and delayed performance, leading to business interruptions, financial losses, employee injuries, or increased capital investment |
| Mitigation Measures | • In order to minimize potential risks and hazards, the Group has implemented flexible work arrangements and preventive measures during adverse or extreme weather conditions. This includes participating in emergency drills for environmental incidents at office spaces and store buildings. |

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· Optimizing Resource
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## 3.3
# Optimizing Resource Management

We have always adhered to the principles of green development and coexistence with nature, actively responding to the national "dual carbon" strategy. By optimizing our energy structure and improving energy efficiency, we contribute to energy conservation, emissions reduction, and minimizing resource waste. We are committed to creating safer and more sustainable community environment.

### Environmental Target

**Water consumption**

**Electricity consumption**

- We anticipate that the total electricity and water consumption in next two years will increase as we expand our store network and expect an increase in the total number of customer visits. We will continue to improve energy and water efficiency in our operations to fulfill our environmental and social responsibilities. Additionally, we plan to reduce the energy usage per customer visit in next two years.
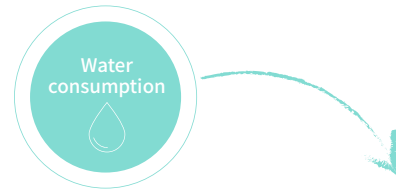
- Due to the nature of our business, we do not consume significant amount of water in our day-to-day operations. However, we intend to reduce the average annual water consumption per store by 1% in next two years. We plan to continue monitoring water usage and upgrading wastewater treatment capacity to incorporate the use of recycled water when necessary. We expect to explore potential energy-saving solutions during the production process and improve the efficiency of energy and resource utilization. Additionally, we anticipate enhancing employee awareness of environmental protection and resource conservation through ongoing training efforts.

## Energy Management

The electricity consumption of our Group is also a major source of indirect greenhouse gas emissions. Therefore, to improve energy efficiency and reduce related greenhouse gas emissions, the following energy-saving measures have been implemented in our stores and offices:

All our stores and office locations actively promote paperless operations, advocating for the use of electronic documents as a replacement for traditional paper files. This initiative aims to reduce resource waste and control costs.

We encourage the reuse of delivery packages and the adoption of sustainable packaging materials to minimize packaging waste and contribute to environmental protection.

We focus on cultivating energy-saving awareness among employees and promote the habit of turning off power sources when not in use. We widely utilize smart remote sockets in office spaces. Through mobile application, we can remotely control power switches, monitor real-time energy consumption of appliances, reduce unnecessary power waste, and effectively prevent potential safety hazards caused by prolonged appliance operation.

We advocate for energy conservation and remind employees of lights-out time in office areas through notifications on the enterprise WeChat platform. We encourage the last person leaving the office area to turn off the lights and collaborate with the property management of the office space to check for lights left on during nighttime patrols, aiming to reduce energy waste.

During the Reporting Period

**10,347,675.11** kWh
The Group's total electricity consumption was approximately

**48.13** kWh
With an intensity of per ten thousand RMB in revenue

**11,763.96** liters of gasoline
Additionally, the Group consumed approximately

**0.05** liters of gasoline
With an intensity of liters per ten thousand

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# Water Resource Management

The water used in both the offices and stores of our Group is sourced from the municipal water supply, and there is no wastewater discharge resulting from production processes. During the Reporting Period, the Group did not encounter any issues related to accessing water resources. Embracing our environmental responsibility, we strive to effectively utilize water resources by integrating water-saving practices into various aspects of our daily operations. We actively implement water-saving measures and leverage water-saving technologies to promote sustainable water resource utilization.

The washrooms in our Group's office areas and some stores are equipped with automatic sensor faucets that intelligently adjust water flow and timing. Regular inspections and maintenance of water facilities and pipelines are carried out to achieve our water-saving and environmental goals.

We also emphasize the importance of water conservation starting from employees' daily lives. By fostering a proper understanding of water usage and strengthening their environmental awareness, we ensure responsible water consumption and eliminate wasteful practices. To enhance employees' awareness of water conservation in public areas, we display water-saving slogans and messages in our offices and stores. These efforts aim to minimize water consumption and maximize our contribution to water resource conservation.

During the Reporting Period, the Group utilized approximately 185,708.39 cubic meters of water resources, with density of 0.86 cubic meters per ten thousand RMB in revenue.

# Emission Management

The Group's core business primarily involves providing various series of beauty, wellness, and medical aesthetic services and products. In the course of daily business operations, the main types of emissions generated include greenhouse gases from the use of electricity in offices and stores, exhaust gases and greenhouse gases from Company's vehicles or employee's travel, medical waste generated during the provision of medical aesthetic services to customers, construction waste generated during the opening, renovation, or closure of stores, various hazardous and non-hazardous waste generated during the routine operations of offices and stores (such as paper waste, used light bulbs, empty toner cartridges, packaging materials from used beauty products), as well as domestic wastewater. The Group strictly adheres to all applicable major environmental protection laws, regulations, and pollution control measures in the regions where it operates, such as "Solid Waste Pollution Prevention and Control Law of the People's Republic of China", "Water Pollution Prevention and Control Law of the People's Republic of China", "Environmental Impact Assessment Law of the People's Republic of China", "the Regulations on Pollutant Discharge Permit Management", "the Regulations on Medical Waste Management", "the Law on the Prevention and Control of Infectious Diseases of the People's Republic of China" and "the Regulations on Urban Drainage and Sewage Treatment", etc. The Group has always handled emissions in accordance with relevant regulations and is committed to reducing waste and emissions generated in its various business operations in order to reduce environmental pollution and achieve sustainable development in harmony with the ecosystem.

Due to the nature of the Group's business, the Group is basically not involved in the production process and does not generate a large amount of pollutants (e.g., production wastewater, ammonia and nitrogen compounds, chemical oxygen demand, etc.) and wastes, except for greenhouse gas emissions. Therefore, we have not yet established specific emission targets.

However, the Group continuously monitors its own emissions and evaluates the implementation of its emission management policies. When necessary, for example, if the pollutant discharge fee accounts for a certain proportion of the Group's operating expenses, relevant emission targets will be established. Furthermore, since the majority of greenhouse gas emissions generated by the Group come from purchased electricity consumption, the goal of reducing greenhouse gases aligns with the objective of reducing energy consumption (please refer to the "Environmental Target" for more details). Additionally, when selecting suppliers, we prioritize collaborating with those implementing clean production practices.

During the Reporting Period, the Group's operations strictly adhered to the environmental laws and regulations of local governments. There were no confirmed incidents of violations or non-compliance related to emissions that had significant impact on the Group.

During the Reporting Period

## 5,932.57 tonnes of carbon dioxide equivalent

The Group's greenhouse gas emissions resulting from electricity consumption and vehicle fuel consumption amounted to approximately

## 0.03 tonnes of carbon dioxide equivalent

The emission intensity per ten thousand RMB in revenue

## 14.32 kilograms

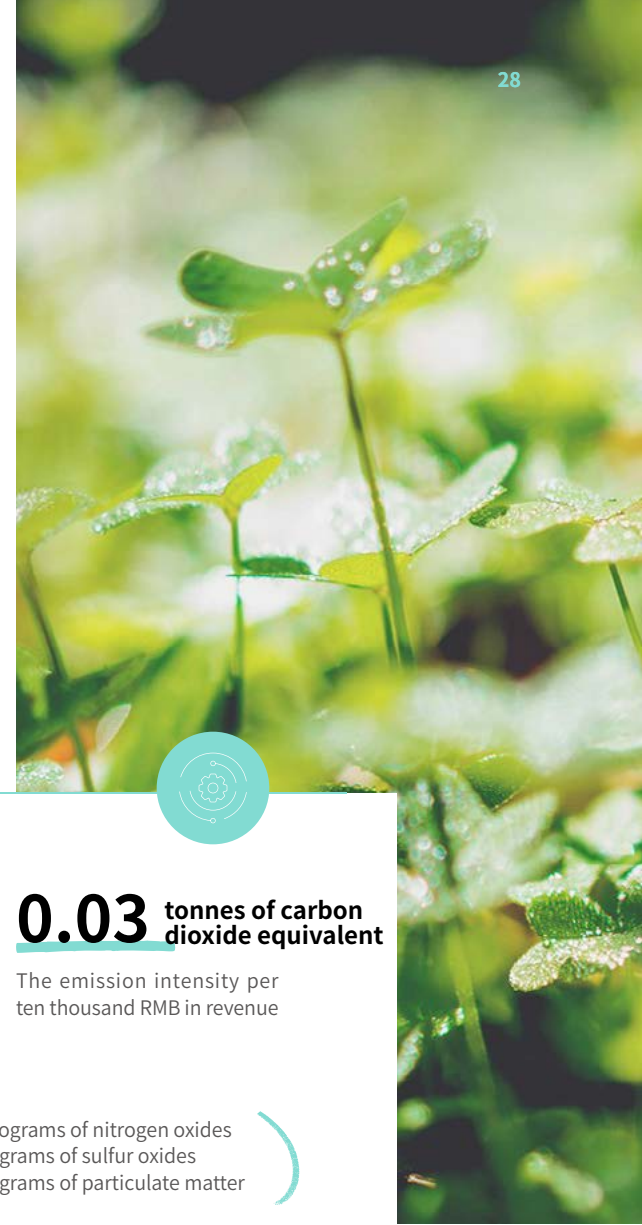The emissions from vehicle exhaust amounted to approximately

13.18 kilograms of nitrogen oxides
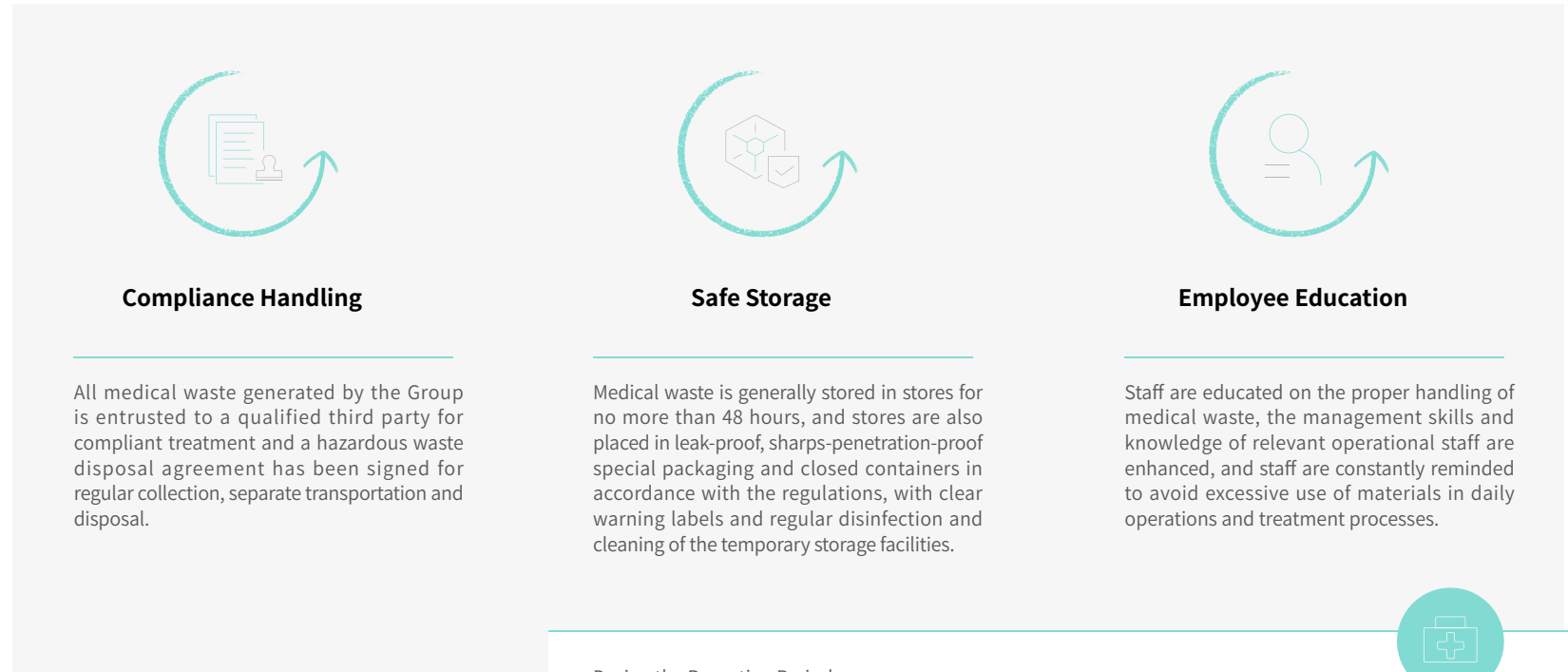0.17 kilograms of sulfur oxides
0.97 kilograms of particulate matter

Note:[1] The calculation methods for greenhouse gas emissions (Scope 1 and 2) and vehicle emissions from gasoline and electricity mainly refer to the "Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange.

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# Medical Waste Management

The Group's business operations do not involve the use of hazardous or dangerous substances, nor do they generate toxic, harmful, or hazardous waste. However, in the process of providing services to customers, we do need to handle medical waste and materials generated by medical aesthetic operations, such as used disposable medical supplies and equipment, including syringes, cotton pads, and other wound dressings. We strictly comply with relevant laws and regulations, including "Regulations on Medical Waste Management" and "Measures for the Management of Medical Waste in Medical and Health Institutions", etc. We engage third-party waste management companies holding valid "Medical Waste Management License" issued by the local ecological environment bureau to regularly collect, transport, and dispose of the waste. We also have contingency plans in place to address any unexpected incidents.

In order to effectively prevent and control the potential environmental hazards caused by medical waste, the Group actively takes corresponding measures and establishes standardized management system from three dimensions: compliant handling, safe storage, and employee education. The Group engages qualified and compliant third-party entities to handle medical waste, ensuring compliance with relevant regulations and standards. It also establishes secure storage facilities that meet the required standards to ensure that medical waste does not pose any harm to the environment and individuals in store premises and surrounding areas during the storage process. While our daily business processes inevitably generate medical waste, we are committed to reducing its generation. We educate our employees on the proper handling of medical waste and continuously remind them to avoid excessive use of materials in daily operations and treatment procedures.

**Compliance Handling**

All medical waste generated by the Group is entrusted to a qualified third party for compliant treatment and a hazardous waste disposal agreement has been signed for regular collection, separate transportation and disposal.

**Safe Storage**

Medical waste is generally stored in stores for no more than 48 hours, and stores are also placed in leak-proof, sharps-penetration-proof special packaging and closed containers in accordance with the regulations, with clear warning labels and regular disinfection and cleaning of the temporary storage facilities.

**Employee Education**

Staff are educated on the proper handling of medical waste, the management skills and knowledge of relevant operational staff are enhanced, and staff are constantly reminded to avoid excessive use of materials in daily operations and treatment processes.

In the future, we plan to regularly assign personnel from the legal department to conduct periodic inspections on the implementation of guidelines related to the disposal of medical waste, aiming to ensure the effective implementation of the aforementioned measures.

During the Reporting Period

**15,933.74** kilograms

the Group generated a total of medical waste[1]

**0.07** kilograms

The emission intensity was per ten thousand RMB in revenue

The waste was disposed of by qualified third-party waste management companies.

Note;[1]Medical waste is generated from two brands of clinics that provide medical aesthetic products and services, namely Neology and CellCare.

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## Waste and Wastewater Management

Most of the Group's stores are located in shopping centers. Various types of waste and wastewater generated from the stores operations and office activities, such as paper waste, packaging materials of used beauty products, discarded light tubes, toner cartridges, and domestic wastewater, are collected and disposed of by the property management company. As for construction waste generated from opening new stores, renovations, or store closures, they are collected and disposed of by the construction contractor. Waste management is an essential part of preventing and controlling environmental pollution. Although the Group is not directly involved in the centralized collection and disposal of waste, it is committed to implementing various measures such as waste reduction, recycling, and promoting employee awareness of environmental protection. The aim is to reduce waste at the source, promote waste recycling and reuse, and minimize the environmental impact of the Group's daily operations. For example, when signing contracts with construction contractors, the Group includes clauses for civilized construction to ensure effective measures are taken to control or eliminate noise, dust, and other construction waste generated during the construction period. The strategic development department conducts regular inspections of construction progress to assess the implementation of waste disposal measures by the construction contractors. The Group also follows the requirements of the property management company by sorting and placing various types of waste generated by the stores in designated garbage collection areas or recycling bins.

During the Reporting Period

### 8,367.66 kilograms

The Group generated a total of non-hazardous waste[1]

### 0.04 kilograms

The emission intensity was per ten thousand RMB in revenue

The waste was disposed of by qualified third-party waste management companies.

Note:

[1] The non-hazardous waste data currently reported mainly includes wastepaper generated from the offices and stores. The Group has not yet established a system for collecting and compiling data on other non-hazardous waste (such as used beauty products packaging materials, cardboard boxes, shopping bags, etc.). The Group will discuss with third parties on various effective and feasible methods for data collection to ensure that more comprehensive non-hazardous waste data can be provided in reports in the future.

[2] The packaging data only includes packaging materials directly purchased by the Group and does not currently include packaging from the product suppliers.

## Packaging Material Management

Packaging materials for beauty products are major source of packaging waste. We have implemented a series of measures to reduce the amount of packaging materials used and promote recyclability and sustainability. Our goal is to provide customers with high-quality products while ensuring packaging safety and protection, and avoiding excessive packaging whenever possible. The Group primarily procures packaging materials from suppliers. During the procurement process, we collaborate with suppliers to seek innovative packaging solutions that reduce waste and improve packaging sustainability. We strive to minimize the use of unnecessary packaging materials by incorporating environmental elements into the design of product packaging. This aligns with the Group's focus on design and streamlining as primary design considerations, aiming to reduce resource waste.

We understand the importance of packaging material management in reducing environmental impact and promoting sustainable development. Through continuous improvement of our packaging strategies and implementation of environmental measures, we are committed to reducing resource consumption and minimizing waste generation. Our goal is to gradually increase the proportion of recycled materials in packaging materials and provide customers with more environmentally-friendly product choices.

