

Stock Code: 603605

Stock Abbreviation: Proya

Bond Code: 113634

Bond Abbreviation: Proya convertible bond



Proya Cosmetics Co., Ltd.
Semi-Annual Report 2023

Important Notes

I. The Board of Directors, Board of Supervisors, directors, supervisors and senior management of the Company warrant that the content of the Semi-Annual Report is authentic, accurate and complete, free from false records, misleading statements and major omissions, and shall be jointly and severally liable therefore.

II. All directors of the Company attended the Board meeting.

III. The Semi-Annual Report has not been audited.

IV. HOU Juncheng, chairman of the Company, and WANG Li, CFO (and Head of the Accounting Department) of the Company represent and warrant that the financial report in the Semi-Annual Report is authentic, accurate and complete.

V. Profit distribution plan or plan for conversion of capital reserve to share capital approved by the Board during the Reporting Period

Based on the total share capital as at the record date on which equity distribution is implemented, the Company proposes to distribute to all shareholders registered a cash dividend of RMB3.80 (tax inclusive) per 10 shares. Based on the total share capital of 396,928,515 shares on June 30, 2023, it is estimated that the cash dividend to be distributed will amount to RMB150,832,835.70 (tax inclusive). No the capital reserve will be converted into share capital and no bonus shares will be given.

In case of a change in the Company's total share capital due to the conversion of convertible bonds before the record date for equity distribution, the Company maintains the said distribution ratios and yet adjusts the total distribution and conversion amounts.

VI. Risk declaration for the forward-looking statements

Applicable Not applicable

The Report contains forward-looking statements that involve the future plans, development strategies, etc. of the Company, yet do not constitute substantive undertakings of the Company to investors. Investors should exercise caution prior to making investment decisions.

VII. Are there any non-operating capital occupation by the controlling shareholder and its related parties?

No

VIII. Is there any external grantee provided in violation of the specified decision-making procedures?

No

IX. Are the majority of the directors unable to warrant the authenticity, accuracy and completeness of the Semi-Annual Report disclosed by the Company?

No

X. Disclosure of major risks

The Company has disclosed the existing risks in this Report. These risks are discussed in detail in (I) Potential risks, V. Other disclosures, Section III Management Discussion and Analysis.

XI. Others

Applicable Not applicable

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Documents Available for Inspection	Financial statements signed and sealed by the legal representative, the CFO of the Company, and the head of accounting department
	Original copies of all documents and announcements of the Company publicly disclosed in newspapers designated by China Securities Regulatory Commission during the Reporting Period

Section I Definitions

In this report, unless the context otherwise requires, the following terms shall have the following meanings:

Definition		
Proya Cosmetics, this Company or the Company	refers to	Proya Cosmetics Co., Ltd.
CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shanghai Stock Exchange
Articles of Association	refers to	Articles of Association of Proya Cosmetics Co., Ltd.
RMB/RMB '0,000	refers to	Renminbi Yuan/Renminbi 10,000 Yuan

Section II Company Profile and Key Financial Indicators

I. Company Information

Chinese name of the Company	珀莱雅化妆品股份有限公司
Abbreviation of the Chinese name	珀莱雅
English name of the Company	Proya Cosmetics Co., Ltd.
Abbreviation of the English name	Proya
Legal representative of the Company	HOU Juncheng

II. Contact Details

	Board Secretary	Securities Affairs Representative
Name	WANG Li	WANG Xiaoyan
Contact address	10/F, Proya Building, No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province	10/F, Proya Building, No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Telephone	0571-87352850	0571-87352850
Fax	0571-87352813	0571-87352813
Email	proyazq@proya.com	proyazq@proya.com

III. Changes in General Information

Registered address	No. 588, Xixi Road, Liuxia Neighborhood, Xihu District, Hangzhou City, Zhejiang Province
Historical changes in the Company's registered address	For details, please see <i>Announcement on Revision of the Articles of Association and Change in Business Registration</i> (Announcement No. 2019-008) disclosed by the Company in the designated information disclosure media on February 27, 2019
Office address of the Company	Proya Building, No.588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Postal code of the office address	310023
Company website	http://www.proya-group.com
Email	proyazq@proya.com

Index for query of changes during the Reporting Period	Not applicable
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IV. Changes in Information Disclosure and Places for Inspection

Name of designated newspapers for information disclosure by the Company	<i>Shanghai Securities News, Securities Times</i>
Website for the publication of the Semi-Annual Report	http://www.sse.com.cn
Place for inspection of the Semi-Annual Report of the Company	Board of Director's Office, Proya Building, No.588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Index for query of changes during the Reporting Period	Not applicable

V. Stock Overview

Stock class	Stock exchange	Stock abbreviation	Stock code	Stock abbreviation prior to change
A share	Shanghai Stock Exchange	Proya	603605	None

VI. Other Relevant Information

Applicable Not applicable

VII. Key Accounting Data and Financial Indicators of the Company

(I) Key accounting data

Unit: Yuan Currency: RMB

Key accounting data	In the Reporting Period (Jan - Jun)	Same period of prior year	Year-on-year change (%)
Operating revenue	3,626,991,878.22	2,625,943,244.29	38.12
Net profit attributable to shareholders of the listed company	499,493,997.71	296,939,515.54	68.21
Net profit attributable to shareholders of the listed company, after deducting non-recurring gains or losses	478,891,852.27	280,897,418.53	70.49
Net cash flows from operating activities	1,181,268,072.03	713,782,130.38	65.49
	End of the Reporting Period	End of prior year	Year-on-year change (%)
Net assets attributable to shareholders of the listed company	3,830,453,154.15	3,524,488,659.96	8.68
Total assets	6,669,650,520.45	5,778,071,824.19	15.43

(II) Key financial indicators

Key financial indicators	In the Reporting Period	Same period of prior year	Year-on-year change (%)
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	(Jan - Jun)		
Basic EPS (RMB/share)	1.25	1.06	17.92
Diluted EPS (RMB/share)	1.24	1.04	19.23
Basic EPS after deducting non-recurring gains or losses (RMB/share)	1.20	1.00	20.00
Weighted average ROE (%)	13.29	10.10	Up by 3.19 percentage points
Weighted average ROE after deducting non-recurring gains or losses (%)	12.74	9.56	Up by 3.18 percentage points

Notes to key accounting data and financial indicators

Applicable Not applicable

VIII. Differences in Accounting Data under Chinese and International Accounting Standards

Applicable Not applicable

IX. Items and Amounts of Non-recurring Gains and Losses

Applicable Not applicable

Unit: Yuan Currency: RMB

Non-recurring gains and losses item	Amount	Notes (if applicable)
Gains or losses on disposal of non-current assets	-217,694.21	
Tax refund or reduction approved beyond authority or without official approval or on an occasional basis		
Government grants as included in the gains or losses of current period (note: Government grants that are closely related to the normal business, in compliance with the relevant policies and continuously entitled with specific amount according to certain standards are not included)	34,639,076.23	
Fund occupation fees charged from non-financial businesses included in the current gains and losses		
Gains arising from investment costs for acquisition of subsidiaries, associates and joint ventures less than the fair values of attributable identifiable net assets of the invested entity at the time of acquisition		
Gains and losses on non-monetary assets exchange		
Gains and losses on authorizing others to invest or manage assets		

Provisions for various asset impairments due to force majeure factors such as natural disasters		
Gains and losses on restructuring of debts		
Corporate restructuring expenses, such as re-settlement expenses and integration cost		
Gains and losses in excess of the fair value generated from obviously unfairly priced transactions		
Net gains and losses of subsidiaries generated from the merger of companies under common control from the beginning of the period to the date of merger		
Gains and losses arising from contingent events unrelated to the Company's normal operations		
Gains and losses from changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment gain from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging related to the Company's normal operations		
Reversal of provision for impairment of receivables and contract assets individually tested for impairment	421,794.92	
Gains or losses from entrusted loans		
Gains and losses arising from changes in the fair value of investment property subsequently measured with the fair value model		
Impact of one-time adjustments on the current gains and losses according to the requirements of tax and accounting laws and regulations on the current gains and losses		
Custody fee income from entrusted operations		
Other non-operating revenue and expenses other than the above items	-873,327.35	
Other gains and losses items under the definition of non-recurring gains and losses		
Less: Income tax impact	7,638,568.45	

Impact of minority shareholders' equity (after tax)	5,729,135.70	
Total	20,602,145.44	

The reasons should be explained for the non-recurring gains and losses items defined by the Company according to the definition of *Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1--Non-recurring Gains and Losses*, and the non-recurring gains and losses items listed in *Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1--Non-recurring Gains and Losses* as recurring gains and losses items.

Applicable Not applicable

X. Others

Applicable Not applicable

Section III Management Discussion and Analysis

I. Description of the Industry in Which the Company Operates and Primary Businesses of the Company during the Reporting Period

(I) Primary businesses and products

The Company is committed to building a new domestic cosmetics industry platform, and is primarily engaged in the R&D, production and sales of cosmetic products. Main brands owned by the Company include Proya, TIMAGE, Off&Relax, Hapsode, CORRECTORS, INSBAHA, UZERO and ANYA. The Company's own brands cover fields such as popular exquisite skincare, make-up, body&hair, and high-efficiency skincare:

1. Popular exquisite skincare

(1) Proya, focusing on skincare technology, is designed for young white-collar female customers. Its products are generally priced between RMB200-500, and sold both online and offline.

(2) Hapsode, customized for young skin, focuses on college students and other young female customers. Its products are generally priced between RMB50-150, and mainly sold online.

2. Make-up

TIMAGE, a professional make-up brand with a new Chinese style, is generally priced between RMB150-300, and only sold online.

3. Body&hair

Off&Relax, developed and produced in Japan, focuses on scalp health. Its products are generally priced between RMB150-200, and mainly sold online.

4. High-efficiency skincare

CORRECTORS, a high-efficiency skincare brand, is generally priced between RMB260-600, and only sold online.

(II) Business models

1. Sales models

Mainly online sales, supplemented by offline sales.

Online sales are mainly conducted through direct sales and distribution. Direct sales are mainly based on platforms such as Tmall, TikTok, JD, Kwai, and Pinduoduo, and distribution is based on platforms including Taobao, JD, and Vipshop.

Offline sales are mainly operated through dealers. Channels include cosmetics franchise stores, supermarkets, and single-brand stores.

2. Production/R&D models

Self-production is the main production model of the Company, supplemented by OEM production. The skincare products of the Company are self-produced and OEM-produced. The Company has built skincare and make-up factories.

Independent R&D is the main R&D model of the Company, supplemented by industry-university-research cooperation. The Company maintains R&D cooperation with front-end research institutions and high-quality raw material suppliers including Institute of Microbiology, Chinese Academy of Sciences, Zhejiang University of Technology, BASF China, Ashland China, DSM Shanghai, LIPOTRUE, S.L., and Shenzhen Siyomicro Bio-tech.

(III) Industry overview

According to the Guidelines for the Industry Classification of Listed Companies issued by the CSRC, the Company falls under chemical raw material and chemical product manufacturing (classification code: C26); according to Industrial Classifications for National Economic Activities (GB/T 4754-2017), the Company falls under the category of manufacturing of daily chemical products (C268), as well as manufacture of cosmetics (C2682).

According to the National Bureau of Statistics, from January to June 2023, the total retail sales of consumer goods reached RMB22,758.8 billion, a YOY increase of 8.2%; the total retail sales of cosmetics reached RMB207.1 billion, a YOY increase of 8.6% (the retail sales value from the businesses above a certain size).

II. Analysis of Core Competitiveness during the Reporting Period

Applicable Not applicable

In the face of rapid changes in the external market environment, the Company was firmly committed to the leadership and implementation of the 6*N Strategy. We established a precise operation management system highlighting “R&D, products, content, operations”, and built a self-driven organization highlighting “culture-strategy-mechanism-talent”.

We continued to make our “hero products” more competitive, and developed and improved the portfolio of “hero products” based on our keen insight into consumer needs. This was possible because of our strong R&D strength and our ability to rapidly respond to internal organizational requirements.

A self-driven agile organization was built to serve the second-brand product pipeline and the brands at the incubation stage. By building our own MCN team and content marketing team, we strengthened the internal circular ecology and fostered the external ecosystem of Proya brand.

III. Business Discussion and Analysis

(I) Finance analysis

1. Year-on-year growth in operating revenue

Operating revenue RMB3.627 billion, a YOY increase of 38.12%

Including: primary operating revenue of RMB3.619 billion, a YOY increase of 38.36%

Other operating revenue of RMB8 million

Primary operating revenue:**(1) Breakdown by channel**

By channel		Amount (RMB100 million)	Change in H1 2023 YOY (%)	Change in 2022 YOY (%)	Change in 2021 YOY (%)	Change in 2020 YOY (%)	Proportion of H1 2023 (%)	Proportion of 2022 (%)	Proportion of 2021 (%)	Proportion of 2020 (%)
Online	Direct sales	26.59	52.36	59.79	76.16	79.63	73.49	70.40	60.66	42.45
	Distribution	6.71	19.04	16.79	8.56	34.36	18.54	20.58	24.27	27.56
	Subtotal	33.30	44.23	47.50	49.54	58.59	92.03	90.98	84.93	70.01
Offline	Cosmetics stores	2.41	5.64	-11.96	-40.52	-19.28	6.66	6.96	10.88	22.56
	Others	0.48	-39.15	-32.32	-30.50	-32.81	1.31	2.06	4.19	7.43
	Subtotal	2.89	-5.81	-17.62	-38.03	-23.12	7.97	9.02	15.07	29.99
Total		36.19	38.36	37.69	23.28	20.26	100.00	100.00	100.00	100.00

Note: The percentage of sales from each channel is the proportion of its sales in primary operating revenue.

(2) Breakdown by brand

By brand		Amount (RMB100 million)	Change in H1 2023 YOY (%)	Change in 2022 YOY (%)	Change in 2021 YOY (%)	Change in 2020 YOY (%)	Proportion of H1 2023 (%)	Proportion of 2022 (%)	Proportion of 2021 (%)	Proportion of 2020 (%)
Own brands	Proya	28.92	35.86	37.46	28.25	12.43	79.87	82.74	82.87	79.66
	TIMAGE	4.14	78.65	132.04	103.48	-	11.45	8.99	5.33	-
	OR	0.97	94.17	509.93	-	-	2.69	1.98	-	-
	Hapsode	1.32	64.80	188.27	-	-	3.64	2.94	-	-
	Other brands	0.84	10.71	-60.11	-5.96	36.91	2.35	2.57	8.85	11.59
	Subtotal	36.19	41.02	40.74	26.63	19.11	100.00	99.22	97.05	94.48
Agency brands	Cross-border agency brands	0.00	-100.00	-63.01	-34.04	44.09	0.00	0.78	2.95	5.52
Total		36.19	38.36	37.69	23.28	20.26	100.00	100.00	100.00	100.00

Note: The percentage of sales of each brand is the proportion of its sales in primary operating revenue. The sales of OR and Hapsode were incorporated into other brands for 2021 and prior years, but they have been shown separately since 2022.

(3) Breakdown by category

By category	Amount (RMB100 million)	Change in H1 2023 YOY (%)	Change in 2022 YOY (%)	Change in 2021 YOY (%)	Change in 2020 YOY (%)	Proportion of H1 2023 (%)	Proportion of 2022 (%)	Proportion of 2021 (%)	Proportion of 2020 (%)
Skincare (including cleansing)	30.56	38.06	38.56	22.70	11.38	84.44	86.20	86.10	86.50
Make-up	4.66	32.30	21.70	32.97	181.91	12.87	11.82	13.38	12.41
Body&hair	0.97	94.17	509.93	-	-	2.69	1.98	-	-
Others	0.00	0.00	-100.00	-41.05	0.47	0.00	0.00	0.52	1.09
Total	36.19	38.36	37.69	23.28	20.26	100.00	100.00	100.00	100.00

Note: The sales of body&hair products were incorporated into skincare (including cleansing) for 2021 and prior years, but they have been shown separately since 2022.

2. Year-on-year growth in net profit

The net profit attributable to shareholders of the listed company amounted to RMB499 million, a YOY increase of 68.21%

The net profit attributable to shareholders of the listed company after deducting non-recurring profits or losses amounted to RMB479 million, a YOY increase of 70.49%

Indicator	H1 2023	2022	2021	2020	Notes
1. Net profit margin	14.56%	13.02%	12.02%	12.04%	Mainly due to the increase in gross profit margin and the decrease in provision for asset impairment loss.
2. Gross profit margin	70.51%	69.70%	66.46%	63.55%	Primary reasons: 1. Increased percentage of online direct sales; 2. Hero product strategy.
3. Sales expense ratio	43.56%	43.63%	42.98%	39.90%	
Including: image promotion fee rate	37.92%	37.90%	36.12%	32.68%	
4. Administrative expense ratio	5.30%	5.13%	5.12%	5.44%	
5. R&D expense ratio	2.52%	2.00%	1.65%	1.92%	Primary reasons: 1. R&D expenses increased by 49.87% or RMB30.45 million YOY; 2. The parent company's R&D expense ratio for January to June 2023 was 5.10% (compared with 4.69% for the same period last year).
6. Accounts receivable turnover rate (times)	74.05	53.04	21.88	15.53	Primary reasons: 1. Operating revenue for January to June 2023 recorded a YOY increase; 2. Decline of the average balance of accounts receivable.
7. Accounts receivable turnover days (days)	4.86	6.79	16.45	23.18	
8. Inventory turnover rate (times)	3.43	3.46	3.39	3.50	
9. Inventory turnover days (days)	105.08	103.91	106.19	102.86	

(II) Discussion and analysis of business conditions

1. New product strategy

Proya:

During the Reporting Period, we deepened the “hero product strategy” by focusing on three family series products, namely Elastic Brightening Series, Deep Ocean Energy Series and Advanced Original Repair Series. For the “Elastic Brightening Series”, the core hero product, Elastic Brightening Energy Essence, has been upgraded to version 3.0. The establishment of exclusive ingredient barriers has significantly enhanced the product’s efficacy and user experience. We have also improved its sustainability, thereby increasing its irreplaceability among young consumers. The Elastic Brightening Series make-up water and lotion cream have been upgraded and adjusted to better meet the efficacy needs of “young skin”, which have continuously reinforced the customer mindset of the Elastic Brightening Series. Regarding the “Deep Ocean Energy Series”, the Deep Ocean Energy Facial Mask and Deep Ocean Energy Firming Eye Cream have both launched 2.0 versions. The Deep Ocean Energy Moisture Lotion has also been upgraded to provide a more enriched product experience, catering to consumers’ diverse needs from multiple dimensions. In addition, the “Recycling Series” featuring moisturizing effects and the “Sun Around Skin Care Mineral Sunscreen Serum” single product for sensitive skin were launched. In the first half of 2023, the Proya brand ranked first in the essence category, second in the face cream category, second in the face mask category, and fifth in the eye cream category on the Tmall platform.

TIMAGE:

During the Reporting Period, TIMAGE constantly broadened market horizons and improved category arrangement. While maintaining a leading position in core hero products such as highlighters, contouring, concealers, primers, and setting sprays within the existing advantageous product categories, we continuously increased market share.

In March, we introduced the brand new “Vigorous and Flowing Jade Series” and launched three new products: the “Tri-color Blush Palette”, the “All-in-one Brow Palette”, and the “Matte Lipstick”. Among them, the flagship product “Tri-color Blush Palette” has shown remarkable performance, ranking second in the blush category on Tmall in the first half of 2023. During the “618” shopping festival, we launched the all-new “Original Radiant Cushion Foundation” and upgraded the “Matte Glow Pressed Powder”, both of which received positive market feedback.

Off&Relax (OR):

During the Reporting Period, we continued to increase the market penetration of our star hero products, “OR Spa Shampoo Refresh” and “OR Spa Hair Mask”. During the “618” shopping festival, the shampoo ranked second on Tmall’s best-selling list for international imported shampoos, while the hair masque ranked first on the best-selling list for hair masques.

We have continuously nurtured a consumer mindset that recognizes us as an “expert in scalp health”. We launched a new pre-shampoo category called “Purifying Scalp Cleanser” to meet the needs of middle-and high-end consumers who prioritize a superior cleansing experience for their scalp. During the “618” shopping festival, our “Purifying Scalp Cleanser” ranked second in the pre-shampoo category on Tmall.

Hapsode:

During the Reporting Period, we focused on building our product categories and enhancing consumer awareness that recognizes Hapsode as an “expert in oily skin care”. We introduced the upgraded products: Cleansing Honey 2.0, Multi-Acid Clay Mask 2.0 and Olive Oil Face Mask 2.0. We also re-launched three core products of our oil-control family: Oil Control Essence 2.0, Pore Refining Serum and Oil Control Loose Powder. These improvements aim to enhance the overall skincare routine for oily skin.

2. New marketing strategy

Proya:

During the Reporting Period, the Proya brand has centered its brand strategy around two brand keywords: “youthfulness” and “technological prowess”. Embracing the “spirit of exploration”, the brand has addressed the multifaceted factors behind specific skin concerns. The following brand marketing initiatives have been undertaken:

- (1) “Thank You for Participation” in January. In this event, we expressed the most important “thank you” to our users through short films posted in user stories and offline user story exhibitions. We expressed our gratitude to them for their being with us throughout 2022.
- (2) “Just the Right Warmth of Love” on Valentine’s Day in February. In this event, we joined hands with Jingdezhen Royal Kiln Museum to create a customized collection of “Royal Kiln Duo Cups”. These cups are designed to deliver the perfect temperature to every perfect couple out there, and to anyone who dares to try something new.
- (3) “Gender is not the borderline, prejudice is” on Women’s Day in March. In this event, we created educational picture books focusing on gender equality, produced thematic short films adapted from real stories, and collaborated with law firms to launch the “Proya Public Welfare Labor Legal Consultation Service”. Through concrete efforts, we not only encouraged mention and discussion of “gender equality” on Women’s Day, but helped push for the issues to be considered on all other days of the year.
- (4) On Mother’s Day in May, we showed care for mothers and acknowledged both the visible physical labor and the invisible mental labor they undertake in as they support their families. We mentioned that “Moms can take care of the family, but every family member can do the same”. Through the short film “More Than Just Moms”, we called on every family member to not only recognize the goodness of mothers but also collectively take on family responsibilities.
- (5) “Scientific Formulas, Scientific Choices for the Skin” in June. In this event, we organized 7 “Day Coffee and Night Alcohol Pop-Up stores” in 6 cities around China. The purpose of these pop-up stores was to communicate the brand’s concept of “scientific formulas” to consumers. Through offline interactions between the stores and consumers, participants had the opportunity for in-depth experience of the products and technological concepts.

TIMAGE:

During the Reporting Period, TIMAGE continued to present the concept of “Chinese make-up, original beauty” with craftsmanship and professionalism. TIMAGE carried out the following brand marketing events:

- (1) Newly launched the “Vigorous and Flowing Jade” series colorful brilliance products in March. In this event, we defined Chinese aesthetics. The concept advertisement of the new “Vigorous and Flowing Jade” series was unveiled. Instructor TANG Yi hosted a master class, collaborating with beauty bloggers to create the “Vigorous and Flowing Jade Make-up” and sparking a trend of imitation make-up. An offline Vigorous and Flowing Jade press conference was held in collaboration with celebrities GAO Ye and MA Sichun appearing in person to show their support.
- (2) “Beyond Love” in May. In this event, we joined hands with three couples who have been together for a long time to shoot a short film that explores how to draw energy from the inherent beauty of life in our fast-paced era, and how to better love our partners, ourselves, and life. We also launched the TIMAGE 520 gift box, which enabled the brand to convey emotions and provide special treatment, expanding the brand’s value.

Off&Relax (OR):

During the Reporting Period, OR conducted a series of brand activities centered around the brand philosophy of “Purifying from the skin to the body and mind”. These activities encompassed various aspects such as physical and mental well-being, and embracing nature. Relevant events are as follows:

(1) In January, we joined hands with the “Cao Sichuan Ride-Hailing” app platform to launch the “Switching to off mode on the way home” event, allowing everyone to find release from the fatigue of the year and taking a relaxing trip back home.

(2) In March, we introduced a limited edition Sakura Season package, and collaborated with young illustrator SUN Yijia to create it. Through the “Chasing Spring Blossoms, let’s set off immediately” campaign, we invited everyone to immerse themselves in nature and pursue the essence of spring.

(3) In April, in celebration of Earth Day, we launched the “Off&Relax recycling program”. For this project, we collaborated with key opinion leaders (KOLs) and ordinary individuals to unlock the “second life” of empty bottles and transform them into a meaningful part of daily life through creative endeavors. We also advocated for the purchase of refillable products to reduce the generation of empty bottles.

(4) In June, during the “618” shopping festival, we jointly launched the “Guide for Life Metabolism” campaign, advocating for busy urban people to instantly let their troubles go and reclaim their lives. In addition, we collaborated to launch the OffNight bar, a “life metabolism” book list, and sound meditation classes to provide everyone with various ways to “let it go”.

3. New channel strategy**Proya:****Online:****(1) Tmall flagship store**

During the Reporting Period, we continued to consolidate the “hero product” portfolio strategy and develop star hero products. We strengthened the category penetration of the Deep Ocean Energy Cream and Elastic Brightening Face Masks, solidified the position of the Elastic Brightening Essence 3.0 as a super hero product, and further enhanced the penetration rate of high-value customers. We reduced costs and improved efficiency, optimized the advertising structure, and deepened collaboration between on-site and off-site audiences. We continued to optimize the product structure, focused on expanding our customer base, increased customer retention among existing customers, and significantly improved customer satisfaction with customer service and logistics.

During the “618” shopping festival in 2023, the gross merchandise volume (GMV) of Proya’s Tmall flagship store ranked fourth on Tmall Beauty, and ranked first among Chinese products. In the first half of 2023, the GMV of Proya’s Tmall flagship store ranked fourth on Tmall Beauty, and ranked first among Chinese products.

(2) TikTok

During the Reporting Period, we strengthened the comprehensive operations of TikTok, optimized the three major series of portfolio accounts (Elastic Brightening Series, Deep Ocean Energy Series, Advanced Original Repair Series), and increased the proportion of product cards. We enhanced the refined operation of the platform, upgraded the product structure, and improved the conversion rate of influencers and product recommendations. We also promoted the increase in the number of members and raised the average customer spending.

During the “618” shopping festival in 2023, the GMV of Proya ranked sixth on TikTok Beauty, and ranked first among Chinese products. In the first half of 2023, the GMV of Proya ranked third on TikTok Beauty, and ranked first among Chinese products.

(3) JD

During the Reporting Period, we steadily advanced our strategy of focusing on key hero products, continuously and efficiently increased our market share, and enhanced brand visibility. We improved our product structure, with a focus on star hero products, and improved the ranking of our core product categories. We valued the refined operation of our target audience, optimized our promotion methods, and improved the effectiveness of our promotions. We optimized our user operation system, efficiently attracted new customers, and increased customer retention rate among existing customers.

During “38” activity and the “618” shopping festival in 2023, the GMV of Proya ranked first among Chinese products on JD Beauty; In the first half of 2023, the GMV of Proya ranked seventh on JD Beauty, and ranked first among Chinese products.

Offline:

(1) Cosmetics store channels: Leveraging the strength of the Proya brand, we expanded cooperation with new multi-brand stores. During holidays such as Women’s Day (March 8) and the International Labor Day (May 1), we enhanced the retail management of store activities. In addition, the launch of our new anti-aging star product, the Capture Totale Series, has helped retail stores achieve an increase in average transaction value.

(2) Department stores channel: We further invested in the construction of counters in department stores, and simultaneously promoted direct cooperation with multiple retail systems nationwide. We also enhanced online and offline integration, maintained the brand’s “Science-based Formula” theme, and conducted offline pop-up activities of “Day Coffee and Night Alcohol Pop-Up stores” in multiple cities and locations.

4. New organizational strategy

(1) Organization: We continued to optimize the brand planning strategy by establishing a collaborative model between product, delivery middle office and agile front-end processes. We deepened the application of digital technology, and built a flexible and efficient organizational optimization mechanism through platform and digitization empowerment.

(2) Talent: We promoted the talent supply chain mechanism for young and international talent based on business needs, and increased the introduction of R&D, design and brand development talent. By taking an approach that encourages learning through practice, and which combines training with application, we rapidly identified promising young talent to build teams that are aligned with the company values, vibrant, highly competitive, and self-driven. Through dual-channel management, we enhanced talent density, promoted talent development and built an olive-shaped talent pipeline.

(3) System: We continued to deepen the performance culture featuring high investment, high performance and high returns; enhanced the performance management system emphasizing targets, process and results; and based on our business strategy, flexibly used the diversified incentive system covering short-term (monthly, quarterly performance and project incentives), middle-term (annual performance dividends) and long-term (equity incentives and partnership) incentives. We comprehensively applied the project system and built a three-level project management system that includes company, divisional and departmental levels, to work on the end-to-end main value chain process development and internal control projects and continue to consolidate organizational

capabilities.

5. New R&D strategy

During the Reporting Period, the Company continued to advance the establishment of the International Academy of Sciences, focusing on researching skin texture, design of active ingredients, and efficacy verification. The R&D Innovation Center maintained its dedication to the research and development of skincare and new cosmetic products. Currently, the Longwu R&D Center in Hangzhou and Shanghai R&D Center are under construction, and preparation is underway for the Japan R&D Center.

(1) Patents: During the Reporting Period, we have filed 5 new national invention patents, 2 utility model patents, and 11 design patents, totaling 18 new patent applications. Additionally, we have been granted 4 national invention patents, 5 utility model patents, and 8 design patents, totaling 17 newly acquired patents. As of the end of the Reporting Period, the Company owned 111 nationally authorized invention patents, 24 utility model patents, and 99 appearance patents, totaling 234 patents.

(2) Standard release: During the Reporting Period, as a drafter, we participated in the release of 2 national standards: “Validation criteria for analytical results of cosmetics using chromatographic techniques” GB/T 42462-2023, and “Determination of dichlorobenzyl alcohol and chlorophensin in cosmetics - High performance liquid chromatography” GB/T 42423-2023. Additionally, we have also participated in the release of 2 group standards: “Efficacy Evaluation Method for Facial Pore-Tightening Cosmetics” T/ZHCA023-2023, and “Whitening Moisturizing Cream” T/ZZB 0948-2023. As of the end of the Reporting Period, the Company had led or participated in the development of 16 national standards, 3 industry standards, and 18 group standards.

(3) Awards and achievements: During the Reporting Period, the Company received several awards at the China Fragrance, Flavor and Cosmetics Technology Conference, including “Outstanding R&D Team in the Cosmetics Industry”, “Outstanding Engineer in the Cosmetics Industry”, and “Emerging Engineer in the Cosmetics Industry”. We were honored with the Excellence Participation Award at the “2020-2022 Zhejiang Province Cosmetics Safety Popular Science Week” by Zhejiang Provincial Medical Products Administration. In addition, we released a research paper on core technological research on Deep Ocean Energy Series in the periodical *Skin Health and Disease*, published by the British Association of Dermatologists. And the research paper *Research on preparation and properties of crystalline amino acid cleaning cream* was published in the periodical *DETERGENT & COSMETICS*.

(4) Strategic cooperation: During the Reporting Period, we further deepened our existing strategic partnerships and enhanced collaborations with Zhejiang University and Hangzhou Dianzi University in areas such as materials, functional active substances, and skin texture.

6. New supply chain guarantee

(1) During the Reporting Period, the supply chain achieved complete digital management from product development to product delivery. This was achieved through data interconnection and communication between various collaborative systems such as SRM, SAP, APS, MFS, MES, WMS, and TMS. It resulted in transparent material procurement, transparent production processes, transparent product inspections, transparent equipment operations, and transparent logistics delivery throughout the supply chain. In addition, the intelligentization of the procurement platform, production scheduling and logistics operations has improved the efficiency of data transmission and business collaboration between the supply chain business sectors. This continuous improvement has aided brand promotions and campaigns.

(2) During the Reporting Period, Huzhou production site of the Company added multiple automated production lines for facial masks and purchased 2 units of 2-ton German EKATO emulsifying pots. We optimized the factory area’s road planning, strengthened the construction of the safety risk control

system, and improved the standardization of safety management. We organized all staff to actively participate in fire safety education, training, and assessment. The intelligent logistics warehouse was officially put into trial operation, with over 95% of the business operations inside the warehouse achieving unmanned operation. Our smart logistics has become an industry benchmark.

Material changes in business conditions of the Company during the Reporting Period and matters that occurred during the Reporting Period that had and are expected to have significant impacts on business conditions of the Company

Applicable Not applicable

IV. Overview of Business Operations during the Reporting Period

(I) Analysis of primary business

1 Analysis of changes in items related to financial statements

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the same period in the previous year	Change (%)
Operating revenue	3,626,991,878.22	2,625,943,244.29	38.12
Operating costs	1,069,489,813.93	837,034,743.80	27.77
Selling expenses	1,579,997,275.26	1,116,921,650.63	41.46
General and administrative expenses	192,127,158.56	127,140,154.83	51.11
Financial expenses	-30,353,566.91	-14,804,776.98	Not applicable
R&D expenses	91,520,865.15	61,066,694.07	49.87
Net cash flows from operating activities	1,181,268,072.03	713,782,130.38	65.49
Net cash flows from investing activities	-102,775,712.36	-176,651,474.45	Not applicable
Net cash flows from financing activities	-252,230,919.73	-220,919,542.24	Not applicable

Reasons for changes in operating revenue: Mainly due to increased online sales.

Reasons for changes in operating costs: Mainly due to corresponding increased operating revenue.

Reasons for changes in selling expenses: Selling expenses for January to June 2023 amounted to RMB1.580 billion, accounting for 43.56% of operating revenue (compared with 42.53% for the same period last year). Selling expenses increased by RMB463 million, a YOY increase of 41.46%, which is primarily because image promotion expenses increased by RMB460 million, a YOY increase of 50.34%, mainly due to new brand incubation, and the exploration of offline and overseas channels.

Reasons for changes in general and administrative expenses: General and administrative expenses for January to June 2023 amounted to RMB192 million, accounting for 5.30% of operating revenue (compared with 4.84% for the same period last year). General and administrative expenses increased by RMB64.99 million, a YOY increase of 51.11%, mainly due to the YOY increase in restricted share equity incentive fees.

Reasons for changes in financial expenses: Mainly due to a decrease in financial expenses of RMB14.86 million as a result of the combined effect of interest income and exchange gains and losses.

Reasons for changes in R&D expenses: R&D expenses for January to June 2023 amounted to

RMB91.52 million, a YOY increase of RMB30.45 million, accounting for 2.52% of operating revenue (compared with 2.33% for the same period last year). The parent company's R&D expense ratio for January to June 2023 was 5.10% (compared with 4.69% for the same period last year).

Reasons for changes in net cash flows from operating activities: Mainly due to: 1. A YOY increase in operating revenue and the increase in cash received from the sale of goods; 2. The decrease in the payment for goods; 3. The increase in the payment for image promotion expenses.

Reasons for changes in net cash flows from investing activities: Net flow increased by RMB73.88 million YOY, mainly due to the new equity investment of RMB90 million in Hangzhou Golong Holdings Co. Ltd. (renamed Gaolang Holdings Co., Ltd.) in the previous period, which did not occur in the current period.

Reasons for changes in net cash flows from financing activities: Insignificant YOY change.

2 Details of material changes in business type, components or source of profits during the current period

Applicable Not applicable

(II) Description of material changes in profits caused by non-primary business activities

Applicable Not applicable

(III) Analysis of assets and liabilities

Applicable Not applicable

1. Assets and liabilities

Unit: Yuan

Item	Closing amount of the current period	To total assets (%)	Closing amount of the previous period	To total assets (%)	Change ratio YOY (%)	Cause
Receivables financing	1,350,925.86	0.02			Not applicable	Mainly due to the increased balance of bank acceptance notes as of the end of the period.
Other receivables	10,143,560.07	0.15	73,564,083.63	1.27	-86.21	Mainly because the annual rebates receivable from certain e-commerce platforms for the previous year were recovered during the current period.
Right-of-use assets	15,947,216.77	0.24	6,410,634.25	0.11	148.76	Mainly due to the additionally leased business premises during the current period.
Deferred tax assets	67,181,222.24	1.01	48,305,338.82	0.84	39.08	Mainly due to the increase in deferred tax assets provided for impairment of inventories, internal unrealized gains and losses and the effect of share-based payments

						during the current period.
Other non-current assets	16,869,569.52	0.25	5,554,726.06	0.10	203.70	Mainly due to the increase in prepayments for long-term asset purchase funds.
Accounts payable	1,063,096,364.64	15.94	475,427,484.23	8.23	123.61	Mainly due to the YOY increase in sales, resulting in an increase of RMB510 million in payables for goods.
Employee benefits payable	79,784,211.66	1.20	124,938,749.36	2.16	-36.14	Mainly due to the opening amount of the period includes the unpaid year-end bonus payable for the year 2022.
Non-current liabilities due within one year	3,864,732.04	0.06	2,549,452.14	0.04	51.59	Mainly due to the transfer of lease liabilities due within one year.
Lease liabilities	11,281,561.28	0.17	3,718,119.41	0.06	203.42	Mainly due to the additionally leased business premises during the current period.
Estimated liabilities	9,143,868.44	0.14	59,282,928.68	1.03	-84.58	Mainly due to the increased efforts in adjusting the department store channel, refinement of the cosmetics store channel and contraction of the supermarket channel during the previous period.
Paid-in capital (or share capital)	396,928,515	0.06	283,519,469	0.05	40.00	Mainly due to the Company's implementation of a capital reserve capitalization plan during the current period.
Minority interests	39,401,771.32	0.01	12,734,670.33	0.00	209.41	Mainly due to the increase in net profit earned by our subsidiary Ningbo TIMAGE Cosmetics Co., Ltd. during the current period.

Other description

None

2. Overseas assets

√ Applicable □ Not applicable

(1) Scale of assets

Including overseas assets of RMB225,520.9 thousand, accounting for 3.38% of total assets.

(2) Statement on high proportion of overseas assets

Applicable Not applicable

Other description

None

3. Restrictions on prime assets as of the end of the Reporting Period

Applicable Not applicable

Currency: RMB

Item	Book value as of the end of the period	Cause for restrictions
Monetary capital	7,362,952.89	Including transformer deposit, Pinduoduo deposit, Tmall deposit and Alipay deposit, etc.
Total	7,362,952.89	

4. Other description

Applicable Not applicable

(IV) Analysis of investment**1. Overall analysis of external equity investments**

Applicable Not applicable

Currency: RMB

Item	Closing amount			Opening amount		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in other equity instruments	146,402,400.00		146,402,400.00	146,402,400.00		146,402,400.00
Investment in joint ventures	3,066,898.78		3,066,898.78	3,068,948.16		3,068,948.16
Investment in associates	221,895,173.25	92,018,511.89	129,876,661.36	216,906,642.52	81,442,213.22	135,464,429.30
Total	371,364,472.03	92,018,511.89	279,345,960.14	366,377,990.68	81,442,213.22	284,935,777.46

For details, see description in “17. Long-term equity investments” and “18. Investments in other equity instruments”, “VII. Notes to the Items of Consolidated Financial Statements”, “Section X Financial Report”.

(1). Major equity investments

Applicable Not applicable

(2). Major non-equity investments

Applicable Not applicable

(3). Financial assets measured at fair value

Applicable Not applicable

Unit: Yuan Currency: RMB

Category of assets	Opening amount	Gains and losses from changes in fair value during the current period	Cumulative amount of changes in fair value stated as equity	Provision for impairment during the current period	Purchase amount for the current period	Amount sold/redeemed for the current period	Other changes	Closing amount
Others	146,402,400.00							146,402,400.00
Total	146,402,400.00							146,402,400.00

Investment in securities

Applicable Not applicable

Description of investment in securities

Applicable Not applicable

Investment in private equity fund

Applicable Not applicable

Investment in derivatives

Applicable Not applicable

(V) Sale of major assets and equity

Applicable Not applicable

(VI) Analysis of major controlled and invested companies

Applicable Not applicable

Unit: RMB'0,000

Major subsidiary	Nature of business	Major products and services	Registered capital	Total assets	Net assets	Net profit	Holding or shareholding
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Cosmetics sales	Cosmetics	1,000.00	86,967.52	32,657.69	14,073.65	Holding
Hangzhou Proya Trade Co., Ltd.	Cosmetics sales	Cosmetics	5,000.00	26,605.75	9,660.07	3,953.24	Holding

(VII) Structured entities controlled by the Company

Applicable Not applicable

V. Other Disclosures**(I) Potential risks**

Applicable Not applicable

1. Industry competition risks

- (1) Given the intensified competition among various brands in the industry, the Company's brand strategy and channel strategy fail to meet expectations;
- (2) Given the intensified competition for marketing investment, the control of digital and refined investment costs may fail to reach the expected goal.