During the Reporting Period

### 74,516.44 kilograms

The Group used a total of packaging materials[2]

### 0.35 kilograms

The density of packaging material usage was per ten thousand RMB in revenue

# Beauty Goes Along with Responsibility

- Strictly control the selection of products to provide customers with standardized services to ensure safety and health

- Establish Procurement Committee to systematically manage and evaluate suppliers to maintain a sustainable supply chain

- Establish and emphasize customer feedback mechanism to protect customer privacy and data security Train beauty therapists to standardize workflow to ensure service quality

United Nations Sustainable Development Goals

| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS |

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## 4.1

# Beauty to the Fullest, Quality Comes First

## Selection of Products with High Global Standards

The Group strictly complies with relevant laws and regulations concerning product liability that have significant impact on us.



These include the "Product Quality Law of the People's Republic of China", the "Law on the Protection of Consumer Rights and Interests of the People's Republic of China", the "Law on Tort Liability of the People's Republic of China", the "Regulations on the Administration of Medical Cosmetology Services" and the "Notice on Further Strengthening the Comprehensive Supervision and Law Enforcement of Medical Cosmetology".

All imported products we purchase also comply with local laws, regulations, and relevant import-export requirements that must be followed.

### Supply Chain Management

Beauty Farm values cooperation with suppliers and jointly strives to promote the concept of beauty and health. The Group has developed management measures such as the "Supplier Admission System" and the "Procurement Management System" to establish full life-cycle management process for various suppliers, including procurement, payment, acceptance, and exit. Continuous assessment and evaluation are conducted on the software and hardware facilities and operational capabilities of suppliers. Together with suppliers, we fulfill our social responsibilities and provide customers with healthier, safer, and more reliable beauty solutions.

Beauty Farm has established procurement committee, chaired by the Director of strategic support, and composed of members of the Board of Directors, the procurement department, the finance department, and the legal department. The primary objective of the procurement committee is to optimize procurement management, enhance procurement quality, reduce procurement costs, and ensure the legality and compliance of procurement projects. This provides comprehensive assurance and creates greater value for us. The procurement committee leverages its expertise and experience to develop and implement procurement strategies. It ensures the efficiency and transparency of the procurement process and the compliance of procured products.

Before engaging supplier or service provider, we require them to provide relevant data regarding the products or services/solutions they offer. We also ask them to fill out "Supplier Basic Information Form" for preliminary evaluation by the supply chain department. This evaluation includes investigating whether the supplier has any non-compliance with environmental and labor regulations or fraudulent activities to ensure compliance with beauty and health requirements. We also request suppliers to provide samples for testing by multiple departments within the Group to ensure that the products meet national standards and requirements.

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**Supplier Admission**

Conduct qualification audits of suppliers to ensure they are free from environmental and labor non-compliance and fraud.

**Quality Assessment**

Various departments of the Group test the samples provided by suppliers to ensure that the products comply with national standards and requirements and conduct on-site inspections to ensure the authenticity of the data.

**Continuous Monitoring**

Conducting continuous monitoring of suppliers and random inspections, and monitoring of product quality, deliveries, day-to-day cooperation, and other serious anomalies.

**Annual Assessment**

Conduct multi-dimensional annual quality assessment, including supply quality, delivery punctuality, after-sales service, etc., to achieve the survival of the fittest suppliers, and continue to optimize the supplier list.

To ensure the accuracy and authenticity of preliminary data and include them in the Group's "Qualified Supplier List", we conduct on-site inspections of suppliers based on actual needs. All qualified suppliers are required to sign an "Integrity Cooperation Agreement" to eliminate any form of bribery, such as cash, gift vouchers, items, or travel, and to prohibit high-consumption banquets and various entertainment activities that may influence the impartiality of job responsibilities. The supply chain department also conducts ongoing monitoring of suppliers, including product quality, delivery schedules, daily cooperation, and other serious issues (such as fraudulent activities during the partnership or negative exposure in the industry or various news media). Upon approval by the procurement committee, the supplier's qualification is revoked, and they are listed on the "Disqualified Supplier List". Such suppliers will no longer undergo subsequent evaluations, achieving process of supplier selection and continuous optimization of the supplier structure.

In the current year, based on the Company's previously implemented ERP system, we have conducted procurement management for six areas: procurement basic data, procurement management, outsourcing management, warehouse management, financial management, in accordance with existing process standards such as the "Imported Non-Specialized Cosmetics Quality Management System", "Procurement SOP", "Supply Chain Commodity Sampling System" and "Funds Approval Authority".By adopting methods such as interviews, analysis, and inspections, we reviewed relevant contracts, randomly checked accounting vouchers, and validated system execution. The internal audit of procurement execution was conducted semi-annually and annually, from the planning level to the operational level. Going forward, we plan to strengthen the correlation between procurement orders and contracts, implement system function to dispose of expired products in the central warehouse, and establish management process for rebates.

For existing suppliers of medical services, we verify their compliance qualifications such as the medical device production license and medical device operation license. We ensure that the purchased medical devices and drugs have the necessary qualifications.

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## Responsible Procurement

We believe that sustainable development of the Group relies on collective participation of our suppliers. Since over 90% of the products and equipment provided to our customers are imported, reducing greenhouse gas emissions in the Group's supply chain is key area where continuous collaboration with suppliers is necessary. The proper disposal of packaging waste generated from beauty products is also an important factor affecting the Group's sustainable development. We have always emphasized healthy development of the supply chain and strives to create competitive supply chain assurance system. While enhancing our own environmental, social, and governance capabilities, we also aim to drive sustainable development of our suppliers and foster cooperation achieving win-win outcomes. In the future, we will continue to communicate with our suppliers regarding the aforementioned issues. We will effectively integrate supply chain resources and deepen cooperation with upstream suppliers, especially international leading suppliers and brands, in the hope of achieving shared objectives and minimizing our environmental impact.

### Preferred Suppliers with Sustainable Development Principles

In addition to implementing energy-saving, emission-reducing, and environmentally friendly policies and measures internally, our Group also prioritizes the selection of products and brands that adhere to sustainable development strategies in our procurement management. One of our major suppliers, Babor, is about to integrate sustainable development concepts into the entire process of product production and transportation. Babor has become a 100% climate-neutral brand, using only clean ingredients in their products and formulas that are free from microplastic particles. They have also committed to using 100% recyclable products and packaging by 2023.

### BABOR's sustainability and responsibility
We treat our environment with the utmost respect and care BABOR is committed to environmental protection and ecological balance: we use green electricity. The concept of environmental protection comes directly from every power socket. BABOR insists on using renewable energy sources.

### "Green BABOR"
We have always shipped from Aachen to the rest of the world in a low-carbon way, and since the beginning of 2010 our advertising and promotional materials have been printed on FSC-certified renewable paper.

# Sustainability and Responsibility at Babor

We treat our environment
with the utmost respect and care

### Green Supply Chain

As we all know, the use of cardboard boxes is essential in the warehousing and distribution process. Our Group's supply chain is committed to promoting healthy lifestyle and environmental friendliness, aiming to reduce environmental impact and damage.

In our two major business centers in Beijing and Shanghai, we have implemented shuttle system and reduced the frequency of transportation and delivery to once a week. This significantly decreases the $CO_2$ emissions from transportation.

In both Shanghai and Beijing, we have implemented the use of reusable transit containers, reducing the reliance on cardboard boxes. This green supply chain initiative contributes to environmental protection. We strive to minimize the use of cardboard boxes and reduce costs without compromising store satisfaction.

The Group has always insisted on selecting high-quality suppliers strictly and controlling the entire product lifecycle. Therefore, we have never had product recall incident and have not yet established any relevant recall procedures. During the Reporting Period, the Group did not violate any laws or regulations related to product liability.
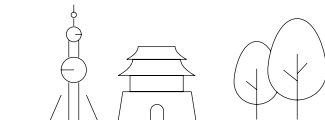
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# Services Standardization

The Group has established a comprehensive set of standards and rules to form comprehensive customer service system, ensuring consistency in service quality and overall customer experience across our nationwide store network. This system covers key aspects of store operations, including inventory storage, service preparation, store cleanliness, service processes, employee conduct, and employee training programs.

## Compliance is the foundation for medical aesthetic services

The qualifications and professional knowledge of our service personnel are crucial to our competitiveness and long-term success, especially in the field of medical aesthetics. We require doctors and nurses to be registered in accordance with the regulations of the relevant medical and health administrative departments in China, including the "PRC Law on Licensed Physicians", "PRC Law on Physicians", "Nursing Regulations" and etc. We closely monitor qualification registrations and license records to ensure that all doctors and nurses under our Group comply with all applicable regulations of Chinese laws. During the Reporting Period, all doctors and nurses within the Group have obtained the necessary qualifications and registered with local authorities in accordance with applicable laws and regulations. According to applicable laws and regulations in China, licensed or registered beauticians are not required for our trained beauty therapists. However, we provide training for all beauty therapists and require them to undergo internal assessments before commencing work.

During our day-to-day operations, we have established bi-weekly meeting mechanism for medical managers to provide guidance and feedback on compliance issues identified during daily operations and inspections. We also share compliance experiences and provide training on key inspection areas.

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we have successfully conducted specialized training sessions for medical practitioners, which served as strong guarantee for delivering high-quality medical aesthetic services.

## Standardized Delivery of Medical Aesthetic Services

### Comprehensive Training

Beauty Farm's training school, also known as the "Whampoa Military Academy" of the beauty industry, is renowned for its standardized operating procedures and ensuring consistency in service quality. Beauty therapists working in the stores undergo a rigorous closed training program for 3 to 6 months before they are allowed to report their duties. They are also required to pass corresponding examinations. For newly introduced skincare treatments, all staff members in the stores, from consultants to beauty therapists, undergo training on the principles and techniques of treatment and must pass a test before being able to provide services to customers.

### General Service Standards and Specialized Service Standards

Apart from the school, the Group has also established regulations such as the "Beauty Therapist Training Manual" and the "Beauty Farm Exquisite Service Process", which integrate fundamental skincare knowledge, standardized store reception service procedures, and a range of treatment principles and special product introductions. Please refer to the "Diverse Training and Development" chapter for more details. The standardized procedures ensure consistency in service processes, presentation, quality, and hygiene. Standardized operations also enable us to efficiently share knowledge and promote best practices when opening new stores.

### Supervision Mechanism

To ensure the standardization, continuity, and stability of technical skills in each store, Beauty Farm implements three-tier technical supervision mechanism. The first level consists of professional technical supervision team with extensive experience in the beauty industry from both Germany and China. The second level is the Technical Supervision Center at Chinese headquarters. The third level involves store-level technical supervisors who have received professional training in Germany. Additionally, the Company's quality inspection department has issued the "Beauty Farm Medical Aesthetics Quality Control Inspection Guidelines Manual" to standardize internal inspections of store management and customer experience. The quality inspection department also arranges regular visits by dedicated inspectors and beauty trainers to assess the work of beauty therapists in stores nationwide, ensuring the professionalism of the services provided.

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# Quality Assurance of Services

To ensure the implementation of product and service quality, we have established the "Beauty Farm Satisfaction Evaluation System". This system utilizes three dimensions: customer feedback, third-party inspections, and internal inspections, to provide feedback on the implementation of product and service quality. Based on this feedback, we make adjustments and improvements to the corresponding service processes and standards.

| Level I | BeautyStar Satisfaction Evaluation System | | | |
|---|---|---|---|---|
| Level II | Customer Experience | Mystery Shopper Check | Quality Control Inspection | Point Deduction for Complaints |
| Level III | Service Evaluation Questionnaire | Total Score | Total Score | Number of Complaints |
| Level IV | NPS / Satisfaction Rating Score | Mystery Shopper / Check Total Score | Quality Control Inspection Total Score | Serious/Crisis \| General Complaints |

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# Diversified Customer Feedback Channels

To ensure the interests of our customers, we mainly gather feedback on customer satisfaction through 6 various channels.

### Service Evaluation Questionnaire

Clients of lifestyle and medical aesthetics will automatically receive evaluation questionnaires pushed to them about the current service through a system tool at the end of each time of service.

### Mini-Program Channels

We have set up a complaint feedback portal in our WeChat mini-program platform, which makes it easy for customers to fill in their opinions anytime and anywhere.

### Additional channels

Increase the attention of 4008206142 customer service hotline, exclusive advisor communication and online reviews such as reviews and Red Book.

### Qualitative In-Depth Interviews

Each year, the Group sends out interview invitations to a certain number of customers to collect in-depth customer feedback and form an independent report. In 2023, the Group completed a total of 10 interviews in Chongqing and Shanghai.

### Future Planning

Group-level managers will jointly launch the "Rectification of Customer Dissatisfaction Issues" program, whereby the management of each division will collaborate to set up a working group to deal with negative feedback from customers, and to bring together the strengths of multiple parties to drive radical change from the top down.

In 2023, our Group's service quality assurance system achieved excellent results.

## 100%

The coverage rate of service evaluation questionnaires sent through the mini-program reached

## 7.9%

The overall response rate to the questionnaires was, surpassing industry-leading levels.

## 100%

For questionnaires with score of 8 or below (out of 10), the closure rate of manual customer responses reached

## 97%

The Group's overall customer satisfaction rate reached

### Satisfaction rates by brand

## 88.79%

Overall NPS (Net Promoter Score) reached

- Beauty Farm: 89.19%
- CellCare: 82.73%
- PALAISPA: 88.08%
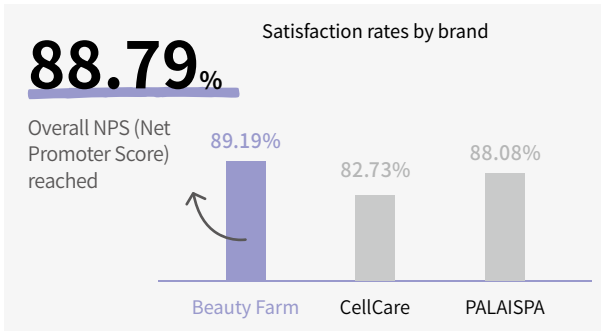
## Service Star for Beauty Therapists, Enhancing Service Quality

In February 2023, we held the Service Star selection event for beauty therapists in our nationwide direct-operated stores. We invited customers to provide feedback on the services of beauty therapists after receiving treatments. The Service Star evaluation ensures high privacy for customer feedback and offers customers the chance to participate in lottery, encouraging them to rate the therapists based on their genuine experiences and provide feedback.

During the event, beauty therapists receive points for positive and negative feedback from customers. These points can be exchanged for bonuses, and additional rewards are given to top-ranked therapists based on the total points accumulated. By rewarding outstanding employees for their service, we actively promote the provision of high-quality services by beauty therapists.

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# Customer Complaint Handling

### Complaint Channel

The Group has customer service hotline at 4008206142 and WeChat complaint channel. Upon receiving complaint, work order is established for negative customer feedback within the first hour to ensure its prompt transfer to the responsible store for resolution. Our work order management system allows for effective follow-up on the work orders and is managed by the Group's CRM department. As of now, all service-related customer complaints from the Group are required to be responded within 24 hours and resolved within 3 working days.

### Customer Complaint Handling

During the Reporting Period, the Group received a total of 325 valid customer complaints, with 100% closure rate and an average processing time of 2.20 days. The litigation rate was 0%.

### Professional Training

We also employ professional problem-solving experts to provide professional guidance on store customer complaint handling. We conduct case-based training for employees to enhance their ability to quickly resolve customer dissatisfaction and reduce unnecessary complaints resulting from communication issues.
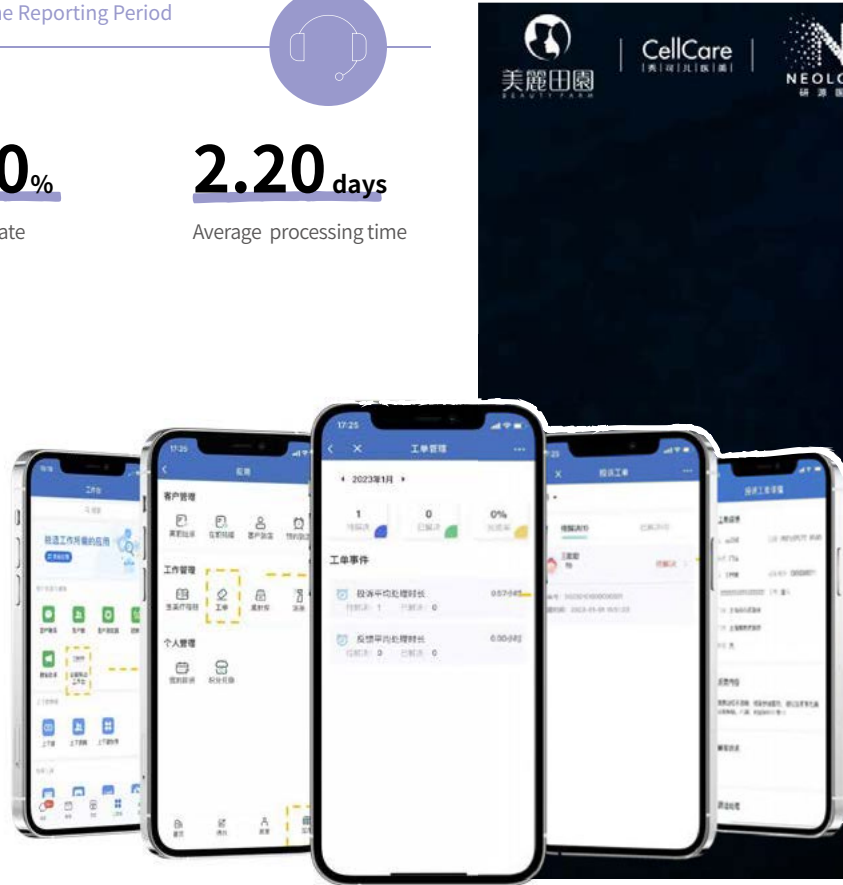
During the Reporting Period

**100**%

Closure rate

**2.20**days

Average processing time

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Based on the data and processing results collected from operation of the BeautyStar system, the CRM department regularly focuses on problem rectification and summarizes cases. They iteratively update the existing handling system and operation manuals, distribute them to various business departments, and share them online and offline during regional and group operational meetings. This process forms closed-loop for customer satisfaction, ensuring continuous improvement in service quality.