2. Project incubation risks

- (1) New brand incubation risk: performance fails to match up to expectations despite heavy investment in marketing;
- (2) New category cultivation risk: as the operation modes for different categories of products differ greatly, the team may be unable to meet the requirements and performance may fall short of expectations.

(II) Other disclosures

Applicable Not applicable

Section IV Corporate Governance

I. General Meetings of Shareholders

Session of meeting	Date of meeting	Query index of the designated website where the resolution is published	Resolution disclosure date	Meeting resolution
2022 Annual General Meeting of Shareholders	May 11, 2023	Announcement No. 2023-026 on SSE website (www.sse.com.cn)	May 12, 2023	The meeting considered and approved proposals including the <i>Company's Annual Report 2022 and its Summary</i> , and the <i>Company's 2022 Annual Profit Distribution and Capital Reserve Conversion to Share Capital Plan</i> . For details, see the <i>Announcement on Resolutions of the 2022 Annual General Meeting of Shareholders</i> (No.: 2023-026) released on the SSE website (http://www.sse.com.cn) on May 12, 2023 and relevant information disclosure media.

Holders of preferred shares with resumed voting rights requesting to hold extraordinary general meeting

Applicable Not applicable

Description of the General Meeting of Shareholders

Applicable Not applicable

II. Changes in Directors, Supervisors and Senior Management of the Company

Applicable Not applicable

Description of changes in directors, supervisors and senior management of the Company

Applicable Not applicable

III. Profit Distribution or Capital Reserve Conversion Plan

Profit distribution plan and plan for conversion of capital reserve into share capital proposed for the first half of 2023

Distribution or conversion or not	Yes
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Number of bonus shares to be distributed per 10 shares (share)	0
Amount of cash dividends per 10 shares (RMB) (tax inclusive)	3.80
Number of shares converted per 10 shares (share)	0
Description of profit distribution plan and plan for conversion of capital reserve into share capital	
Based on the total share capital as at the record date on which equity distribution is implemented, the Company proposes to distribute to all shareholders registered a cash dividend of RMB3.80 (tax inclusive) per 10 shares. Based on the total share capital of 396,928,515 shares on June 30, 2023, it is estimated that the cash dividend to be distributed will amount to RMB150,832,835.70 (tax inclusive). No the capital reserve will be converted into share capital and no bonus shares will be given. In case of a change in the Company's total share capital due to the conversion of convertible bonds before the record date for equity distribution, the Company maintains the said distribution ratios and yet adjusts the total distribution and conversion amounts.	

IV. Equity Incentive Plan, Employee Stock Ownership Plan or Other Employee Incentives of the Company and Their Impact

(I) Relevant equity incentive matters disclosed in the interim announcement and with no progress or change in subsequent implementation

Applicable Not applicable

Matter	Reference
Matters related to adjustment of the price and quantity of restricted shares repurchased under the 2022 Restricted Share Incentive Plan	Announcement No. 2023-036 disclosed on SSE website, <i>Shanghai Securities News, Securities Times</i> on June 21, 2023
Matters related to the repurchase and cancellation of certain equity incentive restricted shares	Announcement No. 2023-037 disclosed on SSE website, <i>Shanghai Securities News, Securities Times</i> on June 21, 2023
Matters related to notifying creditors of the repurchase and cancellation of certain restricted shares	Announcement No. 2023-038 disclosed on SSE website, <i>Shanghai Securities News, Securities Times</i> on June 21, 2023
Matters related to the announcement on the implementation of repurchase and cancellation of certain restricted shares under the 2022 Restricted Share Incentive Plan	Announcement No. 2023-044 disclosed on SSE website, <i>Shanghai Securities News, Securities Times</i> on August 22, 2023

(II) Incentives not disclosed in the interim announcement or with subsequent progress

Particulars of equity incentives

Applicable Not applicable

Other description

Applicable Not applicable

Particulars of employee stock ownership plan

Applicable Not applicable

Other incentives

Applicable Not applicable

Section V Environmental and Social Responsibility

I. Environmental Information

(I) Environmental issues of companies and their major subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department

Applicable Not applicable

(II) Statement on environmental protection of companies not included in the list of key pollutant discharging units

Applicable Not applicable

1. Administrative penalties imposed due to environmental issues

Applicable Not applicable

2. Other environmental information disclosed by referencing key pollutant discharging units

Applicable Not applicable

During the Reporting Period, Proya factories took the initiative to excavate, replace, repair and retest some damaged rain and sewage pipes in the factory area in accordance with the 2022 rain and sewage pipe inspection report issued by CCTV.

Proya factories actively responded to government requirements on the inspection of pollutant prevention and control in key enterprises. With the intention to protect the environment and fulfill social responsibilities, they carried out soil pollution (groundwater) prevention and control, conducted on-site exploration and sampling for analysis, and prepared compliance testing reports.

At present, new laws and regulations issued by the government's environmental protection departments are imposing stricter requirements. Proya factories have made extensive efforts to remain at the forefront of interpretation of new environmental regulations, conduct preemptive strategic planning for green and low-carbon factories, and raise the level of environmental, occupational and health management systems throughout the industry. For example, the factories implemented environmental protection project-based management, and signed environmental protection comprehensive butler services with third-party qualified units. Leveraging the professional, practical and service capabilities of the third-party system, they avoided risks and conducted more reasonable environmental management planning and feasible suggestions, helping factories to make their environmental protection work more professional, secure, low-carbon and green.

3. Reason for non-disclosure of other environmental information

Applicable Not applicable

(III) Statement on subsequent progress or change in environmental information disclosed during the Reporting Period

Applicable Not applicable

(IV) Relevant information contributing to ecological protection, pollution prevention and control, and fulfillment of environmental responsibilities

Applicable Not applicable

(V) Measures taken to reduce carbon emissions during the Reporting Period and their effects

Applicable Not applicable

II. Detailed Information on Consolidation and Expansion of Achievements in Poverty Alleviation and Rural Revitalization

Applicable Not applicable

In mid-March 2023, in response to the “Special Action to Support the High-Quality Development of 26 Districts and Counties in Mountainous Areas” initiative of Zhejiang Province, Proya traveled to Yunhe County, Lishui City to participate in paired-up exchanges and assistance actions under the unified organization of the Zhejiang Federation of Industry and Commerce. We provided local government officials and business representatives with a detailed introduction of our resources and advantages in the field of platform e-commerce and live e-commerce operation. And we announced our cooperation intention to boost the online development of the “children’s toy industry” with local characteristics in Yunhe through financial assistance, personnel training, experience sharing, project cooperation, etc.

Section VI Important Events

I. Fulfillment of Undertakings

(I) Undertakings fulfilled during the Reporting Period or not yet fulfilled as of the Reporting Period by the parties to the commitment such as the Company's actual controllers, shareholders, related parties, acquirers and the Company

√ Applicable □ Not applicable

Background of commitment	Type of commitment	Party of commitment	Content of commitment	Date and duration	Any time line for performance	Commitment strictly fulfilled according to schedule or not	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
IPO-related commitments	Restrictions on sales of shares	HOU Juncheng, FANG Yuyou and CAO Lianguo, director and senior management	(1) During their terms as the Company's director/senior management, they shall not transfer more than 25% of their total shares directly or indirectly held in the Company each year. Within six months after leaving office, they shall not transfer their shares directly or indirectly held in the Company; (2) If their shares in the Company are sold within two years upon expiration of the lock-up period, the selling price shall not be lower than the offering price. If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the 6-month period after the Company's IPO is	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>lower than the offering price, the lock-up period for their shares in the Company will be automatically extended for 6 months. Their commitments above shall survive job changes and resignation; (3) If they or their partnerships violate the said share lock-up commitments, the lock-up period for their/their partnerships' shares in the Company will be automatically extended for 6 months.</p>					
	Restrictions on sales of shares	JIN Yanhua, senior management	<p>(1) Within 12 months from the date of the Company's IPO, he shall not transfer or authorize any other person to manage his shares directly or indirectly held in the Company or let the Company repurchase such shares; (2) During his term as the Company's senior management, he shall not transfer more than 25% of his total shares directly or indirectly held in the Company each year. Within six months after leaving office, he shall not transfer his shares directly or indirectly held in the Company; (3) If his shares in the Company are sold within two years upon expiration of the lock-up period, the selling price shall not be lower than the offering price. If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading</p>	Commitment date: April 16, 2018 Duration: April 16, 2018 to long-term	No	Yes	Not applicable	Not applicable

			days within 6 months after the Company's IPO, or the closing price as of the end of the 6-month period after the Company's IPO is lower than the offering price, the lock-up period for his shares in the Company will be automatically extended for 6 months. His commitments above shall survive job change and resignation; (4) Should he/his partnership violate the said share lock-up commitments, the lock-up period for his/his partnership's shares in the Company will be automatically extended for 6 months.					
	Restrictions on sales of shares	WANG Li, senior management	(1) Within 12 months from the date of the Company's IPO, she shall not transfer or authorize any other person to manage her shares directly or indirectly held in the Company or let the Company repurchase such shares; (2) During her term as the Company's senior management, she shall not transfer more than 25% of her total shares directly or indirectly held in the Company each year. Within six months after leaving office, she shall not transfer her shares directly or indirectly held in the Company; (3) If her shares in the Company are sold within two years upon expiration of the lock-up period, the selling price shall not be lower than the offering price. If the	Commitment date: September 3, 2018 Duration: September 3, 2018 to long-term	No	Yes	Not applicable	Not applicable

			<p>closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the 6-month period after the Company's IPO is lower than the offering price, the lock-up period for her shares in the Company will be automatically extended for 6 months. Her commitments above shall survive job change and resignation; (4) Should she/her partnership violate the said share lock-up commitments, the lock-up period for her/her partnership's shares in the Company will be automatically extended for 6 months.</p>					
Restrictions on sales of shares	HOU Juncheng and FANG Aiqin, controlling shareholder and actual controller	<p>(1) Within 24 months upon expiration of the lock-up period, they shall not directly or indirectly reduce their shares in the Issuer by more than 6% of the total number of shares of the Issuer before such IPO; (2) They must sell their shares in the Company through methods including but not limited to collective trading through bidding at the stock exchange, block trading and transfer by agreement in line with applicable laws, regulations and rules; (3) Before selling the Company's shares, they shall announce the same three trading days in advance, and</p>	<p>Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term</p>	No	Yes	Not applicable	Not applicable	

			discharge the obligation to disclose information in a timely and accurate manner as per the rules of the stock exchange, except to the extent that they hold less than 5% of the Company's shares; (4) Should they fail to perform the said intent of share reduction, they must explain the reason for failing to do so in the Company's General Meeting of Shareholders and media designated by the CSRC and publicly apologize to the Company's shareholders and public investors.					
Restrictions on sales of shares	FANG Yuyou and LI Xiaolin, shareholders directly holding more than 5% of the Company's shares	(1) If they intend to reduce shares after the lock-up period expires, they will prudently make a share reduction plan as necessary for the Company to stabilize the share price and conduct operations and capital operations as required by the CSRC and the exchange on shareholders for share reduction, whereby shares shall be reduced gradually upon expiration of the lock-up period; (2) They must sell shares in the Company through methods including but not limited to collective trading through bidding at the stock exchange, block trading and transfer by agreement in line with applicable laws, regulations and rules; (3) Before selling the Company's shares, they shall announce the	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			same three trading days in advance, and discharge the obligation to disclose information in a timely and accurate manner as per the rules of the stock exchange, except to the extent that they hold less than 5% of the Company's shares; (4) Should they fail to perform the said intent of share reduction, they must explain the cause for failing to do so in the Company's General Meeting of Shareholders and media designated by the CSRC and publicly apologize to the Company's shareholders and public investors.					
	Others	The Company	When the preconditions for enabling the share price stabilization plan are met, if the Company fails to take specific measures to stabilize the share price, the Company must explain the reasons for failing to do so in the Company's General Meeting of Shareholders and media designated by the CSRC and publicly apologize to the Company's shareholders and public investors. In the event of losses to investors not resulting from force majeure, the Company will be liable for compensation to investors according to law, and be liable otherwise as required by laws, regulations and the regulators; if losses are due to force	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			majeure, the Company shall work out a plan in the shortest possible time to minimize losses to investors and submit it to the General Meeting of Shareholders for consideration, so as to protect the interests of the Company's investors as much as possible. Within three years from the date of the Company's IPO, if the Company appoints new directors and senior management, the Company will require the new directors and senior management to fulfill the commitments made by the directors and senior management at the time of the Company's IPO.					
	Others	The Company's controlling shareholders and actual controllers	When the preconditions for enabling the share price stabilization plan are met, if they fail to take specific measures to stabilize the share price according to the plan, they must explain the reasons for failing to do so at the Issuer's General Meeting of Shareholders and in the media designated by the CSRC and publicly apologize to the Issuer's shareholders and public investors. Where no such commitment is fulfilled, they will not receive shareholder dividends from the Issuer within 5 working days from the date of the said incident, and they will not be able to transfer his or her shares until they	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			have taken and carried out measures to stabilize the share price as per the said plan.					
	Others	The Company's directors (excluding independent directors) and senior management	When the preconditions for enabling the share price stabilization measures are met, if there is a failure to take specific measures as per the plan to stabilize the share price, they must explain the reasons for failing to do so at the Issuer's General Meeting of Shareholders and in the media designated by the CSRC and publicly apologize to the Issuer's shareholders and public investors. Where no such commitment is fulfilled, they will not receive remuneration and shareholder dividends (if any) from the Issuer within 5 working days from the date of the said incident, and they will not be able to transfer his or her shares until they have taken and carried out measures to stabilize the share price as per the said plan.	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable
	Others	The Company	If the Company's prospectus contains any false records, misleading statements or major omissions which cause investors to suffer losses in securities transactions, the Company will compensate investors for such losses according to law. After such violations are identified by the CSRC or the stock exchange where the Company is listed or the judicial authorities, they will actively	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			compensate investors for direct economic losses incurred therefrom by settling with investors with respect to measurable economic losses directly incurred by investors, mediating with investors through a third party and establishing an investor compensation fund based on the principles of simplifying procedures, actively negotiating, compensating in advance, and effectively protecting the interests of investors, especially small and medium investors. If it is found to have violated the said commitments, the Company will publicly apologize to shareholders and public investors for failing to perform the said compensation measures at the General Meeting of Shareholders and the media designated by the CSRC and compensate investors for actual losses identified by the CSRC and the judicial authorities.					
	Others	The Issuer's controlling shareholders and actual controllers	If the Issuer's prospectus contains any false records, misleading statements or major omissions, which causes investors to suffer losses in securities transactions, they will compensate investors for such losses according to law. After such violations are identified by the CSRC or the stock exchange where the Company is listed or	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>the judicial authorities, they will actively compensate investors for direct economic losses incurred therefrom by settling with investors with respect to measurable economic losses directly incurred to investors, mediating with investors through a third party and establishing an investor compensation fund based on the principles of simplifying procedures, actively negotiating, compensating in advance, and effectively protecting the interests of investors, especially small and medium-sized investors. If found to have violated the said commitments, the Company's controlling shareholders and actual controllers will publicly apologize to the Issuer's shareholders and public investors for failing to perform the said compensation measures at the Issuer's General Meeting of Shareholders and the media designated by the CSRC and will not receive shareholder dividends from the Issuer within 5 working days from the date of the said violation, and their shares in the Issuer will not be transferred until they have taken and carried out compensation measures as per the said commitments.</p>					
Others	Directors,	If the Issuer's prospectus contains any false	Commitment	No	Yes	Not	Not	

		supervisors and senior management	records, misleading statements or major omissions, which causes investors to suffer losses in securities transactions, they will compensate investors for such losses according to law. After such violations are identified by the CSRC or the stock exchange where the Company is listed or the judicial authorities, they will actively compensate investors for direct economic losses incurred therefrom by settling with investors with respect to measurable economic losses directly incurred to investors, mediating with investors through a third party and establishing an investor compensation fund based on the principles of simplifying procedures, actively negotiating, compensating in advance, and effectively protecting the interests of investors, especially small and medium-sized investors. If it is found to have violated the said commitments, the Company's directors, supervisors and senior management will publicly apologize to the Issuer's shareholders and public investors for failing to perform the said compensation measures at the Issuer's General Meeting of Shareholders and the media designated by the CSRC and will not receive remuneration	date: November 15, 2017 Duration: November 15, 2017 to long-term			applicable	applicable
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			(or allowances) and shareholder dividends (if any) from the Issuer within 5 working days from the date of the said violation, and their shares in the Issuer (if any) will not be transferred until they have taken and carried out compensation measures as per the said commitments.					
	Others	The Company	In order to ensure the effective use of the proceeds from the IPO, effectively prevent the risk of diluting immediate returns and improve future returns, the Company intends to take measures including tightening operation, management and internal control, accelerating the progress of fundraising projects, and strengthening the investor return mechanism, so as to improve asset quality, increase operating revenue, increase future earnings, and achieve sustainable development to compensate for the diluted immediate returns. The Company promises to continuously improve various measures to fill the diluted immediate returns in accordance with the implementation rules subsequently issued by the CSRC and the SSE. If it is found to have violated the said commitments, the Company will promptly announce the facts and causes of such violation, except for	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			force majeure or other reasons not attributable to the Company, apologize to the Company's shareholders and public investors, make supplementary commitments or substitute commitments to investors to protect the interests of investors as much as possible, and implement such supplementary commitments or substitute commitments subject to approval by the Company's General Meeting of Shareholders.					
	Others	HOU Juncheng and FANG Aiqin, controlling shareholder and actual controller	In order to ensure that the Company's measures to fill the diluted immediate returns can be effectively performed, they, as the Company's controlling shareholder and actual controller, promise that: (1) Under no circumstances will they abuse their position as the controlling shareholder and actual controller by ultra vires interfering with the Company's operation and management activities or encroaching on the Company's interests; (2) After the CSRC and the SSE have otherwise released opinions and implementation rules on measures to fill the diluted immediate returns and such commitments, if the Company's relevant provisions and his or her commitments contradict such rules, they	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>will immediately make supplementary commitments in line with such rules of the CSRC and the SSE, and actively work towards the Company's issuing of new commitments or measures to comply with the requirements of the CSRC and the SSE;</p> <p>(3) They will fully, completely and promptly perform the Company's measures regarding compensation for the diluted immediate returns and his or her commitments regarding the measures to compensate for the diluted immediate returns. If found to have violated such commitments, which causes losses to the Company or shareholders, they are willing to: ① explain the cause and apologize at the General Meeting of Shareholders and the media designated by the CSRC; ② be held liable for compensation to the Company and/or shareholders by law; ③ unconditionally accept the penalties or regulatory measures taken by the CSRC and/or the SSE and other securities regulators as per relevant regulations and rules. The said measures to fill the diluted immediate returns shall not be deemed to constitute a guarantee for the Company's future profits.</p>					
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	Others	Directors, senior management	<p>In order to ensure that the Company's measures to compensate for the diluted immediate returns can be effectively performed, they, as the Company's directors and senior management, promise that: (1) They will not offer benefits to other entities or individuals for free or on unfair terms, or otherwise harm the Company's interests; (2) They will strictly follow the Company's budget management by limiting his or her duty consumption to the extent required, subject to the Company's supervision and free from wastes or excessive consumption; (3) They will not use the Company's assets to engage in investment and consumption activities unrelated to his or her duties; (4) They will actively work towards the improvement of the Company's compensation system, so as to be more in line with the requirements for filling the diluted immediate returns; support the Company's Board of Directors or Remuneration Committee in linking the implementation of the Company's measures to fill the diluted immediate returns to developing, revising and supplementing the Company's compensation system; promise that the vesting conditions for the</p>	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable
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		<p>Company's equity incentives to be announced will be linked to the implementation of the Company's measures to fill the returns; (5) After the CSRC and the SSE otherwise release the opinions and implementation rules on the measures to fill the diluted immediate returns and their commitments, if the Company's relevant provisions and his or her commitments contradict such rules, they will immediately make supplementary commitments in line with the rules of the CSRC and the SSE, and actively work towards the Company's making of new commitments or taking new measures to comply with the requirements of the CSRC and the SSE; (6) They will fully, completely and promptly perform the Company's measures regarding filling the diluted immediate returns and his or her commitments regarding the measures to fill the diluted immediate returns. If found to have violated such commitments, which causes losses to the Company or shareholders, they are willing to: ① explain the cause and apologize at the General Meeting of Shareholders and the media designated by the CSRC; ② be held liable for compensation to the Company and/or</p>					
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			shareholders by law; ③ unconditionally accept the penalties or regulatory measures taken by the CSRC and/or the SSE and other securities regulators as per relevant regulations and rules. The said measures to fill the diluted immediate returns shall not be deemed as constituting a guarantee for the Issuer's future profits.					
Avoiding horizontal competition	HOU Juncheng and FANG Aiqin, controlling shareholder and actual controller	1. They do not and will not directly or indirectly engage in any activities constituting horizontal competition with the existing and future businesses of the Company and its holding subsidiaries, including but not limited to the R&D, production and sale of any products that are the same as or similar to those of the Company and its holding subsidiaries. They shall be liable for economic losses caused by violation of the above commitments to the Company. 2. For the enterprises under his or her control, they will perform their obligations under such commitments through the agencies and personnel (including but not limited to directors and managers), and they shall be liable for the economic losses caused by violation of the above commitments to the Company. 3. From the date of signing this letter of	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			<p>commitment, if the Company further expands the scope of products and business, they or the enterprises under his or her control shall not compete with the Company within the expanded product or business scope, or will, in case of any possible competition with the Company within the expanded product or business scope, withdraw from the competition by: (1) stopping the production of competing or potentially competing products; (2) stopping the operation of competing or potentially competing business; (3) transferring the competing business to the Company; or (4) transferring the competing business to an unrelated third party. 4. Their shareholding companies, including Hangzhou Huazhuang Industrial Investment Co., Ltd. and Huzhou Mogan Wangshu Cosmetics Industry Phase I Venture Capital Partnership (Limited Partnership), and companies that they invest in engage in no cosmetics business or upstream and downstream business thereof. If these companies engage in such businesses in the future, they commit that they will withdraw their investment in the enterprises through equity transfer and other means, and that the Company will be given</p>					
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			priority to decide whether to invest in the said enterprises according to legal provisions and the consent of other shareholders of such enterprises.					
Commitments on refinancing	Others	HOU Juncheng and FANG Aiqin, controlling shareholder and actual controller	In order to ensure that the Company's measures to fill the immediate returns can be effectively performed, they commit that: 1. They will not interfere with the Company's operation and management activities beyond their authority or encroach on the Company's interests; 2. From the date of making these commitments to the completion of the Company's public offering of A-share convertible corporate bonds, to the extent that the CSRC makes other new regulatory requirements regarding the measures to fill returns and the commitments thereof, and if the above commitments cannot satisfy such requirements of the CSRC, they will make supplementary commitments as per the latest requirements of the CSRC at that time; 3. They will effectively implement the Company's measures to fill returns and their commitments in this regard, and if found to have violated such commitments, which results in losses to the Company or investors, they are willing to be liable for	Commitment date: April 21, 2021 Duration: April 21, 2021 to long-term	No	Yes	Not applicable	Not applicable

			compensation to the Company or investors according to law. As one of the parties responsible for the measures to fill returns, should they violate or refuse to fulfill the above commitments, they shall be subject to the punishment or relevant regulatory measures imposed on them by the securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules.					
	Others	Directors, senior management	In order to ensure that the Company's measures to fill the immediate returns can be effectively performed, they commit that: 1. They will not offer benefits to other entities or individuals for free or on unfair terms, or otherwise harm the Company's interests; 2. They will restrict their post-related consumption behaviors; 3. They will not use the Company's assets to engage in investment and consumption activities unrelated to his or her duties; 4. They will link the remuneration system established by the Board of Directors or the Remuneration and Appraisal Committee to the implementation of the Company's measures for filling returns; 5. If the Company implements equity incentives in the future, the vesting conditions for the Company's	Commitment date: April 21, 2021 Duration: April 21, 2021 to long-term	No	Yes	Not applicable	Not applicable

			<p>equity incentives to be announced will be linked to the implementation of the Company's measures to fill the returns; 6. From the date of this commitment to the completion of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory requirements regarding the measures to fill returns and the commitments thereof, and if the above commitments cannot satisfy such requirements of the CSRC, they will make supplementary commitments as per the latest requirements of the CSRC. As one of the parties responsible for the measures to fill returns, should they violate or refuse to fulfill the above commitments, they shall be subject to the punishment or relevant regulatory measures imposed on them by the securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules.</p>					
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II. Non-Operating Use of Funds by the Controlling Shareholders and Other Related Parties during the Reporting Period

Applicable Not applicable

III. Information on Illegal Guarantees

Applicable Not applicable

IV. Audit of the Semi-Annual Report

Applicable Not applicable

V. Information on Changes and Handling of Matters Related to Non-Standard Audit Opinions in the Annual Report for the Previous Year

Applicable Not applicable

VI. Matters Related to Bankruptcy Reorganization

Applicable Not applicable

VII. Material Litigation and Arbitration Matters

The Company had material litigation and arbitration matters during the Reporting Period"

The Company had no material litigation and arbitration matters during the Reporting Period"

VIII. Information on Punishment and Rectification of the Listed Company and its Directors, Supervisors, Senior Management, Controlling Shareholders, and Actual Controllers due to Violations of Laws and Regulations

Applicable Not applicable

IX. Integrity of the Company and its controlling shareholders and actual controllers during the Reporting Period

Applicable Not applicable

During the Reporting Period, the Company and its controlling shareholders and actual controllers acted in good faith.

X. Significant Related-Party Transactions

(I) Related-party transactions relevant to the ordinary course of business

1. Matters that have been disclosed in the interim announcement without progress or changes in the subsequent implementation

Applicable Not applicable

2. Matters that have been disclosed in the interim announcement with progress or changes in the subsequent implementation

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

(II) Related-party transactions relevant to asset acquisition or equity acquisition and disposal

1. Matters that have been disclosed in the interim announcement without progress or changes in the subsequent implementation

Applicable Not applicable

2. Matters that have been disclosed in the interim announcement with progress or changes in the subsequent implementation

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

4. In case of performance agreement, information on performance realization during the Reporting Period shall be disclosed

Applicable Not applicable

(III) Significant related-party transactions relevant to joint external investment

1. Matters that have been disclosed in the interim announcement without progress or changes in the subsequent implementation

Applicable Not applicable

2. Matters that have been disclosed in the interim announcement with progress or changes in the subsequent implementation

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

(IV) Credits and debts with related parties

1. Matters that have been disclosed in the interim announcement without progress or changes in the subsequent implementation

Applicable Not applicable

2. Matters that have been disclosed in the interim announcement with progress or changes in the subsequent implementation

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

(V) Financial business among the Company, related financial companies and holding financial companies, and related parties

Applicable Not applicable

(VI) Other significant related-party transactions

Applicable Not applicable

(VII) Others

Applicable Not applicable

XI. Material Contracts and Their Enforcement

1 Custody, contracting and leasing

Applicable Not applicable

2 Significant guarantees that have been performed or outstanding during the Reporting Period

Applicable Not applicable

3 Other material contracts

Applicable Not applicable

XII. Explanations on Other Significant Matters

Applicable Not applicable

Section VII Shareholders and Changes in Shares**I. Changes in Share Capital****(I) Table of changes in shares****1. Table of changes in shares**

Unit: '0,000 shares

	Before this change		Increase or decrease (+ or -) due to this change					After this change	
	Number	Percentage (%)	Issuance of new shares	Bonus shares	Shares converted from capital reserve	Others	Subtotal	Number	Percentage (%)
I. Shares subject to selling restrictions	210	0.7407			84		84	294	0.7407
1. Shares held by state government									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic funds	210	0.7407			84		84	294	0.7407
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons	210	0.7407			84		84	294	0.7407
4. Shares held by foreign funds									
Including: Shares held by foreign legal persons									
Shares held by foreign natural persons									
II. Shares not subject to selling restrictions	28,141.9469	99.2593			11,256.8136	0.0910	11,256.9046	39,398.8515	99.2593
1. Ordinary RMB shares	28,141.9469	99.2593			11,256.8136	0.0910	11,256.9046	39,398.8515	99.2593
2. Foreign-funded shares listed domestically									
3. Foreign-funded shares listed overseas									
4. Others									

III. Total number of shares	28,351.9469	100.00			11,340.8136	0.0910	11,340.9046	39,692.8515	100.00
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2. Explanation on changes in shares

Applicable Not applicable

On May 11, 2023, the Company held the 2022 Annual General Meeting of Shareholders, and reviewed and approved the *2022 Annual Profit Distribution and Capital Reserve Conversion to Share Capital Plan*. Based on the total share capital as at the record date for equity distribution, all shareholders were distributed a cash dividend of RMB8.70 (tax inclusive) per 10 shares. In addition, the capital reserve was converted into share capital in the proportion of 4 shares for every 10 shares, totaling 113,408,136 shares. Among them, the number of shares subject to selling restrictions increased by 840,000 shares, and the number of shares not subject to selling restrictions increased by 112,568,136 shares.

With the approval of the China Securities Regulatory Commission, namely, the *Reply on Approving Proya Cosmetics Co., Ltd.'s Public Issuance of Convertible Corporate Bonds* (Zheng Jian Xu Ke [2021] No. 3408), on December 8, 2021, the Company publicly issued 7,517,130 convertible corporate bonds with a nominal value of RMB100 per share, a total nominal value of RMB751,713,000, and a term of 6 years. With the approval of the Shanghai Stock Exchange's Self-Regulatory Supervision Decision Letter [2021] No. 503, the Company's convertible corporate bonds amounting to RMB751,713,000 were listed and traded on the Shanghai Stock Exchange from January 4, 2022. The bond is referred to as "Proya Convertible Bond", with the bond code of "113634". Proya Convertible Bonds began to be converted into shares on June 14, 2022. During the Reporting Period, a total of RMB127,000 of Proya Convertible Bonds had been converted into A shares of the Company, and the number of shares converted was 910 shares. The number of shares not subject to selling restrictions of the Company increased by 910 shares.

3. Impact of share changes on earnings per share, net assets per share and other financial indicators from the end of the Reporting Period to the disclosure date of the interim report (if any)

Applicable Not applicable

On June 20, 2023, the 12th meeting of the third session of Board of Directors of the Company reviewed and approved the Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares, and the total number of restricted shares repurchased and de-registered was 105,350 shares. The Company completed the repurchase and cancellation procedures in August 2023, which did not have a material impact on earnings per share, net assets per share and other financial indicators.

4. Other information that the Company deems necessary or as required by the securities regulators

Applicable Not applicable

(II) Changes in shares with selling restrictions

Applicable Not applicable

Unit: Share

Name of shareholder	Number of shares with selling restrictions at the	Number of shares with selling restrictions released during	Number of shares with selling restrictions increased	Number of shares with selling restrictions at the end of the	Reason for selling restrictions	Date of releasing the sales restrictions

	beginning of the period	the Reporting Period	during the Reporting Period	Reporting Period		
JIN Yanhua	140,000	0	56,000	196,000	2022 Restricted Stock Incentive Plan	-
WANG Li	180,000	0	72,000	252,000	2022 Restricted Stock Incentive Plan	-
99 persons granted under 2022 Restricted Stock Incentive Plan	1,780,000	0	712,000	2,492,000	2022 Restricted Stock Incentive Plan	-
Total	2,100,000	0	840,000	2,940,000	/	/

Note: The increase in the number of shares with selling restrictions by shareholders in the above table is mainly due to the completion of the Company's equity distribution in 2022. Based on the total share capital as at the record date for equity distribution, the capital reserve was converted into share capital in the proportion of 4 shares for every 10 shares to all shareholders.

II. Shareholders

(I) Total number of shareholders:

Total number of shareholders of ordinary shares as at the end of the Reporting Period	18,526
Total number of shareholders of preference shares whose voting rights have been restored as at end of the Reporting Period	0

(II) Table of shareholdings of the top ten shareholders and the top ten shareholders of outstanding shares (or shareholders without selling restrictions) as at the end of the Reporting Period

Unit: Share

Shareholdings of the top ten shareholders							
Name of shareholder (full name)	Change during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Pledged, placed with mark, lock-up or not		Nature of shareholder
					Share status	Number	
HOU Juncheng	39,068,296	136,739,037	34.45	0	None		Domestic natural person
Hong Kong Securities Clearing Company Limited	25,248,690	89,722,159	22.60	0	None		Others
FANG Yuyou	13,852,788	59,625,258	15.02	0	Frozen	17,041,269	Domestic natural person

China Construction Bank Co., Ltd. - Yinhua Fuyu Themed Hybrid Securities Investment Fund	816,677	6,617,978	1.67	0	None	Others
Aberdeen Standard Investment Management (Asia) Limited - Aberdeen Standard - China A-Share Fund	2,505,720	5,058,013	1.27	0	None	Others
China Construction Bank Co., Ltd. - China Universal Consumer Industry Hybrid Securities Investment Fund	1,300,005	4,400,018	1.11	0	None	Others
Industrial and Commercial Bank of China Limited - Invesco Great Wall Emerging Growth Hybrid Securities Investment Fund	952,000	3,332,000	0.84	0	None	Others
TEMASEK FULLERTON ALPHA PTE LTD	2,348,469	2,507,469	0.63	0	None	Others
CAO Liangguo	545,015	1,907,552	0.48	0	None	Domestic natural person
Bank of Communications Co., Ltd. - China Universal Mid Cap Value Selected Hybrid Securities Investment Fund	900,106	1,700,131	0.43	0	None	Others
Shareholdings of the top ten shareholders without selling restrictions						
Name of shareholder	Number of unrestricted tradable shares held	Type and number of shares				
		Type	Number			
HOU Juncheng	136,739,037	RMB ordinary shares	136,739,037			
Hong Kong Securities Clearing Company Limited	89,722,159	RMB ordinary shares	89,722,159			
FANG Yuyou	59,625,258	RMB ordinary shares	59,625,258			
China Construction Bank Co., Ltd. - Yinhua Fuyu Themed Hybrid Securities Investment Fund	6,617,978	RMB ordinary shares	6,617,978			

Aberdeen Standard Investment Management (Asia) Limited - Aberdeen Standard - China A-Share Fund	5,058,013	RMB ordinary shares	5,058,013
China Construction Bank Co., Ltd. - China Universal Consumer Industry Hybrid Securities Investment Fund	4,400,018	RMB ordinary shares	4,400,018
Industrial and Commercial Bank of China Limited - Invesco Great Wall Emerging Growth Hybrid Securities Investment Fund	3,332,000	RMB ordinary shares	3,332,000
TEMASEK FULLERTON ALPHA PTE LTD	2,507,469	RMB ordinary shares	2,507,469
CAO Lianguo	1,907,552	RMB ordinary shares	1,907,552
Bank of Communications Co., Ltd. - China Universal Mid Cap Value Selected Hybrid Securities Investment Fund	1,700,131	RMB ordinary shares	1,700,131
Notes on the special repurchase account among the top ten shareholders	None		
Description of the above shareholders involved in entrustment/entrusted voting rights and waiver of voting rights	None		
Explanation on the related relationship or parties acting in concert among the above shareholders	FANG Yuyou is the younger brother of HOU Juncheng's spouse FANG Aiqin, therefore HOU Juncheng and FANG Yuyou are related.		
Description of the shareholders of preference shares with voting rights restored and the number of preference shares	None		

Shareholdings and sales restrictions of the top ten shareholders with selling restrictions

√ Applicable □ Not applicable

Unit: Share

Serial number	Name of shareholder with selling restrictions	Number of shares with selling restrictions held	Listing and trading of shares with selling restrictions		Selling restrictions
			Time for listing and trading	Number of additional shares to be listed and traded	
1	Equity incentive object	2,940,000			See note for details
Explanation on the related relationship or parties acting in concert among the above shareholders		None			

Note: The restricted shares held by the equity incentive objects are the shares granted under the Company's 2022 Restricted Stock Incentive Plan, and the shares that the Company has completed the 2022 Equity Distribution and converted from capital reserve. The restricted period is 12 months, 24 months and 36 months from the completion of registration (September 6, 2022) of the restricted shares granted with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited.

(III) Strategic investors or general legal persons becoming the top ten shareholders through placement of new shares

Applicable Not applicable

III. Information on Directors, Supervisors and Senior Management**(I) Changes in shareholdings of current Directors, Supervisors, and Senior Management and those who resigned during the Reporting Period**

Applicable Not applicable

Unit: Share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change in shares during the Reporting Period	Reason for the change
HOU Juncheng	Chairman	97,670,741	136,739,037	39,068,296	Capital reserve conversion to share capital
FANG Yuyou	Director, General Manager	45,772,470	59,625,258	13,852,788	Capital reserve conversion to share capital and reduction of personal capital needs
JIN Yanhua	Deputy General Manager	216,973	303,762	86,789	Capital reserve conversion to share capital
WANG Li	CFO, Deputy General Manager, Secretary of the Board of Directors	225,251	315,491	90,240	Capital reserve conversion to share capital and increase in shareholding by centralized bidding trading

Other description

Applicable Not applicable

(II) Equity incentives granted to Directors, Supervisors and Senior Management during the Reporting Period

Applicable Not applicable

(III) Other description

Applicable Not applicable

IV. Changes in Controlling Shareholders and Actual Controllers

Applicable Not applicable

Section VIII Information on Preference Shares

Applicable Not applicable

Section IX Information on Bonds

I. Enterprise Bonds, Corporate Bonds and Non-financial Corporate Debt Financing Instruments

Applicable Not applicable

II. Information on Convertible Corporate Bonds

Applicable Not applicable

(I) Issuance of convertible bonds

With the Approval of the China Securities Regulatory Commission, namely, *the Reply on Approving Proya Cosmetics Co., Ltd.'s Public Issuance of Convertible Corporate Bonds* (Zheng Jian Xu Ke [2021] No. 3408) on December 8, 2021, the Company publicly issued 7,517,130 convertible corporate bonds with a nominal value of RMB100 per share and a total nominal value of RMB751,713,000. These convertible bonds were issued at nominal value with a term of 6 years.

With the approval of the Shanghai Stock Exchange's Self-Regulatory Supervision Decision Letter [2021] No. 503, the Company's convertible corporate bonds amounting to RMB751,713,000 were listed and traded on the Shanghai Stock Exchange from January 4, 2022. The bond is referred to as "Proya Convertible Bond", with the bond code of "113634". The nominal interest rate of the convertible corporate bonds issued this time was as follows: 0.30% in the first year, 0.50% in the second year, 1.00% in the third year, 1.50% in the fourth year, 1.80% in the fifth year, and 2.00% in the sixth year. The duration of the convertible corporate bonds runs from December 8, 2021 to December 7, 2027.

According to the relevant regulations and the agreement of the *Public Issuance of Convertible Corporate Bonds of A Shares of Proya Cosmetics Co., Ltd.*, the "Proya Convertible Bond" issued by the Company can be converted into the Company's shares from June 14, 2022, with the conversion period from June 14, 2022 to December 7, 2027. The initial conversion price is RMB195.98 per share, and the latest conversion price is RMB98.61 per share. Historical adjustments to the conversion price are as follows:

1. Due to the Company's implementation of 2021 Equity Distribution Plan, the conversion price of Proya convertible bond has been adjusted to RMB139.37 per share since May 30, 2022. For details, please refer to the *Announcement of Proya Cosmetics Co., Ltd. on Adjusting the Conversion Price of Convertible Bonds in Relation to the 2021 Equity Distribution* (Announcement No.: 2022-029) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on May 24, 2022.
2. Due to the Company's completion of the registration of restricted shares granted under the 2022 Restricted Share Incentive Plan, the conversion price of Proya convertible bond has been adjusted to RMB138.92 per share since September 9, 2022. For details, please refer to *the Announcement of Proya Cosmetics Co., Ltd. on Adjusting the Conversion Price of "Proya Convertible Bonds" in Relation to the Granting of Additional Shares of Restricted Shares* (Announcement No.: 2022-052) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on September 8, 2022.
3. Due to the Company's implementation of 2022 Equity Distribution Plan, the conversion price of Proya convertible bond has been adjusted to RMB98.61 per share since May 29, 2023. For details, please refer to the *Announcement of Proya Cosmetics Co., Ltd. on Adjusting the Conversion Price of*

Convertible Bonds in Relation to the 2022 Equity Distribution (Announcement No.: 2023-030) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on May 23, 2023.

4. Due to the Company's completion of the repurchase and cancellation of certain equity incentive restricted shares, the conversion price of Proya convertible bond has been adjusted to RMB98.62 per share since August 29, 2023. For details, please refer to the *Announcement of Proya Cosmetics Co., Ltd. on Completing the Repurchase and Cancellation of Certain Equity Incentive Restricted Shares and Adjusting the Conversion Price of "Proya Convertible Bonds"* (Announcement No.: 2023-045) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on August 28, 2023.