In addition, due to higher requirements in the medical aesthetics business module, we have implemented the "Infection Prevention and Management System" and followed the "National Medical Quality Control Inspection Form (4.0)" and "National Medical Quality Control Inspection Form (1.0)". We adhere to three-tier quality control standard and achieved a comprehensive annual average score of over 85% in 2023. To meet the requirements in terms of systems, quality control, operational guidelines, and legal regulations, the medical department conducted "4+8 Medical Department Special Training" sessions. During the Reporting Period, a total of 23 special training sessions were

conducted, with a total of 817 participants. In 2024, we will further enhance comprehensive training according to the headquarters' Medical Management Department's professional empowerment plan (medical aesthetics/anti-aging) and the standardized course development for various positions (nurses, medical economics, head nurses, and pharmaceutical equipment positions). This training aims to provide further comprehensive training based on specific requirements of regulations and enhance the professional skills of employees in different roles within medical department.
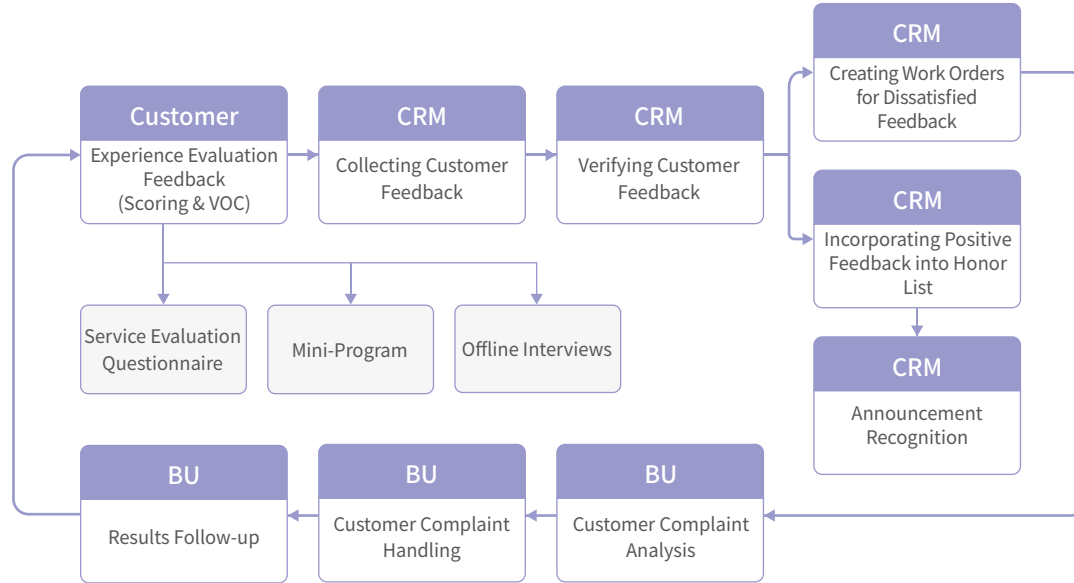


Customer Satisfaction Closed Loop

**In 2023**

**85%**

achieved a comprehensive annual average score of over

**23**

During the Reporting Period, special training sessions were conducted

**817**

participants
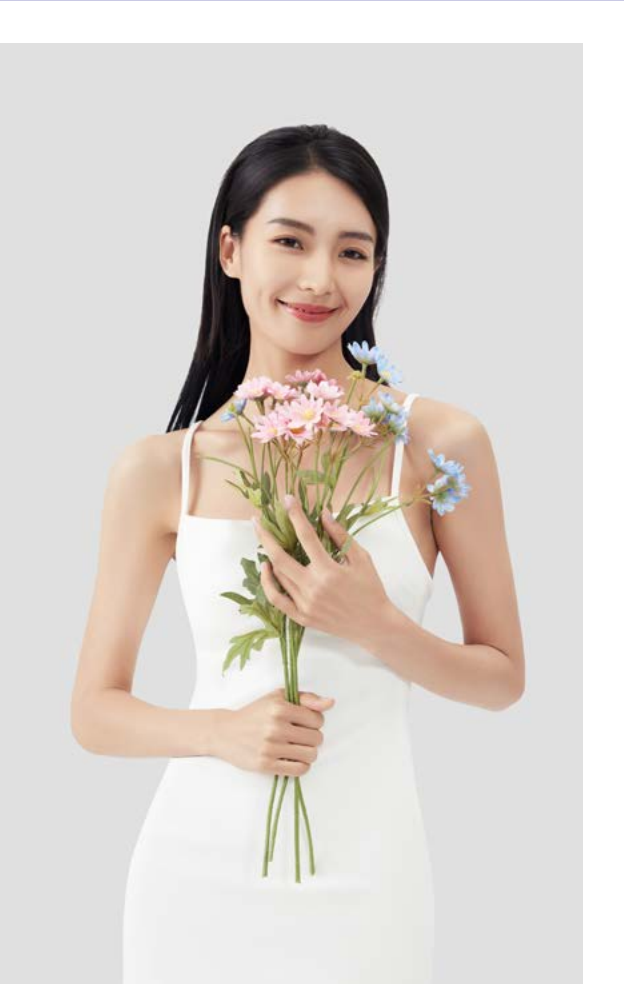
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# Quality Control through both Visible and Covert Visits

## Mystery Shopper Inspections

Our Group has introduced mystery shopper system for the first time in medical aesthetics industry. Through third-party perspective, the system conducts covert visits to our stores to evaluate whether the actual customer service experience aligns with our "Craftsmanship Service Process". During the Reporting Period, the mystery shopper system covered 6 times per store playing a positive role in ensuring consistency in customer experience.

## Quality Control Inspections

Beauty Farm has developed the "Beauty Farm Life Beauty Quality Control Inspection Guidelines Handbook". This handbook includes over 100 hardware indicators that cover requirements for store hardware usage, placement, and certain aspects of health supervision, fire safety, market supervision, and other requirements. It serves as both the execution standard for daily hardware quality in beauty stores and the standard for internal staff's on-site inspections. Throughout the year, all stores within the Group underwent a minimum of 8 quality control inspections.

During the Reporting Period

**6**times

He mystery shopper system covered all stores a total of

Playing a positive role in ensuring consistency in customer experience.

**100**

This handbook includes over hardware indicators that cover requirements for store hardware usage, placement, and certain aspects of health supervision, fire safety, market supervision, and other requirements

Throughout the year

**8**

All stores within the Group underwent a minimum of quality control inspections.

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# Focusing on beauty and health, strive to create comfortable experience

## Standardization of Stores' Design

As chain store, Beauty Farm has established unified standards for store design and decoration. These standards cover room planning, building material brands, materials, the location, height, and distance of various facilities, all of which are standardized requirements. Both our company-owned and franchise stores are required to undergo store decoration according to the aforementioned standards.

## Human-Centered Store Design

Beauty Farm stores focus on every small details that can have impact on the service experience during the initial design phase. To enhance the sensory experience for customers, we constantly update and improve our design standards. Special elements are incorporated into the store layout, such as using softer indirect lighting for treatment corridors and implementing infinite variable speed dimming to create more comfortable environment.

**Flowing Water**

Beauty Farm insists on using flowing water for treatments. We maintain the height of the water basin 10cm below the bed, which prevents water from splashing out and also facilitates the retrieval of water for the therapists.

**Silent Door Lock**

The design of door does not utilize conventional lock tongue mechanism but instead incorporates silent setting and damping door lock. This provides quieter and more comfortable environment.

**Beauty Bed**

Beauty Farm offers adjustable beauty beds that allow guests to choose the most comfortable position, reducing discomfort and Change the colour to black.

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# Franchise Store Management

The Group has been implementing the franchise store model for over 15 years, combining the advantages of the franchise model with existing strengths of company-owned stores, greatly expanding our customer coverage. As of the end of the Reporting Period, the Group has a total of 199 franchise-operated stores established in multiple cities. We have strict selection criteria for franchisees. All of our franchisees have strong brand alignment, play a synergistic role in our target markets geographically, and utilize the same operational system as our company-owned stores. Through rigorous selection, effective supervision, and continuous training of franchise stores, we achieve consistent high-quality service operations nationwide, reducing risks and ensuring customer rights and benefits.

As of the end of the Reporting Period

## 199

the Group has a total of franchise-operated stores established in multiple cities.

| Key measures for franchise store management | |
|---|---|
| Selection of Franchisees | • Conduct background checks and hold meetings with potential franchisees<br>• Selection of franchisees based on several criteria, including:<br>  1. Financial condition<br>  2. Commitment to our Company's values and brand concept<br>  3. Involvement in operating the franchise stores<br>  4. Relevant experience, local knowledge, and resources |
| Training and Integration | • Employees working in franchise stores must undergo our technical training<br>• The training is provided through the same programs offered to employees in company-owned stores<br>• Reserve the right to provide re-training for employees who do not meet the qualification standards |
| Review Operational Performance | Establishing sales targets or incentive measures for franchisees based on several factors:<br>  1. Average monthly product orders and revenue<br>  2. Regularly reviewing relevant operational data of franchise stores through the platform system |
| Platform System | • Franchisees are required to use unified membership platform system to maintain consistent brand image and concept<br>• This system allows us to monitor the business performance, inventory levels, and customer feedback of franchise stores in real-time. |
| Franchise Store Operations | • Franchisees are required to adhere to the Group's standardized decoration standards and select contractors from the Group's supplier database.<br>• Franchisees are expected to follow operational, service, safety, and quality control standards.<br>• Unified pricing guidance is provided, consistent with company-owned stores. |
| Procurement | • Franchisees are required to purchase all products, equipment, and consumables from us or our designated suppliers. |
| Continuous Quality Control and Supervision | • Regular on-site inspections of franchise stores are conducted, and franchisees are required to submit regular reports.<br>• Ensuring that franchise store operations comply with our standards. |

**Beauty Journey, Brand Heritage**

In September 2023, Beauty Farm invited outstanding franchisee representatives from across the country to embark on sensory-rich journey to Europe. This journey aimed to explore the roots of our brand and foster learning, exchange ideas, and discover new approaches to scientific skincare.

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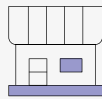
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## 4.2

# Beauty Exploration, Devoted to In-Depth Research

We understand that Beauty Farm operates in an industry driven by rapid technological advancements. To maintain our competitiveness, various business lines and research and development departments continue to invest in advancing innovation through the development of new products, the adoption of innovative technologies, and collaborations with external institutions. During the Reporting Period, we established the "BU R&D Department Work Management System" and actively engaged in multi-channel research and development in the field of medical aesthetics and various product categories. We closely tracked the progress on monthly basis and organized regular seminars. Additionally, we collaborated with external experts and organizations to enhance our technical capabilities. The Group remains committed to continuous research and innovation, professional expertise, and meeting customer demands in terms of product and service safety, comfort, and satisfaction. Guided by the service philosophy of "small changes, big differences", we conduct research and upgrade our product technologies to better align with customers' pursuit of beauty and health.



## Enhancing R&D Capabilities through Multi-Channel Collaboration

Adhering to our mission as "Pilot of Beauty and Health", whether in the field of beauty or medical aesthetics, we continuously enhance our research and development (R&D) capabilities through multi-channel collaboration. We encourage and foster an innovative culture within the Company, aiming to be at the forefront of beauty and health.

### Research with Experts

Relying on the strong medical team of CellCare, a subsidiary of Beauty Farm, we continuously integrate and explore cutting-edge medical technologies and healthcare resources. Based on customer feedback in clinical settings and in collaboration with expert capabilities, we jointly develop new projects that align with the concept of "small changes, big differences". Our long-term goal is to pursue minimal trauma and outstanding results, empowering women to achieve their ideal selves.

Each year, Beauty Farm dedicates substantial resources to product research and development (R&D). In 2023, we successfully launched 10 medical aesthetic products. Simultaneously, we strive for continuous innovation and excellence in product R&D, breaking through technological, cognitive, and industry barriers. We tap into the untapped market of medical aesthetics, providing higher quality services and empowering modern women.

**Striving for Excellence, Exploring the Essence of Female Beauty**

After decades of clinical research, CellCare has developed groundbreaking technique called PAVA Joyful Eyes, which preserves the entire vascular network for upper eyelid lifting. This innovative approach discards the traditional "destructive" eye surgery methods and instead utilizes more refined microscopic surgical techniques. The procedure has undergone technical upgrades and optimizations in anesthesia, tissue separation, and suturing, ensuring postoperative experience with no scars or swelling. It truly achieves minimal trauma and fast recovery. PAVA Joyful Eyes prioritizes the interests of our clients, meeting their higher demands and propelling technological breakthroughs in the industry. It perfectly embodies the brand philosophy of Beauty Farm, which emphasizes "small changes, big differences".

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## Research with Suppliers

In the research and development (R&D) of beauty projects, Beauty Farm not only focuses on in-house development but also collaborates with suppliers to jointly develop beauty projects that are suitable for Beauty Farm's existing project portfolio and customers.

Since 2014, Beauty Farm has collaborated with Bloomage Biotech, the world's largest company in the research, production, and sales of hyaluronic acid, to develop the first skincare product specifically designed for professional beauty salons in the lifestyle beauty sector. Additionally, Beauty Farm helped establish the first production line for secondary packaging of medical aesthetic products for Bloomage Biotech.

Over the past decade, this product has undergone three iterations and upgrades, becoming classic skincare product for Beauty Farm, with an annual sales volume of 80,000 boxes. As a result, Bloomage Biotech has established multiple brand divisions to develop hyaluronic acid daily care products, achieving excellent sales performance in retail channels.
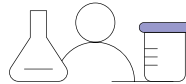
## Research Topic

In addition to research on new projects, we recognize the importance of disciplinary research and actively participate in research on various academic topics to drive industry development and innovation. We believe that academic research is crucial for advancing the field of medical aesthetics, and the team at Beauty Farm engages in research across different disciplines. We provide the necessary resources and support to ensure the smooth progress of research projects. We believe that through collaboration and knowledge sharing, we can collectively advance disciplinary research, making contributions to women, the industry, and society. We are committed to contributing our wisdom and efforts to future development of the medical aesthetics industry by promoting progress in academic research and pushing forward the boundaries of knowledge in our field.

The national key research project "Clinical Diagnosis and Treatment Research on Women's Reproductive Mucosal Health and Related Disorders" led by medical professionals from Neology has been undertaken during the 14th Five-Year Plan period under the guidance of the National Health Commission. The project has successfully passed the evaluation and acceptance conducted by experts from the overall project group of "Regional Allocation Strategy Research on Medical and Health Resources" and has been awarded the first prize for scientific research achievements.

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# Complete R&D Launch System to Realize Life-Cycle Management of Projects

No matter it is the development and launch of lifestyle beauty or medical aesthetic projects, we adhere to strict new product launch process and life-cycle management of projects, from conceptual design to clinical validation and comprehensive market launch. We have established systems such as the "New Product Business Unit Review Process and Mechanism", "New Product Development Process and Mechanism" and "Product Testing and Feedback Process and Mechanism" to form comprehensive R&D and new product launch system. After initial screening of 2 to 3 suppliers, the products prepared for launch undergo minimum one-month trial testing phase, known as the "paddle testing". During this phase, changes and feedback from the testing team are recorded, and adjustments to parameters and processes are made based on the feedback until the project's performance meets the expectations for launch. After the launch, we also dynamically adjust and optimize the project based on customer feedback, customizing the settings according to customer categories. We value customer feedback and continuously strive to enhance the project's effectiveness and meet the specific needs of our customers.

## Concept Design

• Research on industry, competing products and customer needs
• Research on consumables composition, efficacy and related literature
• Determination of initial project positioning differentiation, pricing and open clinic to set sales targets

**01**

## Clinical Validation

• Model adaptation syndrome selection and model recruitment
• Connecting with manufacturer experts, contacting the supply chain to apply for pattern making materials
• Follow-up and tracking of model pattern making effects
• Collection and organization of pattern making cases
• Key points for adverse reactions and risk avoidance

**02**

## Process & Experience Design

• Refinement of project value propositions, main key visual production
• 5G promotional material package
• Postoperative reminder cards
• Production of case comparison graphics

**03**

## Life-Cycle Management

• 1-month review (Sales, delivery quality/satisfaction, etc.)
• 3-month review (Sales/consumption, number of customers, average spending per customer, satisfaction/adverse cases, etc.)
• 6-month review (Sales/consumption, number of customers, average spending per customer, satisfaction/adverse cases, etc.)
• Continued tracking and reviews from 6 months to 3 years

**07**

## Fully Comprehensive Launch

• Coding and labor cost online (consumable coding, project coding, employee coding)
• Countdown announcement for launch
• Supply chain materials to clinics
• Regional reception of new product sales targets & marketing plans/incentives
• Dual Beauty sales training
• Doctor delivery training
• Nurse dispensing training
• Full-process trial run for each position
• Frontline pattern making organization

**06**
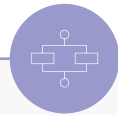
## Pilot Validation

• Collecting feedback on technical quality and nursing quality
• Collecting feedback on actual sales issues
• Collecting customer satisfaction survey data

**05**

## Sales Design and Training Programs

• Refinement of sales selling points
• Sales scene design
• Sales courseware production (dual beauty edition)
• Sales training plan
• Doctor training plan
• Nurse training plan

**04**

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## 4.3

# Beauty Care, Consumer Protection

## Venue Safety

The Group places great emphasis on the safety standards of all stores to ensure the health and safety of both employees and customers. Here are the measures we have implemented in terms of store safety:

| | | |
|---|---|---|
| | **Fire Safety** | We have developed "Fire Safety Management System" to establish consistent fire safety practices across all stores in our network. This system provides detailed guidelines for the use and maintenance of fire safety facilities. In accordance with our enhanced in-store fire safety management policy, each store must obtain the necessary fire inspection permits before commencing operations. After the store started operating, we conduct fire safety inspections every two months, which include checking the occupancy of fire escape routes, the proper positioning, category, and quantity of fire safety equipment, and the records of fire safety training conducted at the store. We regularly review the performance of stores regarding fire safety and closely monitor any potential incidents in this regard. |
| | **Emergency Response Plan** | We have developed detailed emergency response plans that cover fire outbreaks, natural disasters, and other emergency situations. We provide emergency evacuation training to our employees and ensure that they are aware of the locations of emergency exits and evacuation routes. |
| | **Safety Training and Awareness** | We provide necessary safety training to our employees, including fire safety, emergency evacuation procedures, equipment usage, and personal protective measures. We encourage active employee participation in safety awareness programs and regularly organize drills and simulated scenarios to enhance their emergency response capabilities. |
| | **Cleanliness and Hygiene** | We strictly adhere to cleaning and hygiene standards to ensure clean and safe environment. We conduct regular cleaning and disinfection of work areas, tools, and equipment to prevent cross-contamination and the spread of diseases. |

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# Equipment and Product Safety

To ensure the reliability of medical devices and consumables our stores and meet customer expectations, we have established a set of policies and procedures for reviewing and evaluating medical equipment and consumables. In addition to adhering to supplier management standards, we select products based on strict criteria. Before launching a product, we invest several months in screening and conducting quality testing on all imported products. We utilize enterprise resource planning system for overall inventory management, recording inventory levels and past procurement records. During storage, we strictly adhere to storage regulations, laws, and regulations related to medical and non-medical goods. We closely monitor the expiration dates of all products and medical equipment. Once any product expires or medical equipment reaches its service life, we safely handle these products or equipment in accordance with applicable laws and regulations.

To further ensure the safety of medical equipment and protect customer rights, we have established instrument service center. Its objective is to achieve information-based, dynamic, and precise management of the entire lifecycle of instruments. This includes instrument selection and procurement, installation and acceptance, asset management, maintenance and repairs, standardized usage, allocation and transportation, and disposal and scrapping. Additionally, we strictly adhere to instrument inspection and maintenance system, proactively maintaining instruments on regular basis. We develop annual maintenance plans for the engineering team in each city and store, with a minimum of two proactive maintenance visits per year in key cities.

**>2**

Proactive maintenance
visits per year in key cities

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# Consumer Privacy

We, guided by the principle of "honesty and trustworthiness", have established information security policy that



### prioritizes safety

### prevention

### clear responsibilities

### comprehensive governance

## Internal Regulations

and standardize the Company's data security practices. Through measures such as protecting network communication and file encryption technology, we prevent unauthorized browsing or modification. Multiple layers of protection are implemented in the information technology network to safeguard databases and servers. We also adhere to various agreements and procedures, including regular system checks, password policies, server access logs, network access authentication, user authorization checks, data backups, and data recovery tests to protect data assets and prevent unauthorized access to the network. We require new employees to undergo onboarding training on data security and mandate regular on-the-job training for employees to reinforce relevant data security policies.

In accordance with legal and regulatory requirements and the necessity of customer information usage, customer information is categorized into basic information, transaction and asset information, identity information, and personalized information. Except for basic information, the remaining categories of customer information are isolated within internal firewalls, and only advisors directly interacting with customers and necessary superiors have access to them.



## External Regulations

prioritizes safety, prevention, clear responsibilities, and comprehensive governance. In addition to enhancing the convenience of customer appointments, consumption, and evaluations through digitalization, we also place emphasis on protecting customer privacy during the process of achieving informatization.

In 2021, we issued the "Information Security Protection Management Regulations" to improve the data security management system, strengthen data security management,

Regarding management lifecycle of customer information, we also adhere to the principle of full lifecycle management, overseeing the collection, storage, and use of information while following the principle of minimal necessity. This ensures that customer information is circulated and used internally to the least extent possible.

Regarding the scope of customer information management, we not only supervise and manage employees but also manage third-party outsourcing service providers who

may have access to customer information. These third parties include software developers, product suppliers, system integrators, equipment maintenance providers, and security service providers. To standardize information security outsourcing services, the Group has established the "Information Security Outsourcing and Operation Management System" to ensure secure and stable operation of networks and information systems, safeguard our information security, and reduce risks associated with information security outsourcing. Information assets required for outsourcing activities are isolated based on

the principle of "minimum usage" and are approved for "minimum authorization". Additionally, third-party personnel who access sensitive information assets of the Group must sign formal contracts and confidentiality agreements to ensure that customer information and privacy receive the same level of protection. For departing employees, we conduct a thorough cleanup of the customer information that they possess before their departure. We also require them to continue adhering to the Company's confidentiality requirements regarding customer information and privacy for a certain period of time after leaving the Company.

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To adapt to Beauty Farm's ever-deepening digitalization and ensure secure and stable operation of information networks and devices, we have established information security committee responsible for comprehensive information security management, including customer information security and privacy protection. The committee has issued a series of regulations and policies regarding information security, which all employees of our Group must comply with and actively cooperate with during information security inspections. For more details on our information security initiatives, please refer to the chapter titled " Empowering Beauty with Digital Wings".

## Seven Principles for Customer Information

| Principle of Clear Responsibility | User Informed Consent | Classification and Graded Control | Principle of Minimum Adequacy | Quality Assurance | Protection of Sensitive Data | Traceability |
|---|---|---|---|---|---|---|
| We adhere to the principle of "who is in charge is responsible, who operates is responsible, who uses is responsible, who obtains is responsible" to clearly assign responsibilities and ensure that responsibilities are clearly defined and implemented. | When collecting and using personal information, we always follow the principles of legality, legitimacy, and necessity. We publicly disclose the rules for collection and use, clearly stating the purpose, methods, and scope of collection and use, and collect and use information only after obtaining user consent. | We classify and grade information based on its sensitivity and implement appropriate management measures and technical means to address different information security risks and ensure the security of information. | When sharing open information with internal units, platforms, or third parties, we only provide the minimum necessary information attributes, label attributes, and scale required for business purposes, while meeting the management requirements. | During the process of handling customer information, we ensure the accuracy, authenticity, timeliness, and availability of customer information through appropriate management and technical means. Any tampering or destruction of information is strictly prohibited. | Unless explicitly authorized by the user, we will not disclose personal sensitive information to others or third-party companies. Sensitive data that has not been anonymized must not leave Beauty Farm's network and computing environment. | We maintain complete and accurate records of the operation logs for customer information, ensuring that all operations can be traced back to specific operators and their justifications. This prevents unauthorized tampering, deletion of records, and other violations. |

During the Reporting Period, we did not experience any significant breaches of confidential customer information or any other events related to customer data that could have significant adverse impact on our business, financial condition, or operating performance.

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Quality Comes First

• Beauty Exploration, Devoted to
  In-depth Research

• **Beauty Care, Consumer
  Protection**

• Empowering Beauty
  with Digital Wings

# "Her" Focus——Meeting Customer Personalization Needs

## Small Changes, Big Differences

Beauty Farm equally values every customer and never prioritizes short-term profits by recommending high-cost, high-dose, or high-impact projects to customers. On the contrary, we take the customer's perspective into account during the initial design phase of a project, ensuring the desired results while aiming for minimal dosage and minimal trauma. This approach ensures positive surgical experience and postoperative recovery for our customers.

## Refuse to Be Homogeneous, Realize Ideal Self

Beauty Farm insists on responsible management, particularly in the field of medical aesthetics, where we have strict requirements for our services to align with the needs and interests of our customers. The industry often witnesses the emergence of trendy projects that attract customers who blindly follow the latest fads, driven by temporary impulses. When serving customers, we demand that our medical aesthetics staff fully consider their professional and social identities, among other needs. We take comprehensive approach, assessing aspects such as facial features, contour structure, and overall harmony to make informed judgments, while rejecting the notion of "internet celebrity face" design. For every step of the way, we strive to restore the inherent beauty of our female customers, enabling them to achieve their ideal selves.

Pilot of Beauty and Health

Beauty Mission, Corporate Governance and Sustainable Development

Beauty in Harmony with Nature

**Beauty Goes Along with Responsibility**

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# Reasonable Marketing and Promotion

Beauty Farm commits to promote positive changes within the industry and has always adhered to reasonable promotion and marketing practices. We strictly comply with the following laws and regulations, rejecting excessive marketing and excessive innovation. Our commitment is to steadily advance the beauty industry, leading it in a positive direction. We also urge industry partners to embrace responsible business practices and work together to foster healthy and positive beauty industry environment. When engaging in industry collaborations, we proactively emphasize the requirements for compliance among all participating companies, thereby encouraging our partners to have self improvement.

The Group has developed the "Content Compliance Execution Manual" and the "Regulations for Compliance Management of Promotional Materials". These guidelines establish content standards for printed materials and marketing promotions across the Company's headquarters and local offices. The manuals include comprehensive systems such as common issue explanations, compliance execution rules, compliance execution processes, legal provisions, and more. They cover aspects such as advertising language, price indications, image copyrights, self-auditing and re-auditing, punishment cases, and other relevant content. Furthermore, internal announcements and notices have been issued to address potential issues in marketing and promotion activities. These include notices such as "Guidelines for Correctly Guiding Customers in Check-ins, Collections, Evaluations, and Standardizing Prize Sales in Market Promotion Activities" and "Notice Regarding the Use of Fonts in External Communications". These announcements and notices, in conjunction with the "Store Promotion Guidelines", provide education and awareness about positive and negative examples, language standards, and the impacts of negative practices. This ensures that employees, from frontline staff directly serving customers to management, have sufficient understanding of reasonable marketing practices.

| | |
|---|---|
| Advertising Law of the People's Republic of China | The Standing Committee of the National People's Congress |
| Anti-Unfair Competition Law of the People's Republic of China | The Standing Committee of the National People's Congress |
| Measures for the Administration of Internet Advertising | State Administration for Industry and Commerce (former) |
| Measures for the Administration of Medical Advertisements | Ministry of Health and State Administration for Industry and Commerce (former) |
| Measures for the Administration of Live Streaming Marketing | China Advertising Association |
| Measures for the Management of Medical Cosmetic Services | Ministry of Health (former) |
| The Guidelines for Law Enforcement of Absolute Terms in Advertising | The State Administration for Market Regulation |
| Administrative Measures for the Broadcasting of Radio and TV Advertisements | The State Administration of Radio (former) |
| Guidelines for the Enforcement of Aesthetic Medical Advertising | The State Administration for Market Regulation |
| Guidelines for Strengthening the Regulation of Stem Cell Advertising | The State Administration for Market Regulation |
| Guiding Opinions on Further Strengthening the Supervision of the Aesthetic Medical Industry | The State Administration for Market Regulation and Ten Other Departments |

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## Compliance of Content Execution Process

### 01
Headquarters conducts audits to ensure compliance with the unified content before distributing it to major regions and areas, and takes responsibility for subsequent related issues.

### 02
The content designed and issued by each major region/area/single store is independently reviewed by the regional marketing or area publicity committee according to the guidance requirements of the "Content Compliance Implementation Manual". Only after ensuring compliance with the content can it be distributed externally.

### 03
Content designed by headquarters upon commission from region/area/single store is first reviewed by the regional marketing or area publicity committee according to the guidance requirements of the "Content Compliance Implementation Manual" to ensure compliance before submitting the application form. Headquarters will conduct a final review.

### 04
If the regions are unable to make a decision, they can submit to the headquarters for review to ensure that the content is compliant before it is released to the public.

### 05
Headquarters conducts regular inspections and spot checks on all relevant promotional content (graphics, videos, etc.) of region/area/single store, and adjusts or removes non-compliant content promptly.

### "Representative Fung" Video Channel - Popularizing Medical Aesthetic Professional Knowledge

Under the medical aesthetic video module of Beauty Farm, the "Representative Fung" series of videos has been launched. These videos aim to provide medical aesthetic enthusiasts, potential customers who are interested in trying but have concerns about medical aesthetics, and existing customers with 12 episodes of medical aesthetic and medical professional knowledge. The program's objective is to popularize medical aesthetic knowledge, with "Representative Fung" being dermatologist who approaches the content from non-profit perspective, helping a wide range of medical aesthetic enthusiasts navigate the field and scientifically and effectively address their beauty needs. Throughout the year, the video channel has published 12 courses with the following results:

**36,466** views    **5,690** shares

**1,392** likes

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## 4.4

# Empowering Beauty with Digital Wings

Beauty Farm adheres to customer-oriented approach and recognizes that professionalism and service are fundamental to our existence. In order to better understand customer needs, enhance core capabilities, and drive industry innovation, Beauty Farm is committed to actively promoting digital transformation. We embrace digital technologies, establish digital platforms, and lead the digital development of the beauty industry. Our goal is to become an enterprise that integrates online and offline operations.

## Review of the Digitalization Process

Since the initial introduction of Beauty Farm's POS system in 2016, it has laid the foundation for digital transformation by successfully integrating technology with our core business. This integration aims to provide customers with more convenient and efficient service experiences. Through years of dedication and continuous updates, we have made remarkable progress in its digital transformation journey.

### Review of Informatization-Digitization 2016-2022

**Phase I** | Before 2016   **Infrastructure Development**

Infrastructure Development

Business Launch

- Launch of aesthetic medical POS system
- Launch of basic HR and financial system
- Completion of essential functionalities for the platform ordering system

**Phase II** | 2017-2018   **Strengthening the Foundation**

Overall Planning

Infrastructure Transformation

Key Construction

- Completion of core business system transformation program, as well as comprehensive optimization
- Completion of unified management of data, master data and report data
- Stage-wise completion of system coverage of main processes
- Completion of the project team building of the Information Department

**Phase III** | 2018-2020   **Comprehensive Construction**

Feature Enhancement

Comprehensive Coverage

Technical Optimization

- Realization of daily interconnection among all business systems
- Completion of system coverage of the main business program
- Completion of the public data platform and all interface access work
- Comprehensive improvement of IT service level

**Phase IV** | 2021-2022   **Initial Digitalization**

Business Online

Business Innovation

Technological Innovation

- All critical business processes are online
- Able to agilely respond to business innovation.
- Promote technological innovation and in-house development capabilities
- Facilitate the company's listing process

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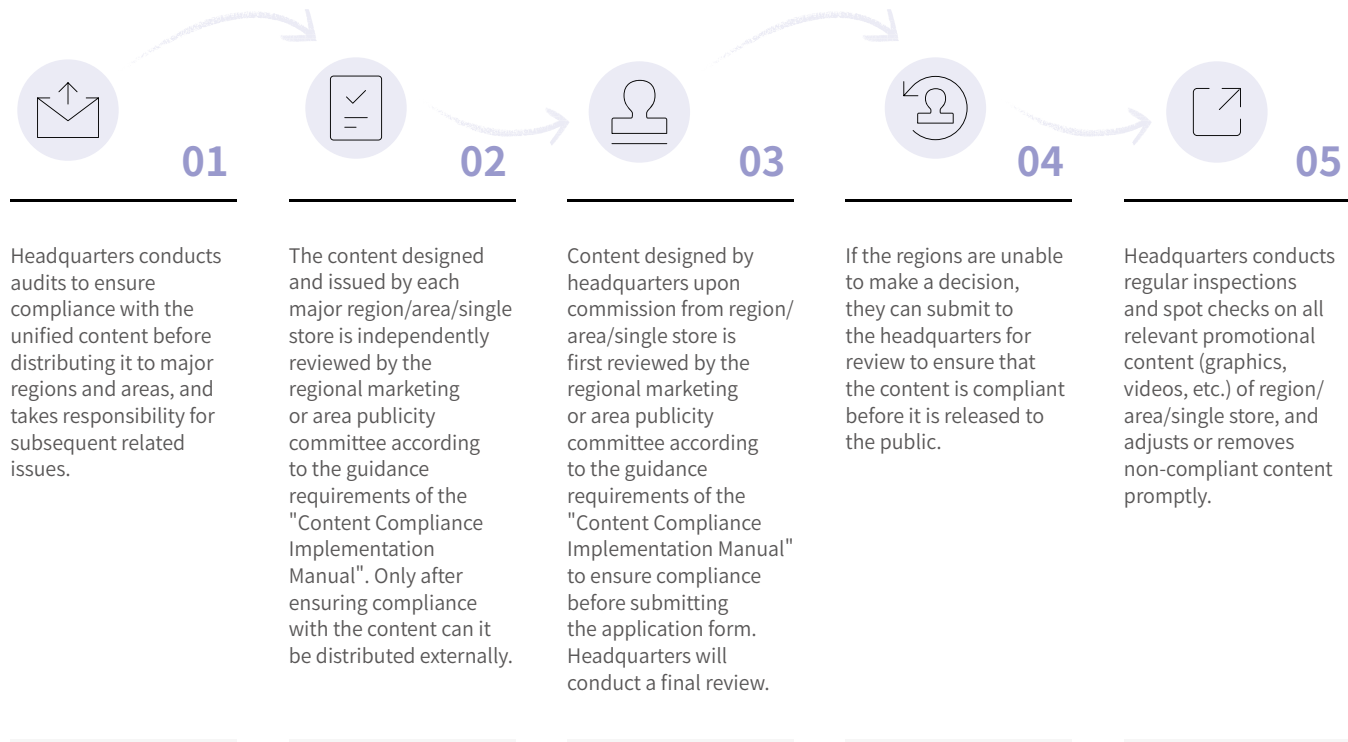To Live towards the Sun, to Walk by the Light

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# Digitalization Strategy of Beauty Farm

In years of operation, we have established robust digital integrated service platform. This platform, supported by our standardized operational procedures and consistent delivery of high-quality services, enables us to ensure uniform and high standard of service across all our stores. It has helped us to achieve rapid and sustainable business growth. The digitalization strategy of Beauty Farm is characterized by the following:

1. alignment of digital planning and business strategy

2. technologically advanced digital architecture

3. unique digital management system based on business needs



| **Customers** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Offline Stores/Clinics/Mini-Programs/WeCom/WeChat Official Accounts/Online Malls/Third-Party Platform/ Customer Service Center | | | | | | | |

| Lifestyle Beauty | Crosscutting Business Scenarios | Aesthetic Medical | Crosscutting Business Scenarios | Medical and Health | Crosscutting Business Scenarios | Franchise Store, PLALAISPA, and Others |
|---|---|---|---|---|---|---|
| Basic Business Scenarios / Personalized Business Scenarios | | Basic Business Scenarios / Personalized Business Scenarios | | Basic Business Scenarios / Personalized Business Scenarios | | Basic Business Scenarios / Personalized Business Scenarios |
| Business/System Backend | | Business/System Backend | | Business/System Backend | | Business/System Backend |
| Basic Business Logic / Data Rules | | Basic Business Logic / Data Rules | | Basic Business Logic / Data Rules | | Basic Business Logic / Data Rules |