(II) Information on holders and guarantors of convertible bonds during the Reporting Period

Name of convertible corporate bonds	Proya convertible bond	
Holders of convertible corporate bonds as at the end of the period	9,249	
Guarantors of convertible bonds of the Company	None	
Material changes in the profitability, asset conditions and credit conditions of the guarantors	None	
The top ten holders of convertible bonds are as follows:		
Name of holders of convertible corporate bonds	Value of bonds held as at the end of the period (RMB)	Holding ratio (%)
Soochow Securities Co., Ltd.	71,677,000	9.55
Dajia Assets - China CITIC Bank - Dajia Assets Houkun No.40 Collective Asset Management Products	31,601,000	4.21
Dajia Assets - Postal Savings Bank - Dajia Assets - Wenjian Selected No.6 (Tranche 2) Collective Asset Management Products	30,806,000	4.10
National Social Security Fund 201 Portfolio	30,119,000	4.01
Agricultural Bank of China Co., Ltd. - South Xiyuan Convertible Bond Securities Investment Fund	26,790,000	3.57
Industrial and Commercial Bank of China Limited — South Guangli Return Bond Securities Investment Fund	24,664,000	3.28
Bank of China Co., Ltd. - South Changyuan Convertible Bond Securities Investment Fund	23,567,000	3.14
China Galaxy Securities Co., Ltd.	21,494,000	2.86
Sinokorea Life Insurance Co., Ltd. - Traditional Insurance	19,868,000	2.65
China Southern Asset Management Ningkang Convertible Bonds Fixed-benefit Pension Products - Bank of China Co., Ltd.	19,561,000	2.61

(III) Changes in convertible bonds during the Reporting Period

Unit: Yuan Currency: RMB

Name of convertible corporate bonds	Before this change	Increase or decrease due to this change			After this change
		Share conversion	Redemption	Repurchase	
Proya	750,937,000	127,000	0	0	750,810,000

convertible bond					
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(IV) Accumulative conversion of convertible bonds into shares during the Reporting Period

Name of convertible corporate bonds	Proya convertible bond
Value of shares converted from convertible bonds during the Reporting Period (RMB)	127,000
Number of shares converted from convertible bonds during the Reporting Period (Share)	910
Accumulative number of shares converted from convertible bonds (Share)	6,427
Accumulative number of shares converted from convertible bonds accounting for the total number of issued shares of the Company before the conversion (%)	0.0023
Value of bonds not yet converted (RMB)	750,810,000
Proportion of unconverted convertible bonds to the total issuance of convertible bonds (%)	99.8799

(V) Historical adjustments to the conversion price

Unit: Yuan Currency: RMB

Name of convertible corporate bonds				Proya convertible bond	
Date of adjusting the conversion price	Price of convertible shares after adjustment	Disclosure date	Disclosure media	Explanation on adjusting the conversion price	
May 30, 2022	RMB139.37/share	May 24, 2022	SSE website (http://www.sse.com.cn), <i>Shanghai Securities News</i> , <i>Securities Times</i>	Due to the Company's implementation of 2021 Equity Distribution Plan, the conversion price of Proya convertible bond has been adjusted to RMB139.37 per share since May 30, 2022. For details, please refer to the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjusting the Conversion Price of Convertible Bonds in Relation to the 2021 Equity Distribution</i>	

				(Announcement No.: 2022-029) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on May 24, 2022.
September 9, 2022	RMB138.92/share	September 8, 2022	SSE website (http://www.sse.com.cn), <i>Shanghai Securities News</i> , <i>Securities Times</i>	Due to the Company's completion of the registration of restricted shares granted under the 2022 Restricted Share Incentive Plan, the conversion price of Proya convertible bond has been adjusted to RMB138.92 per share since September 9, 2022. For details, please refer to the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjusting the Conversion Price of "Proya Convertible Bonds" in Relation to the Granting of Additional Shares of Restricted Shares</i> (Announcement No.: 2022-052) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on September 8, 2022.
May 29, 2023	RMB98.61/share	May 23, 2023	SSE website (http://www.sse.com.cn), <i>Shanghai Securities News</i> , <i>Securities Times</i>	Due to the Company's implementation of 2022 Equity Distribution Plan, the conversion price of Proya convertible bond has been adjusted to RMB98.61 per share since May 29, 2023. For

				details, please refer to the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjusting the Conversion Price of Convertible Bonds in Relation to the 2022 Equity Distribution</i> (Announcement No.: 2023-030) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on May 23, 2023.
The latest conversion price as at the end of the Reporting Period		RMB98.61/share		

Description: Due to the Company's completion of the repurchase and cancellation of certain equity incentive restricted shares, the conversion price of Proya convertible bond has been adjusted to RMB98.62 per share since August 29, 2023. For details, please refer to the *Announcement of Proya Cosmetics Co., Ltd. on Completing the Repurchase and Cancellation of Certain Equity Incentive Restricted Shares and Adjusting the Conversion Price of "Proya Convertible Bonds"* (Announcement No.: 2023-045) disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on August 28, 2023.

(VI) The Company's liabilities, changes in credit and cash arrangements for debt repayment in future years

As of June 30, 2023, the Company's total assets were RMB6,669,650,520.45, and its liabilities totaled RMB2,799,795,594.98, with a gearing ratio of 41.98%. On June 16, 2023, the rating agency China Lianhe Credit Rating Co., Ltd. issued the *2023 Tracking Rating Report on the Public Issuance of Convertible Corporate Bonds by Proya Cosmetics Co., Ltd.* The main long-term credit rating of the Company is "AA", the credit rating of Proya convertible bond is "AA", and the rating outlook is "stable". The results of this rating remain consistent with the previous rating.

(VII) Other explanations on convertible bonds

None

Section X Financial Report

I. Audit Report

Applicable Not applicable

II. Financial Statements

Consolidated Balance Sheet

June 30, 2023

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	June 30, 2023	December 31, 2022
Current assets:			
Monetary capital	VII. 1	3,960,227,111.24	3,161,003,085.05
Provision for settlement			
Loans to banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	VII. 5	125,495,812.05	102,157,898.41
Receivables financing	VII. 6	1,350,925.86	
Prepayments	VII. 7	91,897,478.31	91,483,523.15
Premiums receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivable			
Other receivables	VII. 8	10,143,560.07	73,564,083.63
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under resale agreements			
Inventory	VII. 9	730,021,306.83	669,051,326.73

Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VII. 13	48,455,696.25	49,735,996.57
Total current assets		4,967,591,890.61	4,146,995,913.54
Non-current assets:			
Loans and advances to customers			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	VII. 17	132,943,560.14	138,533,377.46
Investments in other equity instruments	VII. 18	146,402,400.00	146,402,400.00
Other non-current financial assets			
Investment property	VII. 20	66,302,354.38	68,654,700.81
Fixed assets	VII. 21	559,647,512.15	570,376,309.67
Construction in progress	VII. 22	267,796,910.29	207,378,935.86
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VII. 25	15,947,216.77	6,410,634.25
Intangible assets	VII. 26	411,690,785.95	420,316,883.26
Development expenditure			
Goodwill			
Long-term deferred expenses	VII. 29	17,277,098.40	19,142,604.46
Deferred tax assets	VII. 30	67,181,222.24	48,305,338.82
Other non-current assets	VII. 31	16,869,569.52	5,554,726.06
Total non-current assets		1,702,058,629.84	1,631,075,910.65
Total assets		6,669,650,520.45	5,778,071,824.19
Current liabilities:			
Short-term borrowings	VII. 32	200,155,555.56	200,195,890.41

Loans from the central bank			
Loans from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	VII. 35	56,801,810.60	69,626,352.12
Accounts payable	VII. 36	1,063,096,364.64	475,427,484.23
Receipts in advance	VII. 37	351,138.49	464,328.26
Contract liabilities	VII. 38	213,456,941.60	174,602,833.91
Financial assets sold under repurchase agreements			
Customer deposits and deposits from banks and other financial institutions			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	VII. 39	79,784,211.66	124,938,749.36
Taxes payable	VII. 40	167,087,805.43	152,918,871.45
Other payables	VII. 41	211,974,456.13	216,392,183.41
Including: Interest payable			
Dividends payable			
Fees and commissions payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	VII. 43	3,864,732.04	2,549,452.14
Other current liabilities	VII. 44	12,821,142.71	10,820,499.59
Total current liabilities		2,009,394,158.86	1,427,936,644.88
Non-current liabilities:			

Insurance contract reserves			
Long-term borrowings			
Bonds payable	VII. 46	740,666,717.66	724,491,557.93
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VII. 47	11,281,561.28	3,718,119.41
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities	VII. 50	9,143,868.44	59,282,928.68
Deferred income	VII. 51	5,360,266.33	6,399,811.33
Deferred tax liabilities	VII. 30	23,949,022.41	19,019,431.67
Other non-current liabilities			
Total non-current liabilities		790,401,436.12	812,911,849.02
Total liabilities		2,799,795,594.98	2,240,848,493.90
Owner's equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 53	396,928,515.00	283,519,469.00
Other equity instruments	VII. 54	50,895,410.14	50,903,510.12
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 55	851,451,398.25	914,815,786.22
Less: Treasury shares	VII. 56	163,149,000.00	164,976,000.00
Other comprehensive income	VII. 57	-648,969.71	-1,918,603.07
Special reserve			
Surplus reserve	VII. 59	141,759,734.50	141,759,734.50
General risk reserve			
Undistributed profit	VII. 60	2,553,216,065.97	2,300,384,763.19
Total owner's equity (or shareholders' equity) attributable to the parent company		3,830,453,154.15	3,524,488,659.96
Minority interests		39,401,771.32	12,734,670.33

Total owner's equity (or shareholders' equity)		3,869,854,925.47	3,537,223,330.29
Total liabilities and owners' equity (or shareholders' equity)		6,669,650,520.45	5,778,071,824.19

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Head of Accounting Department: WANG Li

Parent Company's Balance Sheet

June 30, 2023

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	June 30, 2023	December 31, 2022
Current assets:			
Monetary capital		2,818,164,027.86	2,169,179,716.12
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII. 1	353,922,507.08	289,883,063.24
Receivables financing			
Prepayments		103,156,688.46	34,908,418.05
Other receivables	XVII. 2	137,185,024.99	141,574,549.59
Including: Interest receivable			
Dividend receivable			
Inventory		398,433,957.16	458,341,886.37
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		38,520,431.16	32,667,616.71
Total current assets		3,849,382,636.71	3,126,555,250.08
Non-current assets:			
Debt investments			

Other debt investments			
Long-term receivables			
Long-term equity investments	XVII. 3	417,241,390.52	394,321,950.41
Investments in other equity instruments		110,580,000.00	110,580,000.00
Other non-current financial assets			
Investment property		341,242,193.53	348,408,309.83
Fixed assets		271,178,537.15	278,011,361.35
Construction in progress		267,252,826.91	206,756,324.14
Productive biological assets			
Oil and gas assets			
Right-of-use assets		15,250,672.29	5,707,540.03
Intangible assets		376,044,847.80	382,584,698.57
Development expenditure			
Goodwill			
Long-term deferred expenses		13,530,516.04	13,494,337.73
Deferred tax assets		16,895,311.59	11,372,733.52
Other non-current assets		17,092,588.91	4,916,417.58
Total non-current assets		1,846,308,884.74	1,756,153,673.16
Total assets		5,695,691,521.45	4,882,708,923.24
Current liabilities:			
Short-term borrowings		200,155,555.56	200,195,890.41
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		56,801,810.60	69,626,352.12
Accounts payable		610,338,918.25	217,330,371.42
Receipts in advance			
Contract liabilities		360,346,848.33	68,099,041.17
Employee benefits payable		44,344,709.28	58,246,111.22
Taxes payable		62,211,979.04	69,952,710.78
Other payables		168,532,109.47	167,125,433.78

Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		3,390,001.54	2,210,449.03
Other current liabilities			
Total current liabilities		1,506,121,932.07	852,786,359.93
Non-current liabilities:			
Long-term borrowings			
Bonds payable		740,666,717.66	724,491,557.93
Including: Preference shares			
Perpetual bonds			
Lease liabilities		11,288,783.54	3,354,028.30
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		5,360,266.33	6,399,811.33
Deferred tax liabilities		22,661,366.04	18,758,960.23
Other non-current liabilities			
Total non-current liabilities		779,977,133.57	753,004,357.79
Total liabilities		2,286,099,065.64	1,605,790,717.72
Owner's equity (or shareholders' equity):			
Paid-in capital (or share capital)		396,928,515.00	283,519,469.00
Other equity instruments		50,895,410.14	50,903,510.12
Including: Preference shares			
Perpetual bonds			
Capital reserve		901,272,578.97	964,613,342.84
Less: Treasury shares		163,149,000.00	164,976,000.00
Other comprehensive income			
Special reserve			
Surplus reserve		141,759,734.50	141,759,734.50

Undistributed profit		2,081,885,217.20	2,001,098,149.06
Total owner's equity (or shareholders' equity)		3,409,592,455.81	3,276,918,205.52
Total liabilities and owners' equity (or shareholders' equity)		5,695,691,521.45	4,882,708,923.24

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Head of Accounting Department: WANG Li

Consolidated Income Statement

January to June 2023

Unit: Yuan Currency: RMB

Item	Notes	H1 2023	H1 2022
I. Gross revenue		3,626,991,878.22	2,625,943,244.29
Including: Operating revenue	VII. 61	3,626,991,878.22	2,625,943,244.29
Interest income			
Premiums earned			
Fees and commission income			
II. Total operating costs		2,941,251,103.74	2,152,787,578.39
Including: Operating costs	VII. 61	1,069,489,813.93	837,034,743.80
Interest expenses			
Fees and commissions expenses			
Surrender value			
Net compensation expenses			
Net provisions drawn for insurance contracts			
Insurance policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	VII. 62	38,469,557.75	25,429,112.04
Selling expenses	VII. 63	1,579,997,275.26	1,116,921,650.63
General and administrative expenses	VII. 64	192,127,158.56	127,140,154.83

R&D expenses	VII. 65	91,520,865.15	61,066,694.07
Financial expenses	VII. 66	-30,353,566.91	-14,804,776.98
Including: Interest expenses		5,817,515.18	6,535,131.18
Interest income		34,019,097.62	24,330,282.91
Add: Other income	VII. 67	35,532,621.58	20,627,971.50
Investment income (“-” for losses)	VII. 68	-1,164,626.88	-3,658,316.04
Including: Income from investment in associates and joint ventures		-1,831,700.47	-3,658,316.04
Gains from derecognition of financial assets measured at amortized cost (“-” for losses)			
Foreign exchange gains (“-” for losses)			
Net exposure hedging gains (“-” for losses)			
Income from changes in fair value (“-” for losses)			
Credit impairment losses (“-” for losses)	VII. 71	6,753,856.82	875,552.05
Asset impairment losses (“-” for losses)	VII. 72	-52,178,199.75	-89,555,181.24
Gains from disposal of assets (“-” for losses)	VII. 73	-217,694.21	
III. Operating profit (“-” for losses)		674,466,732.04	401,445,692.17
Add: Non-operating revenue	VII. 74	1,359,664.17	308,882.06
Less: Non-operating expenses	VII. 75	2,913,343.62	550,781.27
IV. Total profit (“-” for total losses)		672,913,052.59	401,203,792.96
Less: Income tax expenses	VII. 76	144,644,731.37	92,647,427.04
V. Net profit (“-” for net losses)		528,268,321.22	308,556,365.92
(I) Categorized by the nature of continuing operations			
1. Net profit from continuing		528,268,321.22	308,556,365.92

operations (“-” for net losses)			
2. Net profit from discontinuing operations (“-” for net losses)			
(II) Classification by ownership			
1. Net profit attributable to shareholders of the parent company (“-” for net losses)		499,493,997.71	296,939,515.54
2. Minority interest income (“-” for net losses)		28,774,323.51	11,616,850.38
VI. Other comprehensive income, net of tax		1,269,633.36	-249,117.09
(I) Other comprehensive income (net of tax) attributable to owners of the parent company		1,269,633.36	-249,117.09
1. Other comprehensive income that cannot be reclassified into profit or loss			
(1) Changes arising from the re-measurement of defined benefit plans			
(2) Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
(3) Changes in the fair value of other investments in equity instruments			
(4) Changes in the fair value of the Company’s own credit risks			
2. Other comprehensive income to be reclassified into profit or loss		1,269,633.36	-249,117.09
(1) Other comprehensive income that can be reclassified into profit or loss under the equity method			
(2) Changes in the fair value of other debt investments			
(3) Amount of financial assets			

reclassified into other comprehensive income			
(4) Credit impairment provisions of other debt investments			
(5) Cash flow hedging reserve			
(6) Conversion differences of financial statements denominated in foreign currencies		1,269,633.36	-249,117.09
(7) Others			
(II) Other comprehensive income (net of tax) attributable to minority shareholders			
VII. Total comprehensive income		529,537,954.58	308,307,248.83
(I) Total comprehensive income attributable to owners of the parent company		500,763,631.07	296,690,398.45
(II) Total comprehensive income attributable to minority shareholders		28,774,323.51	11,616,850.38
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		1.25	1.06
(II) Diluted earnings per share (RMB/share)		1.24	1.04

For business combinations involving enterprises under common control in the current period, the net profit realized by the acquirees before the combination is RMB0.00, and the net profit realized thereby in the prior period was RMB0.00.