Customer Information and Benefits / Transactions and Service Orders / Customer Tag Library / Promotions and Marketing Strategies / Ordering and Inventory / Financial Close / Master Data / Data Analytics

| Purchase | Sales | Lifestyle |
|---|---|---|

| Lifestyle Beauty Business Finance | Aesthetic Medical Business Finance | Anti-Aging Business Finance | Other Business Finance |
|---|---|---|---|

Financial Management    Consolidated Financial Statements    Funding    Budget

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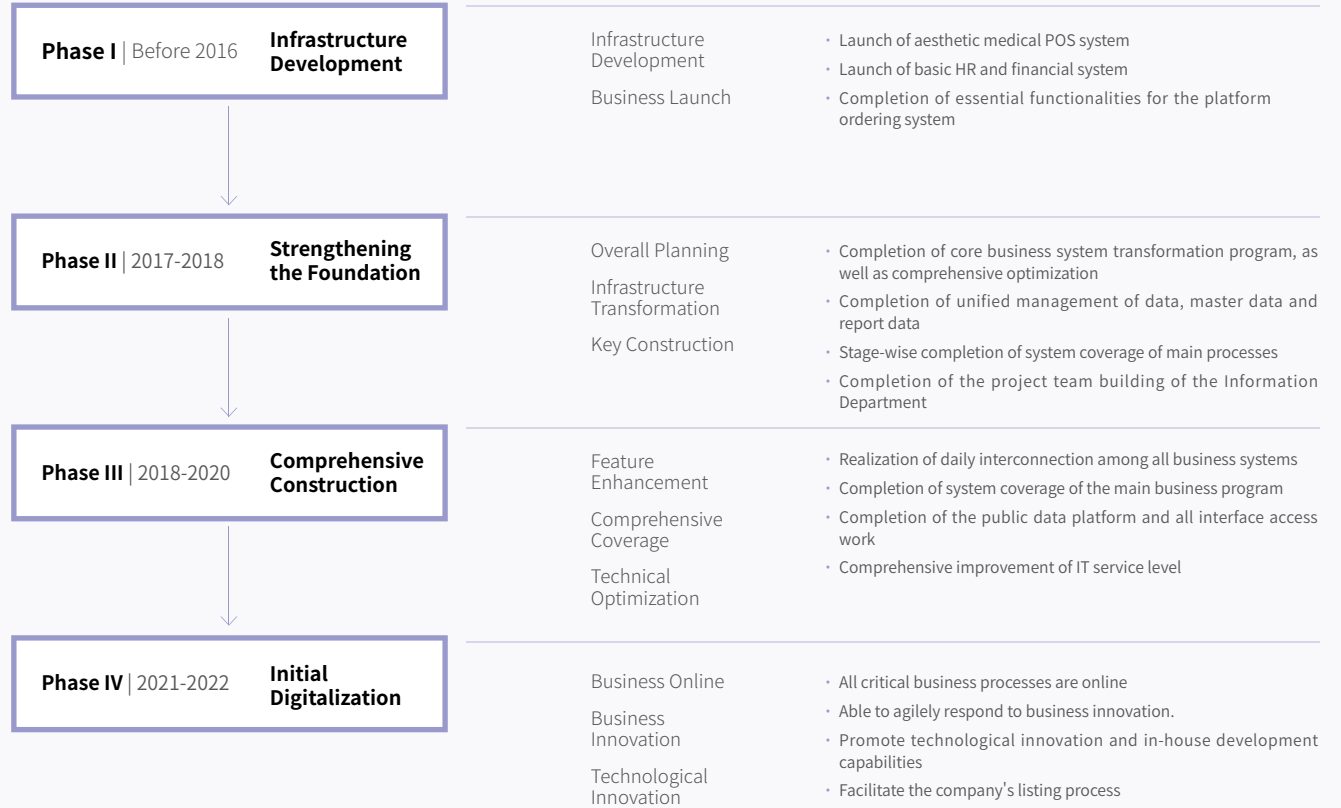For Beauty Farm, the core of current digital transformation lies in achieving online management of business operations, customer management, and organizational management across different sectors. This entails leveraging digital technologies to enable performance tracking, customer insights, and organizational empowerment.

**Performance Tracking**

· Equity Performance
· Net Consumption Performance
· Customer Traffic Target

· New Enrollment Target
· Single Store/Individual Performance Tracking

**Customer Insight**

· Customer Consumption Behavior Profile
· Customer Wallet/Card Balance
· Customer Acquisition Channel Analysis

· Customer Churn Analysis
· Customer Value

**Organizational Empowerment**

· Customer Manager/Beauty Therapist PerformanceChief Physician/Doctor Performance
· Commission Calculation
· Organizational Incentives
· Employee Development

## Organizational Online

In 2023, Beauty Farm introduced the organizational online management system called Welink, establishing an internal value evaluation system and employee-driven mechanisms to digitally empower the organization. The acquisition of the X system was also carried out to manage the operations and customer transition during the merger and acquisition projects. Additionally, there was an upgrade to the medical clinic and anti-aging operational systems, further enhancing business efficiency and customer experience.
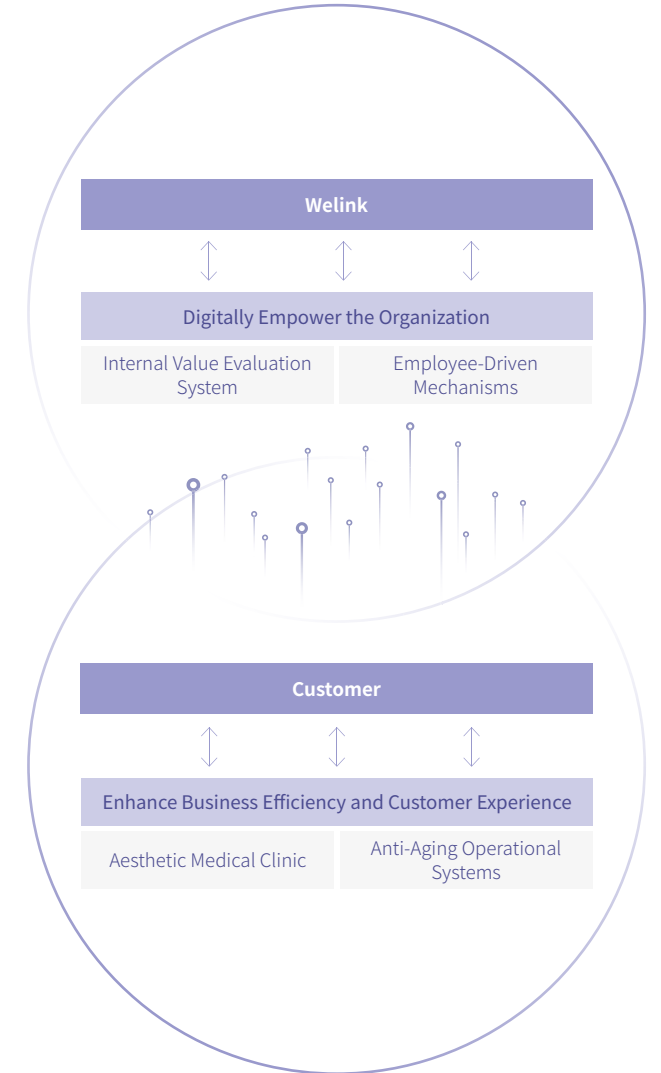
**Welink**

**Digitally Empower the Organization**

| Internal Value Evaluation System | Employee-Driven Mechanisms |
|---|---|

**Customer**

**Enhance Business Efficiency and Customer Experience**

| Aesthetic Medical Clinic | Anti-Aging Operational Systems |
|---|---|

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# Building Information Security Fortress

While the Group is advancing its digitalization efforts, it also places emphasis on information risk management to ensure the Company's network security, data security, and protection of customer privacy. We have conducted comprehensive analysis and mapping of the information security landscape to ensure that all relevant aspects are included in our scope of attention.

**Application Security**
- Vulnerability Scanning, Penetration Testing
- Code Audit, Security Configuration
- Information Data Protection: Transmission, Storage, Backup, Content Management
- Logging, Traffic Collection Analysis, Security Threat Detection
- Security Management of Open-Source Frameworks and Components
- Security Development Lifecycle Management

**Network Perimeter Security**
- Network Architecture Security Requirement Design
- Security Domain Segmentation
- Boundary Protection, Network Defense Strategy
- Firewall, Bastion Host
- Intrusion Detection System (IDS)
- Web Application Firewall (WAF)

**Data Security**
- Data Classification, Categorization, and Encryption
- Data Theft Prevention
- Identity, Authorization Management, and Auditing
- Comprehensive database auditing
- Analysis of measures for protecting sensitive data, de-identification, or anonymization techniques
- Data backup and effectiveness analysis

**Terminal Security**
- Terminal Security Access Control
- Mobile Terminal Application, DataSecurity

**Organization and Management**
- Risk Analysis, Security Planning, Security Policy
- ISMS System, Business Continuity Management &Emergency Plans and Drills
- Compliance Management
- Personnel, Responsibilities
- Systems, Standards

**Infrastructure Security**
- Security requirements for operating environments
- Host security, vulnerability scanning, security configuration
- Host log collection and security threat monitoring
- Host monitoring and protection system maintenance, management

**Beauty Farm Information System**

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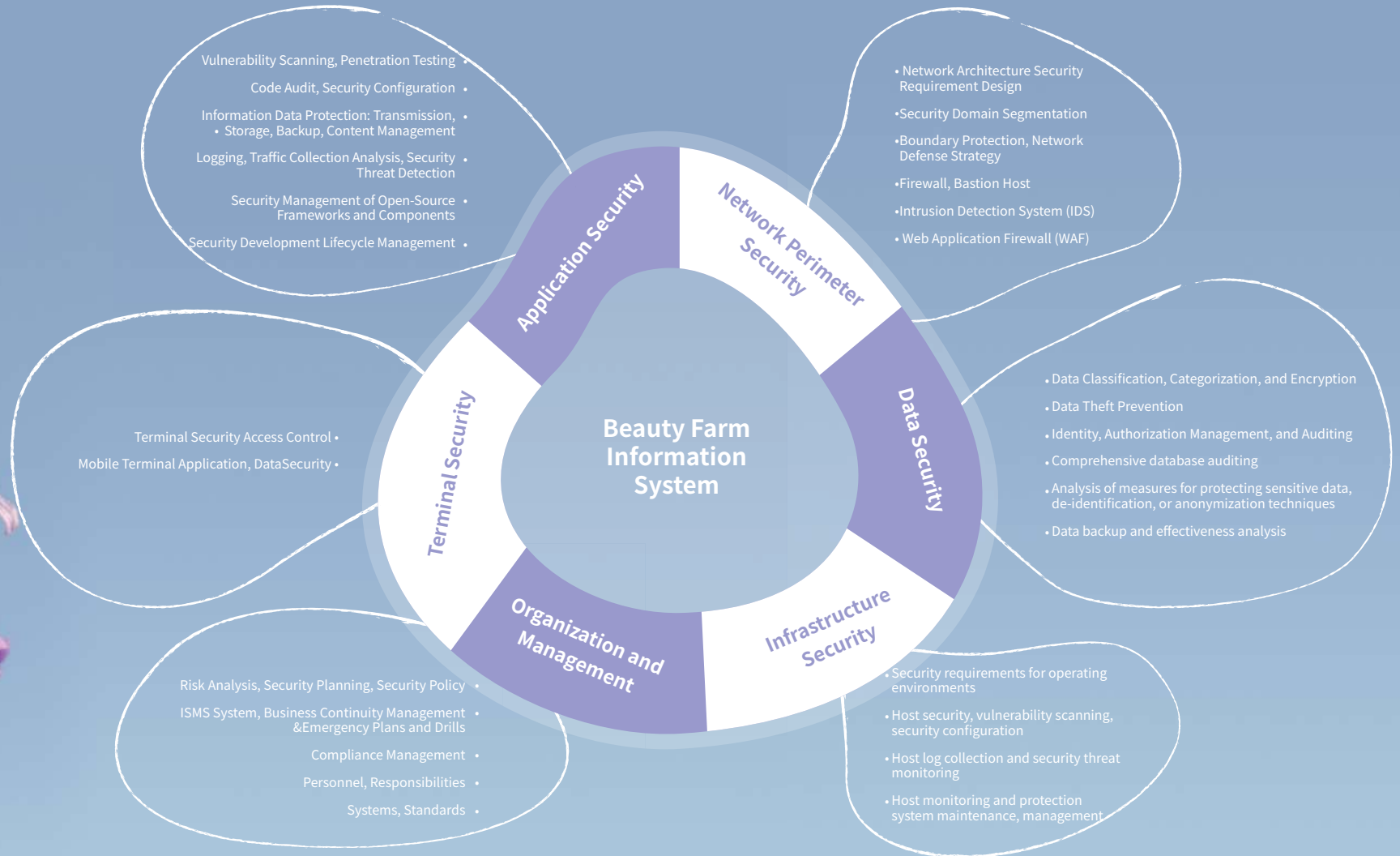
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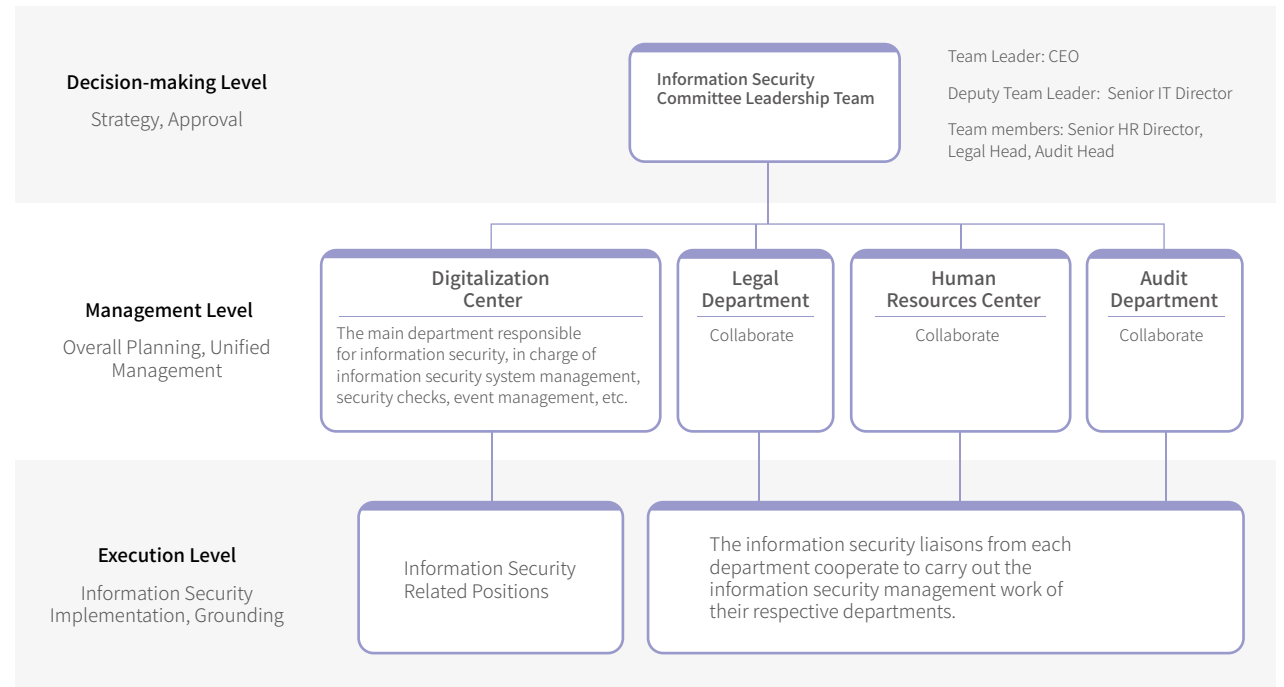  In-depth Research

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  Protection

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In terms of specific measures, we adopt a strategy of "defense in depth and layered defense". We optimize and upgrade existing measures and supplement them with additional measures based on the security map, ensuring comprehensive protection.

In terms of organizational development, we have established an information security committee and issued the "General Outline of Beauty Farm Information Security Management" along with supporting company policies such as the "Personnel Security Management System", "Software Development Security Management Specification", "End-point Security Usage Guidelines", "Network Security Management System" and "System Security Management System". These policies provide comprehensive guidance and ensure the security of digital information in Beauty Farm.



**Effective Protection Illegal Entry** Denied

· BF Boundary Security
· Web Browsing and Email
· Workplace and IDC Room
· Outsourced Third-Party Management
· ......

**Precision Control Unauthorized Access** Shielded

· Physical Environment Tagging
· Asset Identification and Management
· Terminal Compliance and Health Access Information System Access Control
· Security Responsibility and Awareness
· ......

**Safe Storage Core Info** Secured

· Encryption of Sensitive Data
· Management of Mobile Storage Devices
· Data Transmission Channels
· Asset Placement
· Encrypted Data Backup
· Management of Scrap Asset Destruction
· ......

**Complete Recording Troublemakers** Recored

· Physical Environment Monitoring
· Access Behavior Auditing
· Log Preservation and Management
· Event Log Auditing
· Rewards and Punishments, Legal Litigation
· ......



**Decision-making Level**

Strategy, Approval

**Information Security Committee Leadership Team**

Team Leader: CEO

Deputy Team Leader: Senior IT Director

Team members: Senior HR Director, Legal Head, Audit Head

**Management Level**

Overall Planning, Unified Management

**Digitalization Center**

The main department responsible for information security, in charge of information security system management, security checks, event management, etc.

**Legal Department**

Collaborate

**Human Resources Center**

Collaborate

**Audit Department**

Collaborate

**Execution Level**

Information Security Implementation, Grounding

Information Security Related Positions

The information security liaisons from each department cooperate to carry out the information security management work of their respective departments.

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# Achievements of 2023

Beauty Farm places great importance on the research and development of digital systems. In 2023, the Company invested approximately RMB31.29 million into digital system research and development. During the phased implementation process, the following progress has been achieved:

**31.29**million

Company invested approximately RMB into digital system research and development

Through continuous iteration and optimization of digital systems, Beauty Farm has laid solid foundation for business innovation, helping to achieve sustained growth. Currently, there are 33 operational business systems, out of which 20 are fully self-developed systems, accounting for over 60% of the total. In terms of data performance:

**500,000+**
The accumulated user base of Beauty Farm's mini program has reached

**15,000+**
a daily average of visitors

**19%+**
Online pre-appointment accounts for more than

**1**million +
customer insights and demands have been obtained

Among the total number of new customers acquired by Beauty Farm's direct sales in the past 23 years

Compared to third-party platform acquisition channels

**40**%
obtained through operations using the online private domain digital matrix

**15**%
the customer acquisition cost for individual new customers has decreased by nearly

## Information Security - Phased Implementation - Progress in 2023

**Primary**

BF Information Security Management General Rules

**Secondary**

Personnel Security Management System

Operation and Maintenance Management System

Software Development Security Management Standard

System Security Management System

Cyber Security Management System

Malicious Code Prevention Management

Terminal Security Convenience Specification

① **Security System Framework**

④ **Data Security Management**
Upgrade disaster recovery system architecture, categorically adjust backup strategies, migrate CS and MA from Windows to Linux, enhancing security level

**Security Reinforcement**

② **Information Security Level Protection**
The Marketing Middle Platform System and OMS (Order Management System) successfully passed the Level III Network Security Grade Evaluation Certification

③ **Security Device Hardening Strategy**

- Adjusting the Bastion Host entry point to reduce the exposure of critical assets
- DNS adjustment to ensure the reliability of data transmission between systems
- Adjusting IPS Strategy to intercept illegal requests



Beauty Farm Digital Center Team



Launch of Self-developed Store Operation Management System

# 05

# To Live towards the Sun, to Walk by the Light

- Build diversified communication platforms for women and help channel women's work
- Standardize recruitment and ensure fair and transparent recruitment process, provide fair and open job opportunities
- Strictly comply with international labor standards and provide employees with reasonable salaries and benefits
- Provide diversified learning and training opportunities for students at Beauty Farm University
- Continuously support Beauty Farm Primary School to provide safe and comfortable learning environment for students
- Provide financial support to employees in need and their families through the Beauty Farm Fund
- Participate in several projects to help alleviate poverty and revitalize the company

United Nations Sustainable Development Goals

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Compliance Employment • Diverse Development and Training • Employee Care and Benefits • Occupational Health and Safety • Beauty Transcendence • Social Welfare

## 5.1
# Compliance Employment

In the philosophy of Beauty Farm, we not only see employees as staff but also as key partners in the company's development. We are committed to providing our employees with a platform for professional growth and helping them to realize the enhancement of their personal values through the resources and support of Beauty Farm, and we believe that the common growth between the Group and our employees is the cornerstone of the Company's long-term and stable development.

Through internal training and development programs, the Group provides employees with continuous learning and growth opportunities. We encourage employees to engage in industry exchanges and academic research, facilitating in-depth communication with professionals in the same field. This allows them to constantly enhance their professional knowledge and skills, contributing to the industry's development. Furthermore, we place great emphasis on providing equal career development opportunities for female employees. We are committed to breaking down gender barriers, offering fair promotion and development prospects, and creating a fair and equitable working environment for women, enabling them to fully unleash their potential and talents.

**We strictly comply with the following laws and regulations:**

• Labor Law of the People's Republic of China;
• Labor Contract Law of the People's Republic of China; and
• Social Insurance Law of the People's Republic of China

In order to standardize recruitment standards, regulate recruitment management and ensure a fair and transparent recruitment process, the Group has formulated "Recruitment Management System". Meanwhile, we efficiently utilize diverse recruitment channels to adapt to the industry's high demand and high turnover rate for front-line service positions. The main channels include campus recruitment, online recruitment, headhunting companies, internal recommendations, and etc.

To combat illegal employment of child labor, underage labor and forced labor, job applicants are required to provide valid identification documents to the Group's human resources department, and background checks will be conducted before or after employment to ensure that they are eligible for legal employment in the local area before confirming employment. In the event that the Group discovers any violation of labor laws, regulations and standards, the relevant employment contract will be terminated immediately and follow-up actions will be taken in accordance with local labor laws and regulations. During the Reporting Period, the Group's operations were in strict compliance with the laws and regulations of the local governments in relation to the employment, prohibition of child labor and forced labor, and were not involved in any confirmed violations of such laws and regulations that have a significant impact on the Group.

Further, we have implemented a system of avoidance for relatives. When an employee and their relatives are employed in Beauty Farm at the same time, they are not allowed to have direct or indirect relationships with subordinates or work in the same stores, further reducing management risks. During the Reporting Period, the Group's labour contract signing rate and social insurance coverage rate both reached 100%.
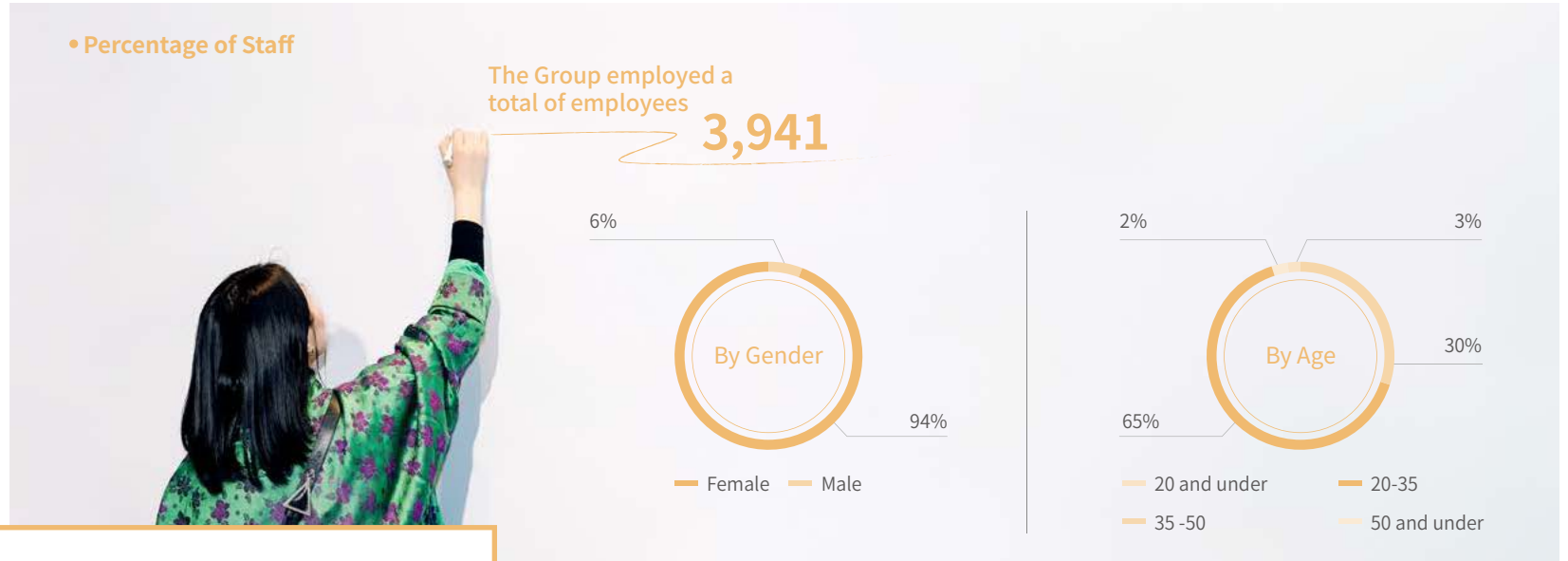
**100**%

the Group's labour contract signing rate and social insurance coverage rate both reached

The Group is committed to the pursuit of equal opportunities, diversity and anti-discrimination and continually strives to create fair, respectful and inclusive work environment. In formulating hiring, training, promotion, termination and retirement policies, we do not make decisions on the basis of an employee's age, gender, marital status, pregnancy status, family status, disability, race, color, ancestry, national or ethnic origin, nationality, religion or any non-job related factors. Although we employ more women on the front line because of the nature of our industry, we strike a gender balance in our middle and back office functions and management teams. Regardless of gender, we place and treat employees according to their rank, experience and performance.

**• Percentage of Staff**

The Group employed a total of employees

**3,941**

**By Gender**
6%
94%
— Female — Male

**By Age**
2%
3%
30%
65%
— 20 and under — 20-35
— 35 -50 — 50 and under

As at the end of the reporting period, the Group employed a total of 3,941 employees, of which 3,722 were female and 219 were male, with no part-time employees involved; and the majority of the Group's employees were located in mainland China, with 3 located in overseas regions. We respect diversity in employment and provide re-employment opportunities for employees who have reached retirement age, with a total of 31 retired and rehired employee among the above employees.

**3,941**
The Group employed a total of employees

**3,722**
Of which were female

**219**
Were male

**31**
Retired and rehired...

The Group has adopted zero tolerance policy for any form of discrimination, harassment, bullying or abusive behavior. We are committed to creating a safe, respectful and fair working environment. The Group encourages employees to actively report any instances of discrimination or harassment at work, which will be treated confidentially and carefully investigated. For any violation of our equal opportunity policy, we will take disciplinary action to ensure that those responsible are punished accordingly. In addition, we will take all complaints involving criminal offenses seriously and actively cooperate with the relevant legal proceedings.

As of 2023, we have formed regional labor unions in areas such as Haikou and Chongqing, and plan to form a group labor union in 2024.

In 2023, we formed the Beauty Farm Women's Federation of the Group, with a total of 11 executive committee members, including one chairperson and one vice-chairperson. After the establishment of the Women's Federation, the executive committee and members have actively integrated resources from various parties, carried out various cultural and sports activities, built a diversified communication platform for women, helped channel the pressure of women's work and life, and assisted in women's growth and improvement of their literacy.

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Compliance Employment  •  **Diverse Development and Training**  •  Employee Care and Benefits  •  Occupational Health and Safety  •  Beauty Transcendence  •  Social Welfare

## 5.2

# Diverse Development and Training

The Group's comprehensive training system ensures that there is sufficient pool of talents from the management team to the frontline staff to match the Group's future development plans. We believe that a high degree of professionalism of our service personnel is the basis for ensuring the stability of our services, and that only by ensuring high degree of uniformity in the standard of our services can we better serve our customers.

## Comprehensive Coverage of Training Content

To ensure the systematicity and effectiveness of training content and reflect the brand concept of Beauty Farm, the Group has formulated the "Employee Education and Training System" which includes the "Training Department Regulations" and "Class Teacher Work Manual" for technical and sales positions, comprehensively listing the assigned learning tasks and course content and completing on-the-job training and learning requirements in systematic manner.

We provide customized training for different positions and implement key learning projects to support employees at different levels and positions in realizing skill improvement and achieving their career goals. Considering that each position has unique professional and skill requirements, Beauty Farm also provides professional training on products, instruments, and operating techniques. In addition, to ensure the quality control management of our stores, we have set up related courses, such as online learning and oral exams for enterprise culture and customer orientation (2023 quality control service process course upgrade). We also provide corresponding training for different promotion activities and plans to ensure activities are carried out in an orderly manner.

**126** training courses

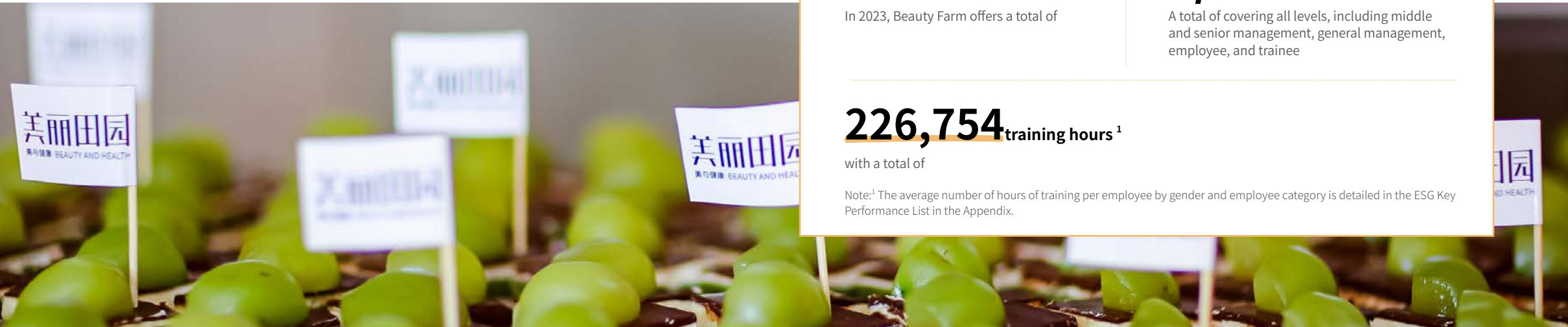In 2023, Beauty Farm offers a total of

**2,142** employee

A total of covering all levels, including middle and senior management, general management, employee, and trainee

**226,754** training hours [1]

with a total of

Note:[1] The average number of hours of training per employee by gender and employee category is detailed in the ESG Key Performance List in the Appendix.

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Compliance Employment · **Diverse Development and Training** · Employee Care and Benefits · Occupational Health and Safety · Beauty Transcendence · Social Welfare

# Continuous Innovation in Training and Assessment Methods

Belonging to the Human Resources Department of Beauty Farm, Beauty Farm University, formerly known as Beauty Farm Training School established in 1995, was officially listed as Beauty Farm Corporate University in 2018. With the mission of "connecting with strategy, adhering to business, and creating value", Beauty Farm Corporate University, adhering to the belief of empowering the creators of beauty and health, cultivates competent and sustainable talents for the Group's three major business departments as well as functional middle and back offices by means of talent ladder construction, With the mission of "connecting with strategy and business, creating value", and with the belief of empowering creators of beauty and health, we continue to cultivate competent and sustainable talents through talent cultivation and talent echelon construction for the Group's three major business units and functional middle and back offices.

Since 2018, Beauty Farm University has opened the OMO learning program, actively exploring digital learning technology, and has now formed complete training system of offline centralized empowerment, online learning (Beauty Farm Online School), Beauty Farm Air Courses (live broadcasting), and Beauty Farm Micro-Class Teaching, which will reduce the training cost for the organization by about 20% under the condition of guaranteeing that the passing rate of the students' assessment remains unchanged, and in the coming period of time, it will gradually realize 90% coverage of online courses.
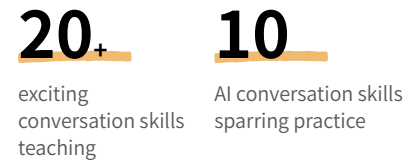
**20**%

Which will reduce the training cost for the organization by about
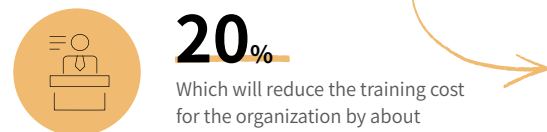
Currently, the training system at Beauty Farm University consists of:

OMO course:

**10**
animated lessons

**1**
live class with a renowned teacher

**8**
live demos

AI Accompanying Practice:

**20+**
exciting conversation skills teaching

**10**
AI conversation skills sparring practice

CP+ Practical Exercise:

**10+**

Pulling the experience of the best performers in the country to create simulated exercise scenarios.
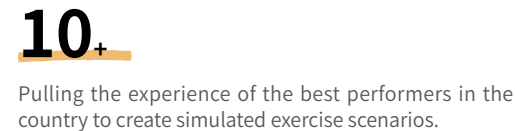
This system is able to complete thousands of people's training in short period of time, and can achieve:

Time cost of **0** off-duty

organizational cost of **0** travel
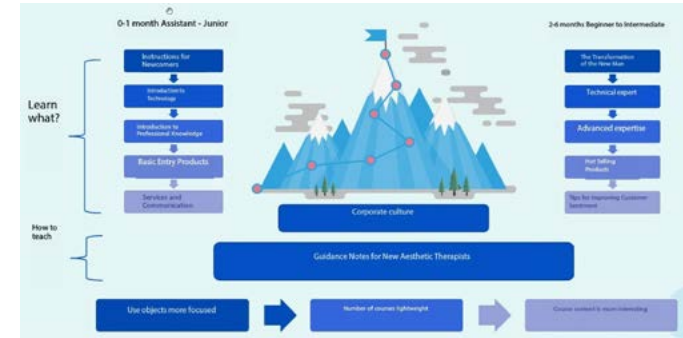
repeated look back of **0** re-training fees

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## "Online Teacher" Learning Program for Beauty Therapists

By copying the teaching experience of excellent teachers and supervisors to produce teaching manuals, establish learning maps for on-the-job beauty therapists, in order to quickly improve the teaching ability of store supervisors, reduce the pressure of teaching, quickly train new supervisors to be on the job, and help beauty therapists to clarify the learning path and development direction.

**Course features**

precise target, fun process, good content, and effective results
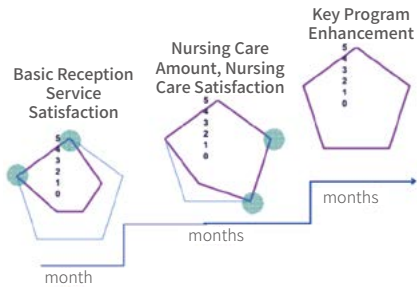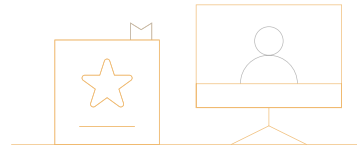
**Goal-setting**

progressive training to enable newcomers to reach the fitness for duty at different stages.

**Design highlights**

online combined with offline joint empowerment

**Through interviews**

restoring the teaching scene

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Currently, the "Online Teacher" learning program has

# 100%

coverage of Shanghai, Beijing, Shenzhen, Wuhan, Chongqing

# 104/142

stores

# 440

during the Reporting Period, a total of，new spa therapists were covered throughout the year (of which 121 were new hires at the 0-1 month stage)

# 18

regions including other key cities

# 44

of which stores have taken the initiative to reuse

# 87%

met the promotion requirements in 1 month

We conducted satisfaction survey of the participants and achieved a score of over 8/10 in all dimensions.

## OMO Learning Program

OMO Learning Program is an online/offline integrated learning product developed for key performance indicators of key positions. The course combines a series of "training black technology" (AI coaching, interactive video teaching, online guidance, etc.), empowering front-line students and helping the company's rapid realization of post-listing talent replication, with the following features:

① Dare to move the value of training forward and direct it to key performance indicators.