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Head of Accounting Department: WANG Li

Parent Company's Income Statement

January to June 2023

Unit: Yuan Currency: RMB

Item	Notes	H1 2023	H1 2022
I. Operating Revenue	XVII. 4	1,730,545,125.09	1,338,618,165.34
Less: Operating costs	XVII. 4	823,776,575.95	616,362,778.04

Taxes and surcharges		15,808,311.59	10,380,101.33
Selling expenses		265,242,258.63	213,869,474.60
General and administrative expenses		137,869,495.89	98,835,341.03
R&D expenses		88,272,258.48	62,747,420.22
Financial expenses		-29,081,987.57	-18,381,341.10
Including: Interest expenses		79,333.44	6,439,386.65
Interest income		1,254.56	19,969,174.65
Add: Other income		4,808,666.20	14,152,667.95
Investment income (“-” for losses)	XVII. 5	-4,145,129.34	-3,474,371.02
Including: Income from investment in associates and joint ventures		-1,600,000.00	-3,474,371.02
Gains from derecognition of financial assets measured at amortized cost (“-” for losses)			
Net exposure hedging gains (“-” for losses)			
Income from changes in fair value (“-” for losses)			
Credit impairment losses (“-” for losses)		10,624,149.77	61,920,164.56
Asset impairment losses (“-” for losses)		-50,071,970.30	-78,282,507.05
Gains from disposal of assets (“-” for losses)		30,842.94	
II. Operating profit (“-” for losses)		389,904,771.39	349,120,345.66
Add: Non-operating revenue		189,623.01	6,939.37
Less: Non-operating expenses		1,904,339.55	34,601.49
III. Total profit (“-” for total losses)		388,190,054.85	349,092,683.54
Less: Income tax expenses		60,740,291.78	54,384,602.86
IV. Net profit (“-” for net losses)		327,449,763.07	294,708,080.68

(I) Net profit from continuing operations (“-” for net losses)		327,449,763.07	294,708,080.68
(II) Net profit from discontinuing operations (“-” for net losses)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes arising from the re-measurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in the fair value of other investments in equity instrument			
4. Changes in the fair value of the Company’s own credit risks			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in the fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Credit impairment provisions of other debt investments			
5. Cash flow hedging reserve			
6. Foreign exchange differences from translation of financial			

statements			
7. Others			
VI. Total comprehensive income		327,449,763.07	294,708,080.68
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

The chairman of the Company: HOU Juncheng
Head of Accounting Department: WANG Li

CFO of the Company: WANG Li

Consolidated Cash Flow Statement

January to June 2023

Unit: Yuan Currency: RMB

Item	Notes	H1 2023	H1 2022
I. Cash flows from operating activities:			
Cash receipts from sales of goods and rendering of services		4,012,341,644.34	2,996,503,490.56
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in loans from the central bank			
Net increase in loans from other financial institutions			
Cash receipts from premiums under original insurance contracts			
Net cash receipts from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash receipts from interest, fees and commissions			
Net increase in loans from banks and other financial			

institutions			
Net increase in repurchase business capital			
Net cash receipts from securities trading agency services			
Tax refund receipts			1,438,462.09
Other cash receipts relating to operating activities	VII. 78 (1)	139,316,229.94	64,342,142.15
Subtotal of cash inflows from operating activities		4,151,657,874.28	3,062,284,094.80
Cash payments for goods and services		799,703,317.01	775,028,311.27
Net increase in customer loans and advances			
Net increase in deposits with the central bank and other banks			
Cash payments for compensation payments under original insurance contract			
Net increase in loans to banks and other financial institutions			
Cash payments for interest, fees and commissions			
Cash payments for policy dividends			
Cash payments to and on behalf of employees		338,318,620.54	263,654,300.60
Payments of various types of taxes		462,196,371.81	315,679,187.15
Other cash payments relating to operating activities	VII. 78 (2)	1,370,171,492.89	994,140,165.40
Subtotal of cash outflows from operating activities		2,970,389,802.25	2,348,501,964.42
Net cash flows from operating activities		1,181,268,072.03	713,782,130.38

II. Cash flows from investing activities:			
Cash receipts from returns on investments			
Cash receipts from investments income		338,439.51	
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		3,018,142.61	
Net cash receipts from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Subtotal of cash inflows from investing activities		3,356,582.12	
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets		99,314,112.66	72,466,047.18
Cash payments for investments		6,818,181.82	104,185,427.27
Net increase in pledged loans			
Net cash payments for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		106,132,294.48	176,651,474.45
Net cash flows from investing activities		-102,775,712.36	-176,651,474.45
III. Cash flows from financing activities:			
Cash receipts from capital contributions			700,000.00
Including: Cash receipts by subsidiaries from minority			700,000.00

shareholders' investment			
Cash receipts from borrowings		100,000,000.00	200,000,000.00
Other cash receipts relating to financing activities			
Subtotal of cash inflows from financing activities		100,000,000.00	200,700,000.00
Cash payments for debt repayment		100,000,000.00	200,000,000.00
Cash payments for distribution of dividends, profits or payment of interest expenses		249,213,328.27	176,619,542.24
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities	VII. 78 (6)	3,017,591.46	45,000,000.00
Subtotal of cash outflows from financing activities		352,230,919.73	421,619,542.24
Net cash flows from financing activities		-252,230,919.73	-220,919,542.24
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		1,269,633.36	-249,117.09
V. Net increase in cash and cash equivalents		827,531,073.30	315,961,996.60
Add: Opening balance of cash and cash equivalents		3,125,333,085.05	2,378,334,768.09
VI. Closing balance of cash and cash equivalents		3,952,864,158.35	2,694,296,764.69

The chairman of the Company: HOU Juncheng
Head of Accounting Department: WANG Li

CFO of the Company: WANG Li

Parent Company's Cash Flow Statement

January to June 2023

Unit: Yuan Currency: RMB

Item	Notes	H1 2023	H1 2022
I. Cash flows from operating activities:			
Cash receipts from sales of goods and rendering of services		2,184,341,066.74	1,560,499,082.76
Tax refund receipts			
Other cash receipts relating to operating activities		103,874,829.15	132,070,257.42
Subtotal of cash inflows from operating activities		2,288,215,895.89	1,692,569,340.18
Cash payments for goods and services		559,795,926.80	589,859,418.74
Cash payments to and on behalf of employees		153,659,418.21	113,360,200.45
Payments of various types of taxes		200,776,457.67	160,233,972.59
Other cash payments relating to operating activities		338,218,749.52	170,292,344.51
Subtotal of cash outflows from operating activities		1,252,450,552.20	1,033,745,936.29
Net cash flows from operating activities		1,035,765,343.69	658,823,403.89
II. Cash flows from investing activities:			
Cash receipts from returns on investments		2,540,410.44	
Cash receipts from investments income			
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			
Net cash receipts from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Subtotal of cash inflows		2,540,410.44	

from investing activities			
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets		96,289,876.84	71,839,761.78
Cash payments for investments		11,318,181.82	150,335,427.27
Net cash payments for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		107,608,058.66	222,175,189.05
Net cash flows from investing activities		-105,067,648.22	-222,175,189.05
III. Cash flows from financing activities:			
Cash receipts from capital contributions			
Cash receipts from borrowings		100,000,000.00	200,000,000.00
Other cash receipts relating to financing activities			
Subtotal of cash inflows from financing activities		100,000,000.00	200,000,000.00
Cash payments for debt repayment		100,000,000.00	200,000,000.00
Cash payments for distribution of dividends, profits or payment of interest expenses		249,213,328.27	176,619,542.24
Other cash payments relating to financing activities		2,500,055.46	
Subtotal of cash outflows from financing activities		351,713,383.73	376,619,542.24
Net cash flows from financing activities		-251,713,383.73	-176,619,542.24
IV. Effect of changes in foreign			

exchange rates on cash and cash equivalents			
V. Net increase in cash and cash equivalents		678,984,311.74	260,028,672.60
Add: Opening balance of cash and cash equivalents		2,138,929,716.12	1,684,565,248.70
VI. Closing balance of cash and cash equivalents		2,817,914,027.86	1,944,593,921.30

The chairman of the Company: HOU Juncheng
Head of Accounting Department: WANG Li

CFO of the Company: WANG Li

Consolidated Statements of Changes in Owners' Equity

January to June 2023

Unit: Yuan Currency: RMB

Item	H1 2023													Minority interests	Total equity attributable to owners
	Equity attributable to owners of the parent company														
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal		
Preference shares		Perpetual bonds	Others												
I. Closing balance of the previous year	283,519,469.00			50,903,510.12	914,815,786.22	164,976,000.00	-1,918,603.07		141,759,734.50		2,300,384,763.19		3,524,488,659.96	12,734,670.33	3,537,223,330.29
Add: Changes in accounting policies															
Correction for previous errors															
Business combinations under common control															
Others															
II. Opening balance of the current year	283,519,469.00			50,903,510.12	914,815,786.22	164,976,000.00	-1,918,603.07		141,759,734.50		2,300,384,763.19		3,524,488,659.96	12,734,670.33	3,537,223,330.29
III. Movement for the current period ("-" for decrease)	113,409,046.00			-8,099.98	-63,364,387.97	-1,827,000.00	1,269,633.36				252,831,302.78		305,964,494.19	26,667,100.99	332,631,595.18
(I) Total comprehensive income							1,269,633.36				499,493,997.71		500,763,631.07	28,774,323.51	529,537,954.58
(II) Owner's contribution and capital reduction	910.00			-8,099.98	50,088,937.85	-1,827,000.00							51,908,747.87		51,908,747.87
1. Ordinary shares contributed by owners						-1,827,000.00							1,827,000.00		1,827,000.00
2. Capital															

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income to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawal for the current period															
2. Utilization for the current period															
(VI) Others					-45,189.82							-45,189.82	-2,107,222.52	-2,152,412.34	
IV. Closing balance of the current period	396,928,515.00			50,895,410.14	851,451,398.25	163,149,000.00	-648,969.71		141,759,734.50		2,553,216,065.97	3,830,453,154.15	39,401,771.32	3,869,854,925.47	

Item	H1 2022													Minority interests	Total equity attributable to owners
	Equity attributable to owners of the parent company														
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal		
Preference shares		Perpetual bonds	Others												
I. Closing balance of the previous year	201,009,966.00			50,956,622.11	834,272,205.66	5,628,128.21	-1,247,674.10		100,634,780.00		1,696,978,064.52		2,876,975,835.98	9,864,591.09	2,886,840,427.07
Add: Changes in accounting policies															
Correction for previous errors															
Business combinations under common control															
Others															
II. Opening balance of the current year	201,009,966.00			50,956,622.11	834,272,205.66	5,628,128.21	-1,247,674.10		100,634,780.00		1,696,978,064.52		2,876,975,835.98	9,864,591.09	2,886,840,427.07
III. Movement for the current period ("-" for decrease)	80,406,194.00			-21,217.44	-127,298,849.74	-5,628,128.21	-249,117.09				124,070,944.78		82,536,082.72	12,190,136.50	94,726,219.22

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(I) Total comprehensive income							-249,117.09				296,939,515.54		296,690,398.45	11,616,850.38	308,307,248.83
(II) Owner's contribution and capital reduction	2,208.00			-21,217.44	302,521.21								283,511.77	700,000.00	983,511.77
1. Ordinary shares contributed by owners														700,000.00	700,000.00
2. Capital contributions by other equity instrument holders															
3. Amount of share-based payments credited to owners' equity															
4. Others	2,208.00			-21,217.44	302,521.21								283,511.77		283,511.77
(III) Profit distribution											-172,868,570.76		-172,868,570.76		-172,868,570.76
1. Withdrawal of surplus reserve															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-172,868,570.76		-172,868,570.76		-172,868,570.76
4. Others															
(IV) Internal transfer within owners' equity	80,403,986.00				-127,601,370.95	-5,628,128.21							-41,569,256.74	-126,713.88	-41,695,970.62
1. Transfer of capital reserve to capital (or share capital)	80,403,986.00				-80,403,986.00										
2. Transfer of surplus reserve to capital (or share capital)															

3. Surplus reserve to cover loss															
4. Changes in defined benefit scheme carried forward to retained earnings															
5. Transfer of other comprehensive income to retained earnings															
6. Others					-47,197,384.95	-5,628,128.21							-41,569,256.74	-126,713.88	-41,695,970.62
(V) Special reserve															
1. Withdrawal for the current period															
2. Utilization for the current period															
(VI) Others															
IV. Closing balance of the current period	281,416,160.00			50,935,404.67	706,973,355.92		-1,496,791.19		100,634,780.00		1,821,049,009.30		2,959,511,918.70	22,054,727.59	2,981,566,646.29

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Head of Accounting Department: WANG Li

Statement of Changes in Owners' Equity of the Parent Company

January to June 2023

Unit: Yuan Currency: RMB

Item	H1 2023										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
I. Closing balance of the previous year	283,519,469.00			50,903,510.12	964,613,342.84	164,976,000.00			141,759,734.50	2,001,098,149.06	3,276,918,205.52
Add: Changes in accounting policies											
Correction for previous errors											
Others											
II. Opening balance of the current year	283,519,469.00			50,903,510.12	964,613,342.84	164,976,000.00			141,759,734.50	2,001,098,149.06	3,276,918,205.52
III. Movement for the current period ("-" for decrease)	113,409,046.00			-8,099.98	-63,340,763.87	-1,827,000.00				80,787,068.14	132,674,250.29
(I) Total comprehensive income										327,449,763.07	327,449,763.07
(II) Owner's contribution and capital reduction	910.00			-8,099.98	50,088,937.85	-1,827,000.00					51,908,747.87
1. Ordinary shares contributed by owners						-1,827,000.00					1,827,000.00
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					49,961,246.32						49,961,246.32
4. Others	910.00			-8,099.98	127,691.53						120,501.55
(III) Profit distribution										-246,662,694.93	-246,662,694.93
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)										-246,662,694.93	-246,662,694.93
3. Others											
(IV) Internal transfer within	113,408,136.00				-113,408,136.00						

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owners' equity											
1. Transfer of capital reserve to capital (or share capital)	113,408,136.00				-113,408,136.00						
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover loss											
4. Changes in defined benefit scheme carried forward to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the current period											
2. Utilization for the current period											
(VI) Others					-21,565.72						-21,565.72
IV. Closing balance of the current period	396,928,515.00			50,895,410.14	901,272,578.97	163,149,000.00			141,759,734.50	2,081,885,217.20	3,409,592,455.81

Item	H1 2022										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
I. Closing balance of the previous year	201,009,966.00			50,956,622.11	834,563,920.32	5,628,128.21			100,634,780.00	1,543,745,041.48	2,725,282,201.70
Add: Changes in accounting policies											
Correction for previous errors											
Others											
II. Opening balance of the current year	201,009,966.00			50,956,622.11	834,563,920.32	5,628,128.21			100,634,780.00	1,543,745,041.48	2,725,282,201.70

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III. Movement for the current period (“-” for decrease)	80,406,194.00			-21,217.44	-80,657,556.72	-5,628,128.21				121,839,509.92	127,195,057.97
(I) Total comprehensive income										294,708,080.68	294,708,080.68
(II) Owner’s contribution and capital reduction	2,208.00			-21,217.44	302,521.21						283,511.77
1. Ordinary shares contributed by owners											
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners’ equity											
4. Others	2,208.00			-21,217.44	302,521.21						283,511.77
(III) Profit distribution										-172,868,570.76	-172,868,570.76
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)										-172,868,570.76	-172,868,570.76
3. Others											
(IV) Internal transfer within owners’ equity	80,403,986.00				-80,403,986.00						
1. Transfer of capital reserve to capital (or share capital)	80,403,986.00				-80,403,986.00						
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover loss											
4. Changes in defined benefit scheme carried forward to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the current period											
2. Utilization for the current											

period											
(VI) Others					-556,091.93	-5,628,128.21					5,072,036.28
IV. Closing balance of the current period	281,416,160.00			50,935,404.67	753,906,363.60				100,634,780.00	1,665,584,551.40	2,852,477,259.67

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Head of Accounting Department: WANG Li

III. General Information about the Company

1. Company profile

Applicable Not applicable

Proya Cosmetics Co., Ltd. (hereinafter referred to as the “Company” or this “Company”), formerly known as Proya (Huzhou) Cosmetics Co., Ltd., was registered in Wuxing Branch of Huzhou Municipal Administration for Industry and Commerce on May 24, 2006. Our corporate headquarters is located in Hangzhou, Zhejiang province. The Company now holds the business license with the unified social credit code of 91330100789665033F. The current registered capital is RMB283,513,952.00, and paid-in capital is RMB396,928,515.00. (The paid-in capital is RMB113,414,563.00 more than the registered capital, which is due to the fact that the change in industrial and commercial registration have not been completed in the shares conversion from capital reserve and convertible bonds.) And the total number of shares is 396,928,515 shares (par value of RMB1 per share). Among these shares, there are 2,940,000 A shares with restrictions in circulation, and 393,988,515 A shares that are not subject to restriction in circulation. The shares of the Company were listed for trading on SSE on November 15, 2017.

The Company is a beauty and personal care company. The Company is mainly engaged in cosmetics research and development, production, and sales. The products are mainly cosmetics.

The financial statements were approved for external disclosure by the 13th meeting of the third session of the Board of Directors on August 28, 2023.

2. Scope of consolidated financial statements

Applicable Not applicable

The Company has incorporated 44 subsidiaries, including Hangzhou Proya Trade Co., Ltd., ANYA (Huzhou) Cosmetics Co., Ltd., Zhejiang Meiligu Electronic Commerce Co., Ltd., Huzhou Chuangdai E-commerce Co., Ltd., Yueqing Laiya Trading Co., Ltd. and Hapsode (Hangzhou) Cosmetics Co., Ltd., into the consolidated financial statements of the Reporting Period. See “VIII. Change in Consolidation Scope” and “IX. Equity in Other Entities” in “Section X Financial Report” of this report for details.

IV. Preparation Basis of Financial Statements

1. Preparation basis

The financial statements of the Company are prepared on a going-concern basis.

2. Going concern

Applicable Not applicable

There are no matters or situations that may substantially affect the going-concern ability of the Company within 12 months since the end of the Reporting Period.

V. Significant Accounting Policies and Accounting Estimates

Notes to specific accounting policies and accounting estimates:

Applicable Not applicable

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared by the Company in compliance with the China Accounting Standards for Business Enterprises, and give an accurate and complete view of the Company's financial position, operating results, changes in shareholders' equity, cash flow and other related information.

2. Accounting period

The accounting year of the Company is from January 1 to December 31 of each calendar year.

3. Operating cycle

Applicable Not applicable

The operating cycle of the Company's businesses is short; the Company adopts 12 months as the liquidity classification criteria for assets and liabilities.

4. Recording currency

The Company and its domestic subsidiaries use RMB as their recording currency. Hapsode Co., Ltd., Hanna Cosmetics Co., Ltd., Japan OR and other overseas subsidiaries choose the currency in the main economic environment where they operate as their recording currency.

5. Accounting treatment for business combinations (mergers) involving enterprises under common control and business combinations involving enterprises not under common control

Applicable Not applicable

1. Accounting treatments for enterprise mergers under common control

The assets and liabilities acquired by the Company through enterprise merger are measured at the carrying value of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of the merger. The Company adjusts the capital reserve in accordance with the difference between the carrying value of the owner's equity of the acquiree in the final consolidated financial statements of the ultimate controlling party and the carrying value of the consideration paid for the merger or the total nominal value of the issued shares. If the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted.

2. Accounting treatments for enterprise mergers not under common control

Where the cost of the merger is higher than the fair value proportion of the net identifiable assets acquired from the acquiree in the merger on the acquisition date, the Company recognizes such difference as goodwill. Where the cost of merger is lower than the fair value proportion of the net identifiable assets acquired from the acquiree in the merger on the acquisition date, the measurement of the acquired fair value of the acquiree's identifiable assets, liabilities or contingent liabilities, as well as the cost of merger shall be rechecked. If the cost of the merger remains lower than the fair value proportion of the net identifiable assets acquired from the acquiree in the merger after the recheck, the difference shall be included in the current profit or loss.

6. Preparation of consolidated financial statements

Applicable Not applicable

1. The parent company incorporates all subsidiaries under its control into consolidation scope of the consolidated financial statements. The consolidated financial statements are based on the financial

statements of the parent company and its subsidiaries, and prepared by the parent company in accordance with the *Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements, based on other relevant information.*

2. Accounting treatment methods for buying and then selling, or selling and then buying the equity of the same subsidiary in two consecutive fiscal years: the acquisition of the equity of the acquiree is to control its operating and financial policies and to obtain long-term benefits from its operating activities. When the right to control the acquiree is acquired, it is included in the consolidation scope of the consolidated financial statements. Due to changes in the Company's business plan arrangements, etc., if the equity of the acquiree is disposed of in the second fiscal year to the point of losing control over it, it will be excluded from the consolidation scope of the consolidated financial statements when the control is lost.

7. Classification of joint arrangement and accounting treatment for joint operation

Applicable Not applicable

1. A joint arrangement can be divided into joint operation and joint venture.
2. When the Company is involved in a joint operation, the following items related to the share of interest in joint operation are recognized:
 - (1) The solely-held assets, and jointly owned assets according to the shareholding;
 - (2) The solely-assumed liabilities, and jointly undertaken liabilities according to the shareholding;
 - (3) Income incurred from disposing of the Company's share of output under the joint operation;
 - (4) Income incurred from disposing of assets of joint operation according to the Company's share;
 - (5) The solely-incurred expenses, and expenses incurred from joint operation according to the Company's share.

8. Standards for determination of cash and cash equivalents

Cash presented in the cash flow statement refers to cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents refer to the short-term (generally the expiration is within three months from the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

9. Foreign currency transactions and translation of foreign-currency statements

Applicable Not applicable

1. Translation of foreign currency transactions

Foreign currency transactions are translated into RMB at the approximate spot rate on the transaction date during initial recognition. On the balance sheet date, the foreign currency monetary items are translated based on the spot rate on the balance sheet date. The exchange difference arising from the different exchange rate is included in the current profit or loss, except the exchange difference between the principal and interest of the foreign currency borrowed for meeting the capitalization requirements. The foreign currency non-monetary items measured at historical cost are also translated based on the approximate rate of the spot rate on the transaction date, and the RMB amount is not changed. The foreign currency non-monetary items measured at fair value are translated based on the spot rate on the determination date of the fair value, and the difference is included in the current profit or loss or other comprehensive income.

2. Translation of foreign-currency financial statements

Assets and liabilities items in the balance sheet are translated at the spot rates prevailing at the balance sheet date. Owners' equity items other than "undistributed profit" are translated at the spot rates on the transaction dates. Income and expense items in the income statement are translated at the approximate rates of the spot rates on the transaction dates. Any balance incurred from the translation of foreign-currency financial statements by the above method is included in other comprehensive income.

10. Financial instruments

Applicable Not applicable

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories during initial recognition: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value with changes included in other comprehensive income; (3) financial assets measured at fair value with changes included in current profit or loss.

Financial liabilities are divided into the following four categories during initial recognition: (1) financial liabilities measured at fair value with changes included in current profit or loss; (2) financial liabilities from failure of transfer of financial assets to meet the derecognition conditions or continued involvement in transferred financial assets; (3) financial guarantee contracts not belonging (1) or (2) above, and loan commitments that are given at a rate lower than the market interest rate, and not in the case described in (1) above; (4) financial liabilities measured at amortized cost.

2. Recognition basis, measurement method and derecognition conditions for financial assets and financial liabilities

(1) Recognition basis and initial measurement method for financial assets and financial liabilities

One financial asset or financial liability is recognized when the Company becomes one party of a financial instrument contract. The financial assets or financial liabilities are measured at the fair value during initial recognition. For financial assets and financial liabilities measured at fair value with changes included in current profit or loss, relevant transaction expenses are directly included in the current profit or loss; for other kinds of financial assets or financial liabilities, relevant transaction expenses are included in the amount of initial recognition. However, where the accounts receivable initially recognized by the Company do not contain a significant financing component or the Company does not consider the financing component in the contract of less than one year, the initial measurement is made according to the transaction price defined in the *Accounting Standards for Business Enterprises No. 14 – Revenue*.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

Such financial assets are subsequently measured at amortized cost using the effective interest method. The gains and losses incurred by the financial assets measured at amortized cost but not belonging to any hedging relationship are included in the current profit or loss during derecognition, reclassification, amortization according to the effective interest method or impairment recognition.

2) Debt instrument investment measured at fair value with changes included in other comprehensive income

The method of subsequent measurement at the fair value is adopted. The interest, impairment losses or gains, and exchange gains and losses based on the effective interest method are included in the current profit or loss, and other gains or losses are included in other comprehensive income. During derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to the current profit or loss.

3) Equity instrument investment measured at fair value with changes included in other comprehensive income

The method of subsequent measurement at the fair value is adopted. The dividends obtained (except for the part from investment cost recovery) shall be included in the current profit or loss, and other gains or losses are included in other comprehensive income. During derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings.

4) Financial assets measured at fair value with changes included in the current profit or loss

The method of subsequent measurement at fair value is adopted. The generated gains or losses (including interest and dividend income) are included in the current profit or loss, unless the financial assets belong to part of a hedging relationship.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities measured at fair value with changes included in the current profit or loss

Such financial liabilities include financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and those designated as financial liabilities measured at fair value with changes included in the current profit or loss. As for such financial liabilities, the method of subsequent measurement at the fair value is adopted. The fair value changes of financial liabilities measured at fair value with said change included in the current profit or loss due to an adjustment in the Company's own credit risk are included in other comprehensive income, unless the treatment will cause or enlarge the accounting mismatch in the profit or loss. Other gains or losses generated from such financial liabilities (including interest expense, except the fair value changes arising from the credit risk adjustment of the Company) shall be included in the current profit or loss, unless the financial liabilities belong to part of the hedging relationship. During derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings.

2) Financial liabilities from failure of transfer of financial assets to meet the derecognition conditions or continued involvement in transferred financial assets

Measurement shall be performed in accordance with the *Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets*.

3) Financial guarantee contracts not belonging 1) or 2) above, and loan commitments that are given at a rate lower than the market interest rate, and not in the case described in 1) above

The subsequent measurement is made at the higher one of the following two amounts, after initial recognition: ① loss provisions determined according to regulations on impairment of financial instruments; ② balance of the initially recognized amount after deducting cumulative amortization recognized in accordance with the regulations set out in the *Accounting Standards for Business Enterprises No.14 – Revenue*.

4) Financial liabilities measured at amortized cost

The measurement at amortized cost using the effective interest method is adopted. The gains and losses incurred by the financial liabilities measured at amortized cost but not belonging to any hedging relationship are included in the current profit or loss during derecognition or amortization in accordance with the effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets satisfying one of the following conditions are derecognized:

① The contract right to collect cash flow from the financial assets has been terminated;

② The financial assets have been transferred and such transfer meets the provisions for derecognition of financial assets in the *Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets*.

2) When the existing obligations under the financial liabilities (or part thereof) are released, such financial liabilities (or that part thereof) are derecognized.

3. Recognition basis and measurement method for transfer of financial assets

If the Company has transferred almost all the risks and rewards related to the ownership of financial assets, the financial assets are derecognized, and the rights and obligations resulting from or retained in the transfer are separately recognized as assets or liabilities. In case that almost all the risks and rewards related to the ownership of the financial assets are retained, the recognition of the transferred financial assets is continued. In the case that almost all the risks and rewards related to the ownership of the financial assets are neither transferred nor retained, it shall be treated in the following scenarios: (1) if control over the financial assets is not retained, the financial assets shall be derecognized, and the rights and obligations resulting from or retained in the transfer are separately recognized as the assets or liabilities; (2) if control over the financial assets is retained, the relevant financial assets are recognized according to the degree of continued involvement in the transferred financial assets, and the relevant liabilities are recognized accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the two amounts below shall be included in the current profit or loss: (1) Carrying value of the transferred financial assets at the date of derecognition; (2) The sum of consideration received for the transfer of the financial asset, plus the corresponding derecognized portion of accumulated change in fair value previously included in other comprehensive income (in cases where the transferred financial asset is debt instrument investment measured at fair value with changes included in other comprehensive income). If part of the financial asset is transferred and the transfer satisfies the conditions for derecognition, the overall carrying value before the transfer of the financial asset is allocated according to their respective relative fair value at the transfer date between the portion of the derecognized part and the remaining part, and the difference between the two amounts below is included in the current profit or loss: (1) carrying value of the derecognized part; (2) the sum of consideration for the derecognized part, plus the corresponding derecognized part of accumulated change in fair value previously included in other comprehensive income (in cases where the transferred financial assets are debt instrument investments measured at fair value with changes included in other comprehensive income).

4. Method of determining the fair value of financial assets and financial liabilities

The Company adopts valuation techniques appropriate to the prevailing circumstances with the support of sufficient data and other information available, to determine the fair value of relevant financial assets and financial liabilities. The Company divides the inputs for the estimation technique into the following levels and uses them in turn:

(1) The input of the first level is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;

(2) The input of the second level is the directly or indirectly observable input of related assets or liabilities except the input of the first level, including: the quotation of similar assets or liabilities in an active market; the quotation of the same or similar assets or liabilities in an inactive market; other observable inputs other than quotation, such as the interest rate and yield curves that can be observed during the normal quotation intervals; and the inputs for market validation;

(3) The input of the third level is the unobservable input of related assets or liabilities, including interest rates that cannot be observed directly or cannot be verified according to observable market data, stock

volatility, future cash flows of retirement obligations borne during the business merger, and financial forecasts based on its own data.

5. Impairment of financial instruments

(1) Impairment measurement and accounting treatment of financial instruments

Based on the expected credit loss, the Company carries out accounting treatment for impairment and recognizes the loss provision for the financial assets measured at amortized cost, the debt instrument investment measured at fair value with changes included in other comprehensive income, contract assets, lease receivables, loan commitment other than financial liabilities measured at fair value with changes included in the current profit or loss, and the financial guarantee contracts of financial liabilities not measured at fair value with changes included in the current profit or loss or financial liabilities not from failure of transfer of financial assets to meet the derecognition conditions or continued involvement in transferred financial assets.

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the balance between all contractual cash flows discounted according to the original effective interest rate and receivables under contract by the Company and all cash flows expected to be collected, i.e. the present value of all cash shortages. The purchased or underlying financial assets of the Company with credit impairment incurred shall be discounted according to their effective interest rate upon credit adjustment.

For purchased or underlying financial assets with credit impairment incurred, only the accumulative changes in the expected credit loss in the whole duration after initial recognition shall be recognized by the Company as loss provision on the balance sheet date.

For receivables and contract assets from transactions in accordance with the *Accounting Standards for Business Enterprises No.14 – Revenue*, excluding significant financing components or without consideration, by the Company, to financing components in the contract of no more than one year, the Company measures the loss provision according to the amount equal to the expected credit loss in the whole duration by applying the simplified measurement method.

For lease receivables as well as receivables and contract assets from transactions in accordance with the *Accounting Standards for Business Enterprises No.14 – Revenue*, including significant financing components, the Company measures the loss provision according to the amount equal to the expected credit loss in the whole duration by applying the simplified measurement method.

For financial assets other than the above measurement methods, the Company shall, on each balance sheet date, assess whether their credit risk has increased significantly since initial recognition. If the credit risk has increased significantly since the initial recognition, the Company will measure the loss provision based on the amount of expected credit loss in the whole duration; if the credit risk has not significantly increased since the initial recognition, the Company will measure the loss provision based on the amount of expected credit loss for the financial instruments in the next 12 months.

The Company determines whether the credit risk of financial instruments has increased significantly since initial recognition by utilizing the available, reasonable and well-grounded information, including forward-looking information, and comparing the default risks of the financial instruments on the balance sheet date and on the initial recognition date.

If the Company determines that the financial instruments bear a low credit risk on the balance sheet date, it assumes that the credit risk of the financial instruments has not increased significantly since initial recognition.

The Company evaluates the expected credit risk and measures the expected credit loss based on single financial instruments or portfolio of financial instruments. When based on the portfolio of financial

instruments, the Company divides financial instruments into different portfolios on the basis of their common risk characteristics.

The Company re-measures the expected credit loss on each balance sheet date, and the increased or reversed amount of the loss provision arising therefrom, as losses or gains from impairment, shall be included in the current profit or loss. For financial assets measured at amortized cost, the loss provision deducts the carrying value of the financial assets listed in the balance sheet; for the debt investment measured at fair value with changes included in other comprehensive income, the Company recognizes its loss provision in other comprehensive income without deducting the carrying value of the financial assets.

(2) Financial instruments with expected credit risk assessed on a portfolio basis and expected credit loss measured under three-stage model

Item	Basis for determining the portfolio	Method for measurement of expected credit loss
Other receivables - aging portfolio	Account age	Calculating the expected credit loss by the default risk exposure and the expected credit loss rate in the next 12 months or in the whole duration by referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions

(3) Receivables and contract assets with expected credit loss measured under simplified measurement approach and on a portfolio basis

1) Portfolio details and method for measurement of expected credit loss

Item	Basis for determining the portfolio	Method for measurement of expected credit loss
Receivables financing - bank acceptance note	Note type	Calculating the expected credit loss by the default risk exposure and the expected credit loss rate in the whole duration by referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions
Accounts receivable - aging portfolio	Account age	Calculating the expected credit loss by preparing a comparison table between age of accounts receivable and expected credit loss rate in the whole duration by referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions

2) Accounts receivable - the comparison table between age of aging portfolio and expected credit loss rate in the whole duration

Account age	Accounts receivable Expected credit loss rate (%)
Within 1 year (inclusive, same for below)	5
1-2 years	30
2-3 years	50
Above 3 years	100

6. Offset of financial assets and financial liabilities

The financial assets and financial liabilities are listed in the balance sheet respectively without offsetting. However, when the following conditions are met, the financial assets and liabilities are presented at the net amount after mutual offset in the balance sheet: (1) the Company has the legal right of offsetting the recognized amount and such legal right is currently enforceable; (2) the Company plans to settle by net amount or simultaneously realize the financial assets and clear off the financial liabilities.

When the financial assets that do not meet the derecognition conditions are transferred, the Company does not offset the transferred financial assets with the relevant liabilities.

11. Notes receivable

Determination and accounting treatment of the expected credit loss of notes receivable

Applicable Not applicable

12. Accounts receivable

Determination and accounting treatment of the expected credit loss of accounts receivable

Applicable Not applicable

Refer to “10. Financial instruments” in “V. Significant Accounting Policies and Accounting Estimates” of “Section X Financial Report” of this report for details.

13. Receivables financing

Applicable Not applicable

Refer to “10. Financial instruments” in “V. Significant Accounting Policies and Accounting Estimates” of “Section X Financial Report” of this report for details.

14. Other receivables

Determination and accounting treatment of the expected credit loss of other receivables

Applicable Not applicable

Refer to “10. Financial instruments” in “V. Significant Accounting Policies and Accounting Estimates” of “Section X Financial Report” of this report for details.

15. Inventory

Applicable Not applicable

1. Classification of inventories

Inventories include finished goods or commodities held for sale in the ordinary course of business, goods in process during the production, materials consumed in the course of production and rendering of labor services.

2. Valuation method of delivered inventories

The moving weighted average method is adopted for delivered inventories.

3. Basis for the determination of net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, and provision for impairment of inventories is made based on the positive difference between a single inventory cost and its net realizable value. The net realizable value of inventories directly for sale is determined by the amount of the estimated selling price after deducting the estimated selling expenses and relevant taxes during the ordinary course of production and business; the net realizable value of

inventories required to be processed is determined by the amount of the estimated selling price of the finished products after deducting the estimated cost to completion, the estimated selling expenses and relevant taxes during the ordinary course of production and business. On the balance sheet date, the net realizable value is determined separately for the two parts of the same inventory with or without contract price, and is compared with the relevant costs to separately determine the amount withdrawn or reversed for provision for impairment of inventories.

4. Inventory system

The Company adopts a perpetual inventory system.

5. Amortization of low-value consumables and packaging materials

(1) Low-value consumables

Amortization is performed by the immediate write-off method.

(2) Packaging materials

Amortization is performed by the immediate write-off method.

16. Contract assets

(1). Recognition methods and standards of contract assets

Applicable Not applicable

The rights of the Company to collect consideration from the customer unconditionally (i.e. only depending on time) are presented as receivables; the rights (depending on other factors than time) to collect consideration for transferring goods to the customer are presented as contract assets.

(2). Determination and accounting treatment of the expected credit loss of contract assets

Applicable Not applicable

17. Assets held for sale

Applicable Not applicable

18. Debt investments

Determination and accounting treatment of the expected credit loss of debt investments

Applicable Not applicable

19. Other debt investments

Determination and accounting treatment of the expected credit loss of other debt investments

Applicable Not applicable

20. Long-term receivables

Determination and accounting treatment of the expected credit loss of long-term receivables

Applicable Not applicable

21. Long-term equity investments

Applicable Not applicable

1. Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement. It exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. Significant influence refers to the power to participate in the decision-making process on the financial and operating policies of the investee. It cannot control or jointly control the formulation of such policies with other parties.

2. Determination of investment cost

(1) For an enterprise merger under common control: where the merging party pays cash, transfers non-cash assets, bears debts or issues equity securities as consideration of the merger, the initial investment cost is the share with reference to the carrying value of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party on the date of merger. The difference between the initial investment cost of long-term equity investment and the carrying value of the consideration paid for the merger or total nominal value of the issued shares is adjusted to capital reserve. If the capital reserve is not sufficient to offset the difference, the retained earnings are adjusted.

The Company judges whether the item is a "package deal" via long-term equity investment formed by an enterprise merger under common control through multiple transactions. For items belong to the "package deal", multiple deals are subject to accounting treatment as one deal with control rights having been acquired. For items that do not belong to the "package deal", the initial investment cost is determined on the basis of the share with reference to the carrying value of the net assets of the acquiree in the consolidated financial statements of the ultimate controlling party on the date of merger. The difference between initial investment cost of long-term equity investment at the date of merger and the sum of the carrying amount of long-term equity investment before merger and carrying value of newly paid consideration for additional shares acquired on the date of merger is to adjust capital reserve. If the capital reserve is insufficient to offset the difference, the retained earnings are adjusted.

(2) For the business merger not under common control, the fair value of consideration paid for merger is regarded as the initial investment cost on the acquisition date.

For the long-term equity investment achieved by the Company via business merger not under common control through several transactions, the relevant accounting treatment is based on individual financial statements or consolidated financial statements:

1) In individual financial statements, the initial investment cost calculated by the cost method instead is the sum of the carrying value of the equity investment originally held and the newly increased investment cost.

2) In the consolidated financial statements, the item is determined whether it is a "package deal". For items belong to the "package deal", multiple deals are subject to accounting treatment as one deal with control rights having been acquired. For items that do not belong to the "package deal", the equity of the acquiree held before the acquisition date is re-measured at the fair value of this equity on the acquisition date, and the difference between the fair value and its carrying value is included in the current investment income. If the equity of the acquiree held before the acquisition date is related to other comprehensive income under the equity method, the other related comprehensive income is converted into the current income on the acquisition date, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

(3) For cases other than business merger: If it is acquired with cash, the initial investment cost shall be the actual payment. If it is acquired through issuing equity securities, the initial investment cost is the fair value of the equity securities in issue. If it is acquired through debt restructuring, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No.12 - Debt Restructuring*. If it is acquired through the exchange of non-monetary assets, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No.7 - Exchange of Non-monetary Assets*.

3. Subsequent measurement and recognition of profit or loss

For long-term equity investment controlled by the investee, the cost method is adopted for accounting. For the long-term equity investment of associates and joint ventures, the equity method is adopted for accounting.

4. Treatment of losing of control upon disposal of investment to subsidiaries through multiple transactions

(1) Individual financial statements

For disposal of equity, the difference between the carrying value and the consideration actually received is included in the current profit or loss. The accounting of remaining equity is completed by the equity method in case of significant influence on the investee or implementation of joint control with other parties. However, in case of no control, joint control or significant influence on the investee, the accounting of remaining equity must comply with the relevant provisions of the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*.

(2) Consolidated financial statements

1) Loss of control upon disposal of investment in subsidiary through multiple transactions, and not belonging to the “package deal”

Before losing control, the difference between the price of disposal and the subsidiary’s share of net assets entitled from the disposal of long-term equity investment cumulatively calculated from the acquisition date or the date of merger, is adjusted to capital reserve (capital premium). If the capital premium is insufficient to offset the difference, the retained earnings are adjusted.

When control over the original subsidiary is lost, the remaining equity is re-measured at fair value as at the date on which the control is lost. The difference between the sum of the consideration received from equity disposal and the fair value of the remaining equity minus the share of the net assets of the original subsidiary proportionate to the original shareholding accumulated from the date of acquisition or merger is included in investment gains of the period during which the control is lost, and meanwhile, the goodwill is offset. Other comprehensive income related to the equity investment in the original subsidiary is transferred to investment gains of the period during which the control is lost.

2) Loss of control upon disposal of investment to subsidiaries through multiple transactions, and belonging to the “package deal”

Accounting treatment is made by taking each transaction as one transaction disposing the subsidiary and losing the control right. However, the difference between the amount received each time for disposal before the control is lost and the net assets of said subsidiary corresponding to the disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and is transferred to profit or loss of the period during which the control is lost upon loss of control.

22. Investment property

(1). In case of cost measurement model:

Depreciation or amortization method

1. Investment property includes leased land use rights, land use rights held for transfer upon appreciation, and rental buildings.

2. The cost method is employed for initial measurement of investment property, and cost model for subsequent measurement. Depreciation or amortization shall be withdrawn using the same method as that for fixed assets and intangible assets.

23. Fixed assets**(1). Conditions for recognition**

Applicable Not applicable

Fixed assets are tangible assets that are held for the sake of production of goods, rendering of services, lease or business management, with a service life of more than one accounting year. A fixed asset is recognized when related economic benefits are likely to flow into the Company and the cost of this fixed asset can be measured reliably.

(2). Method for depreciation

Applicable Not applicable

Category	Method for depreciation	Useful lives of depreciation (year)	Residual value rate	Annual depreciation rate
Property and buildings	Straight-line method	10 or 30	5%	9.50% or 3.17%
General equipment	Straight-line method	3-10	5%	9.50% or 3.17%
Dedicated equipment	Straight-line method	5-10	5%	19.00% -9.50%
Transportation vehicles	Straight-line method	5	5%	19.00%

(3). Recognition basis, valuation and depreciation method of fixed assets under financial lease

Applicable Not applicable

24. Construction in progress

Applicable Not applicable

1. Construction in progress is recognized when the following conditions are satisfied at the same time: economic benefits are likely to flow into the Company; and the costs of such construction in progress can be measured reliably. Construction in progress is measured at the actual cost incurred to make the assets ready for their intended use.

2. Construction in progress is transferred to fixed assets at the actual cost when it meets the expected condition for service. When construction in progress has achieved serviceable conditions but final settlement has not been finished yet, it is first transferred to fixed assets as per estimated value. After final settlement is finished, the estimated value is adjusted based on actual cost, but the depreciated amount will not be adjusted.

25. Borrowing costs

Applicable Not applicable

1. Criteria for recognition of capitalized borrowing costs

For borrowing costs incurred by the Company that are directly attributable to the acquisition and construction or production of assets qualified for capitalization, the costs will be capitalized and included in the costs of the related assets. Other borrowing costs shall be recognized as expenses as they are incurred and are included in the current profit or loss.