"Time and Space Companion" helped 462 client managers achieve 10% increase in recruitment conversion rate; "Cash Ability Venus" helped 688 beauty therapists increase their body care revenue.

② Introducing advanced digital training technology ahead of other brands in the industry.

Through AI training, interactive micro-class teaching, in the case of ensuring that the student assessment pass rate remains unchanged, to shorten the complex class project learning time nearly half, for the organization to reduce the training cost by about 20%.

③ Drill in organizational experience extraction, so that successful experiences come from and go to the organization, accelerating talent replication.

The OMO team has explored a set of eight-step methodology applicable to talent replication for the organization, extracted and retained 30 valuable lessons from the frontline up to now, and won recognition for digital talent development awards within the training industry.

④ Training for all: 100% coverage of all front-line posts in stores completed

We take pride in our training system at Beauty Farm where talent development and learning have always been areas of focus and effort. Training employees and enhancing their capabilities across all aspects are the cornerstones of our ability to provide high-quality services. Our commitment to talent development and efforts at Beauty Farm have been recognized with significant awards and acknowledgments in the field of human resources.

Most Promising Corporate University

Innovation and Growth Award

Best Learning Program of the Year

Gold Award for Talent Development Benchmarking

Digital Learning Program Innovation Award

Excellence Award for Value Creation Benchmarking

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# Beautiful Workplace Created by the Power of Women

## Multi-Channel Internal Promotion System

The Group is committed to effectively managing the career development of all employees, helping them achieve learning and development goals, forming a talent pool, and improving the organization's sustainable operational capabilities. At the same time, by effectively reserving high-quality talents, we can timely adjust and supply vacant positions to support the Company's steady development. We have complete and transparent promotion mechanism, and we have provided different support and assistance plans for employees in different positions to "achieve career goals" in different ways. We have clear job development maps for functional and professional positions to provide employees with upward motivation.

We have formulated relevant systems to regulate internal promotion and transfer arrangements, standardize the promotion criteria for each position, and clearly point out the path and criteria for job development, forming a set of perfect system. In addition, the Group has also established a strict appraisal system, whereby promotion and salary adjustment of employees are based on whether they are in line with the Group's corporate culture and values, as well as on their individual work performance and performance.

With the goal of upgrading skills, Beauty Farm University has launched the "Sailing Treasure Hunting Guide", which breaks the singularity of the development path of employees and gives them more choices and opportunities for their career development. For functional positions, employees can obtain different promotion opportunities based on their experience and abilities; for professional positions, we have also set different promotion paths, providing employees with diverse career development options through multiple career development paths in sales, technology, and management aspects.

### Promotion Policy for Each Function of Beauty Farm

· Technical Supervision & Regional Technical Committee Promotion Management System,

· Beauty Therapist Promotion and Demotion Management System,

· Overseeing Beauty Farm Management Development Channel and Senior Management Promotion System, and

· Beauty Farm Junior and Middle-level Promotion System.

The Group has established comprehensive and complete performance management system and formulated the "Beauty Farm Performance Management System" to improve the overall performance of the Company through scientific management methods while providing a basis for personnel decision-making regarding salary, promotion and demotion decisions, etc. The construction of the " Beauty Farm Performance Management System" follows five principles: consistent rights and responsibilities, fair consideration, effective communication, full participation, and continuous improvement. It promotes employee career development, improves the incentive mechanism of the Company, and at last realizing organizational strategy.

### Outstanding Employee Case Sharing

Ms. Zhang Xiuqin, Regional Operations Director of South China for Beauty Farm's traditional beauty service business, was one of the first students to join Beauty Farm after the establishment of the Beauty Farm University, and was employed as beauty therapist. Through her years of continuous effort and following the Company's talent development path, she has risen from beauty therapist to customer manager, technical supervisor, store director, regional manager, and currently, the Operations Director of the Southern Region, overseeing a team of over 700 people and achieving nearly 400 million in annual revenue.

**700**

Overseeing a team of over

**4** million

Achieving nearly in annual revenue

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## Unobstructed External Flow Paths

Many of our frontline employees come from economically underdeveloped areas. In line with the Group's long-term development strategy and the concept of "people-oriented", we strive to improve the life quality of this vast group in addition to providing them with jobs, so as to enhance their sense of self-identity and sense of value.

In terms of vocational skills, the Group has accumulated wealth of experience in the training of applied professionals by providing all employees with adequate training resources and encouraging lifelong learning and professional capacity enhancement, while at the same time strengthening the care and leadership of career development paths. The Group has utilized the advantages of the Beauty Farm University in terms of professionalism, experience and knowledge to build a mature and healthy platform for learning and development in the beauty industry, which facilitates employees to broaden their horizons and plan for more active and clear career goals, and provides these employees with yet another opportunity for enhancement and further education in addition to campus education.

Employees who are well-trained and have sufficient years of experience working at Beauty Farm have significant advantage when making external job choices and are more likely to be favored by their peers.

**72.1**%

The annual retention rate of professional services staff has reached

## Excellent Retention Rate of Old Employees

We also value the contributions of our existing staff and recognize them in various ways, such as recognizing those who have been with us for more than 10 years and conducting core staff retention programs. Through our continuous efforts, we have successfully become a leader in the industry. The annual retention rate of our professional services staff has reached 72.1%, which is one of the highest retention rates in the industry.

In 2023, on the occasion of the Company's 30th birthday, we completed the "Beauty Farm 30th Anniversary Buyback Booklet" and received a number of testimonials from veteran employees about us.

**Chongqing staff: Zhong Yali**

I never expected that my first job in life would last for 20 years. From receptionist to beautician to customer manager, step by step, I evolved from a naive young girl who knew nothing into a competent woman who can hold her own in the workplace. I believe all of this is thanks to what Beauty Farm has given me...

At Beauty Farm, I utilize professionalism and service to ensure that my clients can continuously enjoy health and beauty. At the same time, I have realized my own life's value and sincerely helped many people around me.

Beauty Farm is turning 30, and what I want to confess to her is: Choosing Beauty Farm was the best decision in my life! This is a job that I am willing to do until retirement, and I can't bear to leave it!

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## 5.3

# Employee Care and Benefits

## Remuneration Structure

The Group has designed salary system and wage standards based on the characteristics of the industry and the current situation of the Group, with the basic principles of "internal fairness and external competitiveness". In the salary system developed by the Group, the main component of the salary is linked to performance evaluation, and the salary is divided into three parts: basic salary, performance-based salary, and allowances, and is subject to the change in employee position, job promotion, and individual and company performance. This system reflects the spirit of "Capable employee gets more" and encourages employees to improve their work performance and capabilities for higher compensation.

## Creating Work-Life Balanced Workplace

Beauty Farm is committed to creating people-oriented and excellent working environment, advocating for work-life balance, and actively organizing various activities to activate employees' leisure time and promote corporate culture.

The Group has set up an employee interview system by the human resources department. On top of the regular interviews with new recruits and departed employees, each human resources officer is required to complete interviews with 6 employees per quarter, and the annual number of employee interviews conducted by the Group is about 960. Through this interview system, we collect employees' opinions and experiences on work content, management system and other aspects to improve employee satisfaction and create healthy and favorable workplace atmosphere. In order to effectively turn the interviews into effective implementation, the Group has also set up human resources symposiums to give feedback on the centralized and representative issues collected during the interviews, so as to effectively solve the problems of the employees.

In order to create a good atmosphere in the working environment, we organized staff activities such as birthday parties, outdoor recreational activities and welcome parties for new employees during the Reporting Period. We also prepared holiday gifts for our employees during various festivals and organized parent-child activities for our employees with children to help them achieve work-life balance more easily. Taking into account the characteristics of female employees in the beauty industry, we facilitate spontaneously organized networking events to expand their social circles. For employees seeking psychological support, they can schedule one-on-one counseling sessions to address their mental health needs.

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### "Star-Making by Beauty Farm", a Chance for Every Employee to Show His/Her Skills

Every year, the Group hosts the "Star-Making by Beauty Farm" event across the Group. Any employee or their family members who wish to showcase their talents can sign up. There are no restrictions on the options, ranging from singing, dancing, playing musical instruments, to crafts. The event takes the form of a competition, consisting of several stages including preliminary rounds, semi-finals, and finals. Winners have the opportunity to showcase their talents at the biannual national Group's conference, and the Group also offers cash and other prizes as rewards for participants. Feedback collected after this event, which aims to promote emotional exchange among employees, consistently reflects increased sense of belonging. This activity not only contributes to work-life balance but also enhances recognition and satisfaction among employees' families regarding their work.

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# Employee Benefits

The Group respects both the physical and mental health of its employees, and the human resources department has issued "Employee Handbook" that regulates the various rights of employees and seeks to provide superior welfare protection.

In terms of holidays, the Group provides employees with various statutory and additional paid holidays, such as annual leave, marriage leave, prenatal examination leave, maternity leave, paternity leave, breastfeeding leave, bereavement leave, home leave, birthday leave, and so on. Since 2011, we pioneer in implementing a 5-day workweek in the beauty industry, giving employees more time to rest and enjoy life, which is another measure of the Company's humanistic care for employees.

The Group also provides supplementary medical insurance for core employees every year and covers 95% of the purchase cost. The company also offers free physical examinations as green welfare benefit for some employees every two years. In addition, we provide meal subsidies for our employees, and all employees are entitled to free care or products every month according to their level after passing their probation period.

At the same time, we always pay attention to employee health, and is committed to providing a comfortable office environment:

In the office area, we have designated spaces for a pantry, a nursing room, an employee cafeteria, a locker room, telephone booths, and water dispensers.

In the store area, we have separate changing and dining areas for employees, and we've also provided a cleaning room for our janitorial staff.

We constantly monitor the air quality in both the office and store areas. Air purification and pest control measures are carried out every one or two quarters in the office premises.

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## 5.4

# Occupational Health and Safety

We are committed to providing a safe and secure working environment for our employees. We actively develop various policies to enhance their occupational safety awareness, ensuring that the workplace meets safety requirements and is prepared for emergency situations.

The Group has established a set of safety management standards with the principle of "safe operations, eliminating hazards". Over the past three years (2021 to 2023), there were no work-related fatalities within the Group. During the Reporting Period, there were 9 cases of work-related injuries among employees, resulting in a total of 576 days of lost work. The Group has implemented a set of procedures for handling work-related injuries to ensure that employees receive prompt medical treatment in case of injuries, and the social insurance purchased by the Group covers the treatment costs resulting from work-related injuries. The Group strictly adheres to and complies with the "Regulations on Work-Related Injury Insurance", "Procedures for Determining Work-Related Injuries", "Management Measures for Occupational Disease Diagnosis and Identification" as well as the relevant laws and regulations of the operating locations. All employees with work-related injuries in the current year have received fair compensation.

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# 2023 Safety Management Highlighting Measures - Fire Safety Training

The Group has established specific internal management systems such as the "Fire Safety Management System" and developed the "Store Fire Safety Knowledge Guide Handbook" to enhance the fire safety awareness of all employees. We regularly organize employees to study fire regulations and various rules and regulations to ensure compliance with fire safety laws. We also conduct on-site demonstrations and training for the maintenance and use of fire protection facilities, following the work principle of "prevention first, combined prevention and control". The training includes sharing of fire incident cases, proper use of fire extinguishers, evacuation and escape knowledge, and daily preventive measures. We actively cooperate with shopping malls or property buildings to conduct fire drills, aiming to eliminate all fire hazards. We strictly implement a hierarchical fire safety responsibility system and position-specific fire safety responsibility system, implementing inspection system. Any fire hazards found during inspections that are not rectified within the specified time will be subject to punishments according to the reward and penalty system.

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## 5.5

# Beauty Transcendence, Playing Active Role as Pilot

## Industry Experience Empowerment

Throughout the establishment and development of Beauty Farm, we have consistently dedicated ourselves to improving the negative image commonly associated with the beauty industry. We reject malicious and excessive marketing practices and adhere to the principle of "doing the right thing". In our cooperative communications, we strive to drive industry-wide business ethics and compliance practices from long-term perspective, involving our industry peers and stakeholders. In recent years, we have made more efforts to strengthen external exchanges in management. We engage in communication with other companies and brands, jointly exploring the pain points within the industry. We take the lead in organizing teams to drive collective progress in the industry.

We encourage sharing experiences among industry enterprises to collectively address the challenges faced by the industry. We understand the negative impact of excessive marketing on the entire industry, and therefore, we urge fellow industry companies to focus on sustainable long-term considerations rather than excessive marketing. We believe that by complying with regulatory requirements and upholding the principles of sustainable operations, we can shape a healthier and more trustworthy beauty industry. Through these efforts, we aim to bring about positive impact on the entire beauty industry and provide customers with higher quality and reliable services.

In 2023

## 12

Beauty Farm conducted a total of study trips and industry exchanges

## 5,680

with a participation of individuals
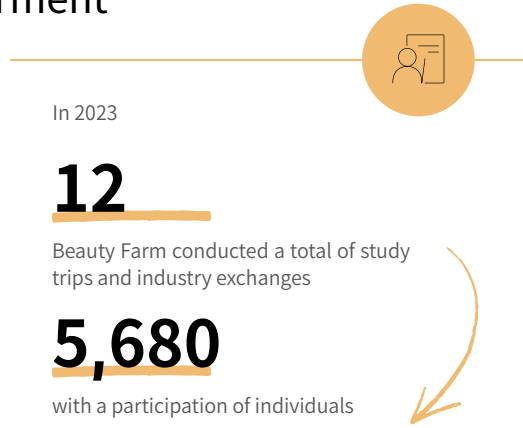
The study trips and industry exchanges organized by Beauty Farm focused on sharing knowledge and insights in technical and business aspects of the beauty industry. Discussions and explorations also took place regarding digital empowerment and enterprise management perspectives. Beauty Farm engaged in communication with enterprises and professionals from various sectors of the industry, covering traditional media, social networks, industry consulting platforms, and other channels to share information and experiences.

## Industry Technology Empowerment

While focusing on technological innovation and improvement of its own performance, the Group has also summarized and shared the accumulated experience and knowledge. Through various channels, knowledge and skills have been disseminated to contribute to the overall advancement of the beauty industry. These efforts have widespread impact within the industry, driving its progress forward. Leveraging our longstanding brand position and experience in the beauty industry, as well as our responsibility and commitment to industry development, Beauty Farm actively participates in a series of influential industry projects, aiming to make a profound impact in the industry.

### Participating in Revising Industry Standards

In 2023, Shanghai Beauty Farm Medical and Health Industry Company Limited was invited by the Ministry of Human Resources and Social Security to provide feedback on the technical document drafts and standard explanations for the 2024 WorldSkills Competition in Lyon, France.

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## Publication of Industry Textbooks

Beauty Farm has summarized advanced vocational skills and operational management experience in the beauty industry, and has participated in the writing of two vocational skill textbooks that have been published.

· "Practical Operations and Management of Beauty Salon" was published by Fudan University Press. Beauty Farm contributed to Module 3, Unit 2 "Customer Relationship Management" and Unit 3 "Customer Complaint Handling". This book serves as a textbook for medical aesthetic technology programs in higher education institutions and is part of a series of books on dual education in the field of medical aesthetic technology.

· "Professional Skills Level Certification Textbook for Beauticians – Basic Knowledge for Beauticians" was published by China Labor and Social Security Publishing House. Beauty Farm contributed to the seventh chapter, "Sanitation, Disinfection, and Infection Control" in the third part, "Basic Knowledge of Aesthetic Medicine". This book serves as a training textbook for professional skills level certification in the beauty industry and is also a textbook for the transformation of achievements in the WorldSkills Competition.

# Industry Talent Empowerment

In response to national policies, the Group has maintained long-term cooperation with vocational colleges and universities. It has undertaken joint campus recruitment initiatives, providing training facilities and internship opportunities for students in programs such as medical aesthetics. By establishing vocational development pathway in advance, the Group integrates social internships as part of the school curriculum, enabling students to transition and practice entering society during their academic studies. For students interning at Beauty Farm, the Group adopts modern mentorship system, where experienced employees pass on their expertise to these young individuals. This approach provides clear career planning choices for graduates' professional development. The school-enterprise collaboration model demonstrates reliable working environments, advanced management systems, and quality mentorship advantages. During the Reporting Period, Beauty Farm's school-enterprise cooperation projects have attracted over 150 vocational college students majoring in medical aesthetics to participate in internships, with a total of 927 students starting their career development journey through Beauty Farm's school-enterprise cooperation projects.

## 150

School-enterprise cooperation projects have attracted over vocational college students majoring in medical aesthetics to participate in internships

## 927

With a total of students starting their career development journey through Beauty Farm's school-enterprise cooperation projects

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## 5.6

# Social Welfare

Beauty Farm is committed to promote the realization of shared prosperity in society. In addition to maintaining the steady development of the enterprise, the Group actively gives back to society. We regularly communicate with government departments, community organizations, and street offices in each operating location to understand the requirements and needs of local community and the impact of our operations on the community. Our efforts go beyond the investment of the Beauty Farm Fund. In 2023, the Group participated in the "Village-Enterprise Pairing Precise Poverty Alleviation" program in Hongkou District, Shanghai. We provided assistance and support to Bazhai Town in Yunnan Province, with a total donation of RMB60,000. The funds were allocated to three investment and skills training projects, benefiting over 1,000 villagers. We truly implement rural revitalization initiatives in practice.

The actual work content and data of the village-enterprise pairing donation made by Beauty Farm in current year are as follows:

### Training on Traditional Chinese Medicinal Herbs Cultivation in Bazhai Town, Bazhai Community

Training on Traditional Chinese Medicinal Herbs Cultivation was conducted for the residents of Bazhai Community. There were 2 training sessions, with 250 participants in each session.

Through the training on traditional Chinese medicinal herbs cultivation, a total of **279** households comprising **1,122** individuals were benefited. The training focused on providing relevant skills and knowledge to the participants, ultimately leading to an increase in income and improving their livelihoods.

### Installation of Streetlights Village Group

**Duck Pond Village Group, Luchatang Village Committee**

Install **10** street lamps in the Duck Pond Village community group to facilitate the travel of the residents.

The project implementation benefits **123** households with a total of **459** people, including **61** households (**218** people) from the poverty-stricken families.

**Mother and Son Rush Village Committee**

Purchase **10** solar-powered street lamps for the Paper Mill Village group to facilitate the travel of villagers.

The project implementation will benefit **42** households with a total of **164** people, including **15** households (**42** people) from poverty-stricken families.

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### "Traditional Chinese Medicine Beauty and Wellness Techniques" available for free on Smart Vocational Education platform

"Smart Vocational Education" is a national vocational education smart education platform developed and operated by Higher Education Press. It serves as a platform for sharing digital teaching resources and online teaching services in vocational education. The platform is designated platform for sharing the achievements of the national "Vocational Education Professional Teaching Resource Repository" project with the whole society. It provides high-quality digital resources and online application services for vocational education teachers, students, employees, and lifelong learners, promoting vocational education teaching reform, expanding the means and scope of teaching and learning, improving the efficiency and effectiveness of teaching and learning, and promoting the construction of a learning society.

The "Traditional Chinese Medicine Beauty and Wellness Techniques" course developed by Beauty Farm is a core course in the field of medical aesthetics technology. It provides essential knowledge and basic skills for professionals engaged in beauty technician and related positions in the field of medical aesthetics. This course covers cupping, moxibustion, gua sha, and bone-setting techniques, etc. It presents digital resources such as typical case studies, micro-lessons, demonstration videos, teaching slides, and synchronous practice to provide high-quality teaching materials for learners.

### Enhancing the professional skills of women in community careers

Background: The Wuhan Municipal Human Resources Bureau, in order to further expand employment opportunities for women and increase opportunities for women's entrepreneurship, has collaborated with designated training institutions to provide a 15-day beautician training program for unemployed women.

Beauty Farm in Action: We pay attention to the perspective of women and attach great importance to the social and economic conditions of disadvantaged women. Since 2021, we have been actively participating in this initiative. The training we provide includes beauty theory, practical beauty skills, and vocational makeup guidance. The courses are directly applicable to practical occupational settings, aiming to enhance the employment and entrepreneurship capabilities of women in the jurisdiction through the improvement of vocational skills and meet the demands for women's employment and entrepreneurship.

實操考核＋指導

### 99 Giving Day, continuous support for rural female teachers

Beauty Farm has been sponsoring the selection of rural female teachers for several years. Through the service mini-program, a certain percentage of every purchase is allocated to charitable donations. In the current year, Beauty Farm participated in the "99 Giving Day" event organized by Tencent Public Welfare, specifically in the "One Flower, One Dream" public art exhibition. Aligning with the theme of "For Children, For Rural Areas, For Life, For the Earth, For Care", we submitted a painting titled "Blossoming" to support the "Chasing Light Female Teacher" public welfare project, which was showcased online. Leveraging the first cross-platform donation matching channel, we have amplified our impact on supporting rural female teachers.
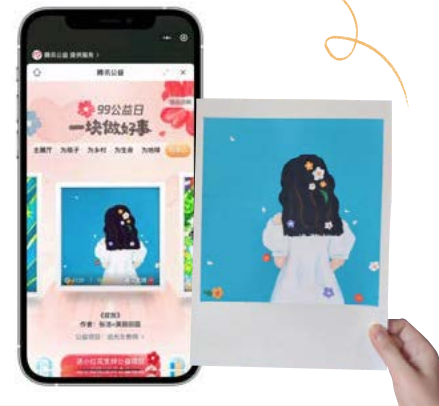
### Chasing Light Marathon, Illuminating 19 Cities

In August 2023, Beauty Farm, in collaboration with 99 Giving Day, Changming Education Foundation, and Lingshan Charity Foundation, organized the "Beauty Power Together, Donate Steps for Love" charity marathon event, aiming to accumulate steps to illuminate 19 directly operated store cities. Participants could donate RMB 1 to receive a race number. The first 3,000 participants who successfully completed the challenge within specified time frame would receive RMB 10 corporate charity matching donation provided by Beauty Farm.

## Appendix | ESG KPIs List

### Summary of Key Environmental Performance

| | ESG Indicator | Unit | 2023[1] | 2022 |
|---|---|---|---|---|
| A1 | Emissions | | | |
| A1.1 | The types of emissions and respective emissions | | | |
| | Nitrogen Oxides (NOx) | kg | 13.18 | 6.44 |
| | Sulfur Oxides (SOX) | kg | 0.17 | 0.08 |
| | Particulate Matter (PM) | kg | 0.97 | 0.47 |
| A1.2 | Greenhouse gas emissions and intensity | | | |
| | Greenhouse gas emissions (Scope 1)[2,8] | $tCO_2e$ | 31.29 | 15.29 |
| | Greenhouse gas emissions (Scope 2)[3,8] | $tCO_2e$ | 5,901.28 | 5,151.24 |
| | Total emission of greenhouse gas | $tCO_2e$ | 5,932.57 | 5,166.53 |
| | Intensity | $tCO_2e$/RMB'0,000 revenue | 0.03 | 0.03 |
| A1.3 | Total hazardous waste produced and intensity | | | |
| | Medical Waste[5] | kg | 15,933.74 | 11,279.53 |
| | Intensity | kg/RMB'0,000 revenue | 0.07 | 0.07 |

| | ESG Indicator | Unit | 2023[1] | 2022 |
|---|---|---|---|---|
| A1.4 | Total non-hazardous waste produced and intensity | | | |
| | Total non-hazardous waste[6] | kg | 8,367.66 | 6,432.10 |
| | Intensity | kg/RMB'0,000 revenue | 0.04 | 0.04 |
| A2 | Use of resources | | | |
| A2.1 | Direct and indirect energy consumption by type in total and intensity | | | |
| | Total energy consumption[4,8] | kWh | 10,451,898.24 | 8,917,088.68 |
| | Intensity | kWh/RMB'0,000 revenue | 48.61 | 54.52 |
| | Direct energy consumption | kWh | 104,223.13 | 50,927.48 |
| | Gasoline | Liter | 11,763.96 | 5,748.33 |
| | Intensity | Liter/RMB'0,000 revenue | 0.05 | 0.04 |
| | Indirect energy consumption | kWh | 10,347,675.11 | 8,866,161.20 |
| | Electricity | kWh | 10,347,675.11 | 8,866,161.20 |
| | Intensity | kWh/RMB'0,000 revenue | 48.13 | 54.21 |

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| | ESG Indicator | Unit | 2023[1] | 2022 |
|---|---|---|---|---|
| A2.2 | Water consumption in total and intensity | | | |
| | Total water consumption | $m^3$ | 185,708.39 | 178,385.88 |
| | Intensity | $m^3$/RMB'0,000 revenue | 0.86 | 1.09 |
| A2.5 | Total packaging material used for finished products and intensity | | | |
| | Total packaging material[7] | kg | 74,516.44 | 60,234.97 |
| | Intensity | kg/RMB'0,000 revenue | 0.35 | 0.37 |

Notes

[1] The scope of environmental KPIs data collection for the whole year of 2023 includes local offices, brand stores and 2 training centres, excluding any franchised stores. As the Group has yet to establish systematic procedure for collectingmost environmental data, the environmental data currently disclosed (excluding medical waste and wastepaper) is calculated by dividing financial data with the average unit price.

[2] Greenhouse gas emissions (Scope 1) including direct emission of $CO_2$ produced by gasoline in vehicles.

[3] Greenhouse gas emissions (Scope 2) including indirect emission of $CO_2$ generated from purchase of electricity.

[4] Total energy consumption includes the total amount of energy consumed from sources such as gasoline and purchased electricity.

[5] Medical waste is generated from two brands of clinics that provide medical aesthetic products and services, namely Neology and CellCare.

[6] The non-hazardous waste data currently reported mainly includes wastepaper generated from the offices and stores. The Group has to yet establish a system for collecting and compiling data on other non-hazardous waste (such as used beauty products packaging materials, cardboard boxes, shopping bags, etc.). The Group will discuss with third parties on various effective and feasible methods for data collection to ensure that more comprehensive non-hazardous waste data can be provided in future reports.

[7] The packaging data only includes packaging materials directly purchased by the Group and does not currently include packaging brought by the product suppliers.

[8] The calculation methods for Scope 1 and 2 greenhouse gas emissions from gasoline and electricity mainly refer to the "Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange. The calculation method for total energy consumption mainly refers to the "GB/T 2589–2020 Comprehensive Energy Calculation Guide" issued by the National Standardization Management Committee and the State Administration for Market Regulation.

## Summary of Key Social Performance

| | ESG Indicator | Unit | 2023 | 2022 |
|---|---|---|---|---|
| Employment and Labor Standard | | | | |
| B1 | Employment | | | |
| | Total number of employees | Headcount | 3,941 | 3,749 |
| B1.1 | Total workforce by gender, employment type, age group and geographical region | | | |
| Gender | Male | Headcount | 219 | 187 |
| | Female | Headcount | 3,722 | 3,562 |
| Employment Type | Full time | Headcount | 3,910 | 3,433 |
| | Part time | Headcount | 0 | 42 |
| | Retired and rehired employees | Headcount | 31 | 74 |
| | Others [1] | Headcount | 0 | 200 |
| Age Group | 20 or below | Headcount | 114 | 121 |
| | 20-35 | Headcount | 2,578 | 2,507 |
| | 35-50 | Headcount | 1,170 | 1,016 |
| | 50 or above | Headcount | 79 | 105 |

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| | ESG Indicator | Unit | 2023 | 2022 |
|---|---|---|---|---|
| Geographical Region | Hong Kong | Headcount | 0 | 1 |
| | Mainland China | Headcount | 3,938 | 3,745 |
| | Overseas | Headcount | 3 | 3 |
| B1.2 | Employee turnover rate by gender, age group and geographical region[2] | | | |
| Gender | Male | % | 27.43% | 21.94% |
| | Female | % | 35.71% | 26.31% |
| Age Group | 20 or below | % | 55.08% | 32.97% |
| | 20-35 | % | 39.64% | 28.18% |
| | 35-50 | % | 22.31% | 18.63% |
| | 50 or above | % | 54.88% | 32.45% |
| Geographical Region | Hong Kong | % | - | - |
| | Mainland China | % | 35.22% | 26.12% |
| | Overseas | % | 66.67% | - |
| B2 | Health and Safety | | | |
| | Number of work-related fatalities | Headcount | 0 | 0 |
| | Rate of work-related fatalities | % | 0 | 0 |

| | ESG Indicator | Unit | 2023 | 2022 |
|---|---|---|---|---|
| | Work-related injury | Case | 8 | 5 |
| | Lost days due to work injury | Day | 576 | 269 |
| B3 | **Training and Development** | | | |
| B3.1 | The percentage of employees trained by gender and employee category[3,5] | | | |
| Gender | Male | % | 11% | 85% |
| | Female | % | 45% | 82% |
| Employee Type | Senior Management | % | 11% | 95% |
| | Middle Management | % | 63% | 91% |
| | Employee | % | 35% | 82% |
| | Trainee | % | 85% | 69% |
| B3.2 | The average training hours completed per employee by gender and employee category[4,6,7] | | | |
| Gender | Male | Hour | 46.23 | 3.07 |
| | Female | Hour | 106.89 | 2.52 |
| Employee Type | Senior Management | Hour | 33.14 | 7.34 |
| | Middle Management | Hour | 20.44 | 2.02 |
| | Employee | Hour | 88.16 | 2.14 |

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| | ESG Indicator | Unit | 2023 | 2022 |
|---|---|---|---|---|
| | Trainee | Hour | 223.39 | 6.96 |
| **Operation Practices** | | | | |
| **B5** | **Supply Chain Management [8]** | | | |
| **B5.1** | **Number of suppliers by geographical region** | | | |
| | China | Entity | 155 | 139 |
| | Asia (Except China) | Entity | 4 | 5 |
| | Europe | Entity | 5 | 3 |
| | America | Entity | 2 | 1 |
| B6 | **Product Responsibility** | | | |
| B6.1 | **The percentage of products sold or shipped that need to be recalled due to safety and health reasons** | | | |
| | **Recalled due to safety reason** | % | 0% | 0% |
| B6.2 | **Number of products and service-related complaints received** | | | |
| | **Number of complaints/Valid complaints** | Case | 990/325 | 508/150 |
| B7 | **Anti-corruption** | | | |
| B7.1 | **Number of concluded legal cases regarding corrupt practices brought against the Company or its employees during the Reporting Period** | | | |

| ESG Indicator | Unit | 2023 | 2022 |
|---|---|---|---|
| **Cases of corruption lawsuits filed and adjudicated against issuers** | Case | 0 | 0 |
| **Cases of corruption lawsuits filed and adjudicated against employees** | Case | 0 | 0 |

Notes

[1]In 2022, the other personnel data included interns. However, in 2023, all interns were considered full-time employees and were not separately accounted for in the statistics.

[2]Employee turnover ratio = number of employees in that category/total number of employees in that category

[3]Percentage of employees trained = number of trainees in that category/total number of employees in that category

[4]The average training hours completed = the number of hours of training in that category/the total number of employees in that category

[5]The significant decrease in the percentage of trained employees in 2023 is attributed to: (1) During the 2022 pandemic period, there were more personnel and longer training sessions arranged, leading to a significant decrease in the percentage of trained employees in 2023; (2) Departmental self-training in 2022 was primarily conducted online, allowing for specific statistical data tracking. However, in 2023, with no pandemic impact, departmental self-training was mainly conducted offline, without data statistics such as offline check-ins. To maintain rigor, offline training data was not included.

[6]The significant increase in average training hours in 2023 is attributed to a revision in the statistical method used for calculating total training hours. In 2022, the total training hours were calculated based solely on the overall hours of training conducted, without taking into account the number of participants in each training session. This led to an inverse relationship between training coverage rate and average training hours. In 2023, adjustments were made to this statistical method to rectify this issue.

[7]Reasons for the difference in the average number of training hours for each employee category: (1) the Company's training mainly focuses on store frontline employee, especially for the new beauty therapists for about 30 days of pre-employment training; (2) Store frontline employee need to receive onboarding operational training, sales training, program principles, etc. for launch of noew projects; (3) functional employees, due to the nature of their positions, may require fewer training hours compared to frontline employees in the stores. However, there is often a greater demand for training among executives and other functional staff members, as their roles may involve complex responsibilities that necessitate continuous development and upskilling.

[8]Vendors include existing vendors and vendors in the vendor selection pool that have been contacted for possible future collaboration.

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| KPIs | Corresponding Chapters |
|---|---|
| **Environmental** | |
| **A1: Emissions** | |
| General Disclosure | Optimizing Resource Management |
| A1.1 The types of emissions and respective emissions data. | Emission Management |
| A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Emission Management |
| | Summary of Key Environmental KPIs |
| A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Medical Waste Management |
| | Summary of Key Environmental KPIs |
| A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). | Waste and Wastewater Management |
| | Summary of Key Environmental KPIs |
| A1.5 Description of emissions target(s) set and steps taken to achieve them. | Optimizing Resource Management |
| A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them. | Emission Management |

| KPIs | Corresponding Chapters |
|---|---|
| **A2: Use of Resources** | |
| General Disclosure | Optimizing Resource Management |
| A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | Energy Management |
| | Summary of Key Environmental KPIs |
| A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility). | Water Resource Management |
| | Summary of Key Environmental KPIs |
| A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them. | Optimizing Resource Management |
| A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. | Water Resource Management |
| A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Packaging Material Management |
| | Summary of Key Environmental KPIs |
| **A3: The Environment and Natural Resources** | |
| General Disclosure | Optimizing Resource Management |

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| KPIs | Corresponding Chapters |
|---|---|
| A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Optimizing Resource Management |
| **A4: Climate Change** | |
| General Disclosure | Climate Change Risks and Opportunities |
| A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. | Climate Change Risks and Opportunities |
| Social | |
| B1: Employment | |
| General Disclosure | Compliance Employment |
| B1.1 Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region. | Compliance Employment |
| | Summary of Key Social Performance |
| B1.2 Employee turnover rate by gender, age group and geographical region | Compliance Employment |
| | Summary of Key Social Performance |
| B2: Health and Safety | |
| General Disclosure | Occupational Health and Safety |
| B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. | Occupational Health and Safety |
| | Summary of Key Social Performance |
| B2.2 Lost days due to work injury. | Occupational Health and Safety |
| | Summary of Key Social Performance |

| KPIs | Corresponding Chapters |
|---|---|
| B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored. | Occupational Health and Safety |
| B3: Development and Training | |
| General Disclosure | Diverse Development and Training |
| B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Diverse Development and Training |
| | Summary of Key Social Performance |
| B3.2 The average training hours completed per employee by gender and employee category. | Summary of Key Social Performance |
| B4: Labour Standards | |
| General Disclosure | Compliance Employment |
| B4.1 Description of measures to review employment practices to avoid child and forced labour. | Compliance Employment |
| B4.2 Description of steps taken to eliminate such practices when discovered. | Compliance Employment |
| **B5: Supply Chain Management** | |
| General Disclosure | Supply Chain Management |
| B5.1 Number of suppliers by geographical region. | Summary of Key Social Performance |
| B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | Supply Chain Management |
| B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management |
| B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management |
| **B6：Product Responsibility** | |

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| KPIs | Corresponding Chapters |
|---|---|
| General Disclosure | Beauty to the Fullest, Quality Comes First |
| B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Summary of Key Social Performance |
| B6.2 Number of products and service related complaints received and how they are dealt with. | Beauty to the Fullest, Quality Comes First |
| B6.3 Description of practices relating to observing and protecting intellectual property rights. | Intellectual Property Protection |
| B6.4 Description of quality assurance process and recall procedures. | Beauty to the Fullest, Quality Comes First |
| B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored. | Beauty Care, Consumer Protection |
| **B7：Anti-corruption** | |
| General Disclosure | Anti-Fraud and Anti-Corruption |
| B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Anti-Fraud and Anti-Corruption |
| | Summary of Key Social Performance |
| B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored. | Anti-Fraud and Anti-Corruption |
| B7.3 Description of anti-corruption training provided to directors and staff. | Anti-Fraud and Anti-Corruption |
| **B8：Community Investment** | |
| General Disclosure | To Live towards the Sun, to Walk by the Light |

| KPIs | Corresponding Chapters |
|---|---|
| B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | To Live towards the Sun, to Walk by the Light |
| B8.2 Resources contributed (e.g. money or time) to the focus area. | To Live towards the Sun, to Walk by the Light |
| | Summary of Key Social Performance |

美麗田園
BEAUTY FARM