2. Capitalization period of borrowing costs

(1) Capitalization of borrowing costs begins when the following three conditions are fully satisfied: 1)

expenditures for the assets have been incurred; 2) borrowing costs have been incurred; 3) acquisition and construction or production that are necessary to make the assets ready for the intended use or sale have begun.

(2) Where abnormal interruption of the assets eligible for capitalization occurs during the acquisition and construction or production process and such interruption has lasted for more than 3 consecutive months, the capitalization of borrowing costs is suspended; the borrowing costs during the interruption are recognized as expenses of the current period till resumption of acquisition and construction or production of the assets.

(3) Capitalization of borrowing costs is suspended during periods in which the asset qualified for capitalization under acquisition and construction or production is ready for the intended use or sale.

3. Capitalization rate and amount of borrowing costs

In case of special borrowing for the acquisition and construction or production of assets meeting the capitalization conditions, the interest amount to be capitalized is recognized after deducting the bank interests for the unused portion or the investment income for temporary investment from the interest costs (including recognized depreciation or amortization of premium under effective interest method) actually incurred in the current period of specific borrowing; for general borrowing occupied for the acquisition and construction or production of assets meeting the capitalization conditions, the interest amount to be capitalized shall be determined by the result obtained by multiplying the capitalization rate of occupied general borrowing with the weighted average value of the asset expenditure for the accumulated expenditure exceeding the specific borrowing portion.

26. Biological assets

Applicable Not applicable

27. Oil and gas assets

Applicable Not applicable

28. Right-of-use assets

Applicable Not applicable

Refer to “42. Lease” in “V. Significant Accounting Policies and Accounting Estimates” of “Section X Financial Report” of this report for details.

29. Intangible assets

(1). Valuation method, useful life and impairment test

Applicable Not applicable

1. Intangible assets, including land use rights, patent rights and non-patented technologies, are measured at cost.

2. Amortization for the intangible assets with limited useful life is reasonably performed in the expected realization pattern according to economic benefits related to the intangible assets within its useful life; if the expected realization pattern cannot be reliably determined, the straight-line method shall be adopted for amortization. The specific year information is shown as below:

Item	Useful lives of amortization (year)
Land use rights	40 or 50

Non-patented technology	5
Office software	3-10
Patent rights	5
Customer resources	3
Trademark rights	10

(2). Accounting policy regarding the expenditure on the internal research and development

Applicable Not applicable

Expenses incurred during the research phase of the internal research and development projects are included in the current profit or loss. Expenses in the development phase are recognized as intangible assets when all of the following conditions are satisfied:

- (1) It is technically feasible to complete the intangible assets so that it will be available for use or sale;
- (2) There is an intention to complete the intangible assets for use or sale;
- (3) The intangible assets can produce economic benefits, including that there is evidence that the products produced using the intangible assets has a market or the intangible assets itself has a market; if the intangible assets is for internal use, there is evidence that there exists usage for the intangible assets;
- (4) There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible assets, and there is capability to use or sell the intangible assets;
- (5) The expenses attributable to the development phase of the intangible assets can be measured reliably.

30. Impairment of long-term assets

Applicable Not applicable

For such long-term assets as long-term equity investment, investment properties measured by the cost model, fixed assets, construction in progress and intangible assets with limited useful life, in case that there are signs indicating impairment on the balance sheet date, the recoverable amount shall be estimated. Whether there is a sign of impairment or not, the goodwill acquired in the enterprise merger and intangible assets with indefinite useful life is tested for impairment each year. The impairment test on goodwill is carried out in combination with its related asset group or asset group portfolio.

In case the recoverable amount of the above long-term assets is less than its carrying value, the provision for asset impairment is recognized according to its differences and included in the current profit or loss.

31. Long-term deferred expenses

Applicable Not applicable

The long-term deferred expenses involve all expenses already paid with amortization period of more than 1 year (excluding 1 year). Long-term deferred expenses are entered in an account at the actual amounts, and are amortized by even amortization within the benefit period or prescribed amortization period. If the long-term deferred expenses cannot provide benefit to future accounting periods, then all of the amortized value of the unamortized long-term deferred expenses are transferred into the current profit or loss.

32. Contract liabilities

Recognition method of contract liabilities

Applicable Not applicable

The Company recognizes the obligation to transfer goods to customers for the consideration received or receivable from the customers as contract liabilities.

33. Employee remuneration

(1). Accounting treatment for short-term remuneration

Applicable Not applicable

During the accounting period when employees provide service for the Company, the short-term remuneration actually incurred will be recognized as liabilities, and will be included in the current profit or loss or the costs of the related assets.

(2). Accounting treatment for post-employment benefits

Applicable Not applicable

Post-employment benefits are divided into the defined contribution plan and defined benefit plan.

(1) During the accounting period when employees provide service for the Company, the amount to be deposited as calculated according to the defined contribution plan shall be recognized as liabilities, and will be included in the current profit or loss or the costs of the related assets.

(2) The accounting treatment for the defined benefit plan generally comprises the following steps:

1) According to the expected cumulative benefit unit method, the demographic variables, financial variables, etc. shall be estimated through unbiased and mutually consistent actuarial assumption, so as to measure the obligations arising from the defined benefit plan and determine the period of relevant obligations. In addition, the obligations generated from the defined benefit plan shall be discounted, so as to determine the present value of defined benefit plan obligations and current service cost;

2) In case of assets in the defined benefit plan, the deficit or surplus generated from the present value of obligations of the defined benefit plan minus the fair value of the assets of defined benefit plan is recognized as net liabilities or net assets in the defined benefit plan. When the defined benefit plan has a surplus, the net assets of the defined benefit plan are measured at the lower of the surplus of the defined benefit plan and the asset caps;

3) At the end of the period, the employee remuneration costs generated by the defined benefit plan are recognized as three parts, i.e., service costs, net interest of the net liabilities or net assets of the defined benefit plan, and the changes generated by re-measurement of the net liabilities or net assets of the defined benefit plan, in which the service costs and the net interest of the net liabilities or net assets of the defined benefit plan are included in the current profit or loss or the costs of the related assets, and the changes generated by re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income, and cannot be reversed to profit or loss in the subsequent accounting period. However, the amount recognized in other comprehensive income can be transferred within the equity scope.

(3). Accounting treatment for termination benefits

Applicable Not applicable

If termination benefits are provided to employees, the employee remuneration liabilities arising from the termination benefits are recognized on the earlier date of the following and included in the current profit or loss: (1) when the Company cannot unilaterally withdraw the termination benefits provided due to termination of labor relation plan or layoff proposal; (2) when the Company recognizes the cost or expenses related to the restructuring involving payment of termination benefits.

(4). Accounting treatment for other long-term employees' benefits

√ Applicable Not applicable

Other long-term employee benefits satisfying the conditions in the defined contribution plan are treated in accounting as stipulated in the defined contribution plan; and other long-term benefits beyond that are treated in accounting as stipulated in the defined benefit plan. In order to simplify related accounting treatment, the generated employee remuneration costs are recognized as the service cost. The total net amount of item composed of the net interest of net liabilities or net assets of other long-term employee benefits and the changes generated from re-measuring net liabilities or net assets of other long-term employee benefits is included in the current profit or loss or the costs of the related assets.

34. Lease liabilities

√ Applicable Not applicable

Refer to "42. Lease" in "V. Significant Accounting Policies and Accounting Estimates" of "Section X Financial Report" of this report for details.

35. Estimated liabilities

√ Applicable Not applicable

1. The obligations imposed by contingencies, such as providing external guarantee, lawsuits, product quality assurance and onerous contracts, become the current obligations assumed by the Company, which are determined by the Company as estimated liabilities when their performance is very likely to result in economic benefit outflow from the Company and their amount can be measured reliably.
2. The estimated liabilities are initially measured by the Company based on the optimal estimate to be paid for performing relevant current obligations and their carrying value is reviewed on the balance sheet date.

36. Share-based payments

√ Applicable Not applicable

1. Types of share-based payments

There are equity-settled and cash-settled share-based payments.

2. Relevant accounting treatment of implementing, modifying and terminating the share-based payment scheme

(1) Equity-settled share-based payments

These equity-settled share-based payments vested immediately after the grant date and exchanged for employee services shall be included in relevant costs or expenses as per the fair value of the equity instruments on the grant date, and the capital reserve shall be adjusted accordingly. For equity-settled share-based payments that are vested only after the services within the waiting period are completed or the specified performance conditions are satisfied and that are exchanged for employee services, the services acquired in the current period are included in relevant costs or expenses as per the fair value of the equity instruments on the grant date based on the optimal estimate of the number of vesting equity instruments on each balance sheet date within the waiting period, and the capital reserve is adjusted accordingly.

The equity-settled share-based payments exchanged for services of other parties are measured as per the fair value of the services of other parties on the date of acquisition if its reliable measurement is possible;

if the reliable measurement of the fair value of other parties' services is impossible, but that of the equity instruments is possible, they will be measured as per the fair value of the equity instruments on the date of acquiring the services and are included in relevant costs or expenses, and the owner's equity is increased accordingly.

(2) Cash-settled share-based payments

These cash-settled share-based payments vested immediately after the grant date and exchanged for employee services shall be included in relevant costs or expenses as per the fair value of the liabilities assumed by the Company on the grant date, and the liabilities shall be increased accordingly. For these cash-settled share-based payments that are vested only after the services within the waiting period are completed or the specified performance conditions are satisfied and that are exchanged for employee services, the services acquired in the current period shall be included in relevant costs or expenses and corresponding liabilities as per the fair value of the liabilities assumed by the Company based on the optimal estimate of the vesting conditions on each balance sheet date within the waiting period.

(3) Modifying and terminating the share-based payment scheme

If the fair value of the granted equity instruments is increased, the Company recognizes the increase of the acquired services according to the increase of the fair value of the equity instruments. If the number of the granted equity instruments is increased, the Company recognizes the increased fair value of the equity instruments as the increase of the acquired services accordingly. If the Company modifies the vesting conditions in a way favorable to employees, the Company considers the modified vesting conditions when dealing with the vesting conditions.

If the fair value of the granted equity instruments is decreased, the Company continues to recognize the amount of the acquired services according to the fair value of the equity instruments on the grant date, without taking into account the decrease of the fair value of the equity instruments. If the number of the granted equity instruments is decreased, the Company treats the decreased part as cancellation of the granted equity instruments. If the Company modifies the vesting conditions in a way unfavorable to employees, the Company will not consider the modified vesting conditions when dealing with the vesting conditions.

If the Company cancels or settles the granted equity instruments within the waiting period (other than the cancellation arising from failure to meet the vesting conditions), the cancellation or settlement is regarded as accelerated vesting treatment to immediately recognize the amount that should be recognized within the remaining waiting period.

37. Preference shares, perpetual bonds and other financial instruments

Applicable Not applicable

According to the relevant standards for financial instruments and the *Regulations on Relevant Accounting Treatment of Perpetual Bonds* (Ministry of Finance [2019] No. 2), for financial instruments such as convertible corporate bonds issued, the Company shall classify these financial instruments or their components as financial assets, financial liabilities and equity instruments during initial recognition, based on the contractual terms of the financial instruments issued and the economic substance they reflect, not only in legal form, but in combination with the definitions of financial assets, financial liabilities or equity instruments.

On the balance sheet date, for financial instruments classified as equity instruments, the accounting treatment for interest expense or dividend distribution as the Company's profit distribution, and for repurchase, cancellation, etc. as changes in equity is carried out; for financial instruments classified as financial liabilities, the accounting treatment for interest expense or dividend distribution as borrowing

costs is carried out, and the gains or losses from repurchase or redemption are included in the current profit or loss.

38. Revenue

(1). Accounting policy applied for revenue recognition and measurement

Applicable Not applicable

1. Revenue recognition principle

The Company shall, on the commencement date of the contract, evaluate the contract, identify the individual performance obligations provided in the contract and determine whether to perform them within a period or at a time point.

The performance obligations shall be deemed to be performed within a period if one of the following conditions is satisfied, otherwise, they will be deemed to be performed at a time point: (1) The customer acquires and consumes the economic benefits brought by the Company's performance while the Company is performing its obligations; (2) the customer is capable to control the commodities in progress during the Company's performance; (3) the commodities produced during the Company's performance have irreplaceable purpose and the Company has the right to collect the amounts for the performance part already completed to date within the whole contract term.

For the obligations performed within a period, the Company shall recognize the revenue according to the performance progress in that period. If the performance progress cannot be determined in a reasonable way, but the incurred costs are expected to be reimbursed, the revenue shall be recognized according to the incurred amount of costs until the performance progress can be determined in a reasonable way. For the obligations performed at a time point, the revenue shall be recognized at the time of the customer's acquiring the control of related commodities or services. The Company shall take into account the following when judging whether the customer has acquired the commodity control: (1) The Company has the current right for collection, namely the customer has the current obligation for payment with respect to the commodity; (2) the Company has transferred the legal title of the commodity to the customer, namely the customer has acquired the same; (3) the Company has transferred the physical commodity to the customer, namely the customer has physical possession of the commodity; (4) the Company has passed the main risks and return on the commodity's title to the customer, namely the customer has acquired the same; (5) the customer has accepted the commodity; and (6) there is other information indicating that the customer has acquired the commodity control.

2. Revenue measurement principle

(1) The Company shall measure the revenue according to the transaction price apportioned to the individual performance obligations. The transaction price refers to the consideration amount of which the Company is expected to have right for collection due to transfer of commodities or services to the customer, excluding the amounts charged on behalf of the third party and expected to refund to the customer.

(2) In case of variable consideration in the contract, the Company shall determine the optimal estimate of the variable consideration according to the expected value or the amount most likely to be incurred, while the transaction price including the variable consideration shall not exceed the amount under the circumstance where the accumulatively recognized revenue will be highly unlikely to suffer major reversal when relevant uncertainties are eliminated.

(3) In case of major financing composition in the contract, the Company shall determine the transaction price according to the payable amount assumed to be paid by the customer in cash immediately after he acquires the control of the commodities or services. The difference between the transaction price and the

contract consideration shall be amortized by the effective interest method within the contract term. If the Company expects, on the commencement date of the contract, that the interval between the customer's acquisition of the control of the commodities or services and its payment is not more than one year, the major financing composition in the contract shall not be taken into account.

(4) In case of two or more performance obligations in the contract, the Company shall, on the commencement date of the contract, apportion the transaction price to the individual performance obligations according to the relative proportion of the individual sales price of the commodities undertaken as per the individual performance obligations.

(2). Difference in accounting policies for revenue recognition resulting from different business models for similar businesses

Applicable Not applicable

The Company mainly sells cosmetics. It has different sales models classified as distribution, direct selling and sales on commission.

(1) Distribution

The sales revenue shall be recognized after the Company delivers the products to the buyer according to the provisions of the contract and the buyer accepts the same.

(2) Direct selling

The sales revenue shall be recognized after the Company delivers the commodities to the consumer, and the consumer confirms receipt and makes payment.

(3) Sales on commission

The sales revenue shall be recognized after the Company delivers the products to the commissioned party according to the provisions of the contract and the commissioned party provides the list of sales on commission to the Company upon selling the products to others.

39. Contract cost

Applicable Not applicable

The assets associated with the contract acquisition cost include the contract acquisition cost and contract performance cost.

The incremental cost incurred by the Company for acquiring the contract that is expected to be recoverable, as the contract acquisition cost, shall be recognized as an asset. If the amortization period of the contract acquisition cost is no more than one year, it shall be directly included in the current profit or loss when incurred.

The cost incurred by the Company for performing the contract that falls out of the standard scope of relevant criteria for stocks, fixed assets or intangible assets and that satisfies the following conditions, as the contract performance cost, shall be recognized as an asset:

1. The cost is directly related to one contract acquired currently or as expected, including direct labor, direct materials and manufacturing expenses (or similar), costs expressly borne by the customer and other costs incurred solely in connection with the contract;
2. The cost increases the resources for the Company to perform its obligations in the future;
3. The cost is expected to be recoverable.

The Company shall amortize the assets related to the contract cost on the same basis as for recognizing the revenue of the commodities or services in connection with the assets and shall be charged to the current profit or loss.

If the carrying value of the assets related to the contract cost is higher than the surplus consideration

expected to be acquired for transferring the commodities or services in connection with the assets minus the cost expected to be incurred, the Company shall make the provision for impairment against the exceeding part and recognize it as the assets impairment loss. If any changes in the factors for impairment in previous periods make the surplus consideration expected to be acquired for transferring the commodities or services in connection with the assets minus the cost expected to be incurred higher than the carrying value of the assets, the provision for assets impairment made originally shall be reversed and included in the current profit or loss, provided that the reversed carrying value of the assets is no more than that on the reversal date without making the provision for impairment.

40. Government grants

Applicable Not applicable

1. Government grants are recognized when all of the following conditions are satisfied: (1) The Company is able to meet the conditions attached to the government grants; (2) the Company is able to receive the government grants. In case of government grants as monetary assets, they shall be measured as per the amount received or receivable. In case of government grants as non-monetary assets, they shall be measured as per the fair value; in case that the fair value cannot be acquired in a reliable way, they shall be measured as per the nominal amount.

2. Basis of determination and accounting treatment method for government grants related to assets

These government grants that are used for purchasing and constructing or otherwise forming long-term assets as specified in government documents are classified as government grants related to assets. In case of no clear provision in government documents, the government grants shall be determined on the basis of the essential condition required for obtaining the grants, and shall be considered as related to assets if the essential condition is purchasing and constructing or otherwise forming long-term assets. The government grants related to assets shall offset the carrying value of relevant assets or be recognized as deferred income. If the government grants related to assets are recognized as deferred income, they shall be included in the profit and loss in a reasonable and systematic way within the useful life of relevant assets. The government grants measured as per the nominal amount shall be directly included in the current profit or loss. If related assets are sold, transferred, scrapped or damaged before the end of their useful life, the related deferred income balance unallocated shall be transferred into the profit and loss in the current period of assets disposal.

3. Basis of determination and accounting treatment method for government grants related to income

The government grants other than those related to assets are classified as government grants related to income. If it is difficult to distinguish whether the government grants containing both the part related to assets and the part related to income are related to assets or income, they shall be entirely classified as the government grants related to income. The government grants related to income that are used for compensation for relevant costs or losses in subsequent periods shall be recognized as deferred income, and included in the current profit or loss or offset relevant costs in the period in which relevant costs or losses are recognized; those used for compensation for relevant costs or losses that have incurred shall be directly included in the current profit or loss or offset relevant costs.

4. The government grants related to daily business activities of the Company shall be included in other income or offset relevant costs according to the nature of the economic business. The government grants unrelated to the daily activities of the Company shall be included in non-operating income and expenses.

41. Deferred tax assets/ liabilities

Applicable Not applicable

1. According to the difference between the carrying value of the assets and liabilities and their tax basis (if the tax basis of the items recognized not as assets and liabilities can be determined according to the provisions of the tax law, the difference between that tax basis and their carrying amount), the deferred tax assets or liabilities shall be calculated and recognized according to the tax rate applicable in the period where it is expected to recover the assets or liquidate the liabilities.
2. Deferred tax assets are recognized to the extent that it is very likely to obtain the taxable income to deduct the deductible temporary differences. If on the balance sheet date, there is conclusive evidence proving that it is very likely to obtain sufficient taxable income in future periods to deduct the deductible temporary differences, the deferred tax assets not recognized yet in previous accounting periods shall be recognized.
3. If the carrying value of the deferred tax assets is reviewed on the balance sheet date and it is very likely to not obtain sufficient taxable income in future periods to deduct their benefits, the carrying value of the deferred tax assets shall be written down. When it is very likely to obtain sufficient taxable income, the amount written down shall be reversed.
4. The current income tax and deferred tax of the Company are included in the current profit or loss as the income tax expense or income, except for the income tax arising from the following circumstances: (1) business merger; (2) transactions or matters recognized directly in the owner's equity.

42. Lease

(1). Accounting treatment of operating lease

Applicable Not applicable

(2). Accounting treatment of financing lease

Applicable Not applicable

(3). Determination method and accounting treatment of lease under new lease standards

Applicable Not applicable

1. The Company as lessee

On the start date of the lease term, the Company recognizes leases with a lease term not exceeding 12 months and no purchase option as short-term leases; leases with low value when individual leased assets are brand-new assets are recognized as leases of low-value assets. If the Company subleases or is expected to sublease the leased assets, the original lease is not recognized as a lease of low-value assets. For all short-term leases and leases of low-value assets, the Company records the lease payments in the cost of related assets or the current profit or loss by straight-line method over each period of the lease term.

Except for the above-mentioned short-term leases and leases of low-value assets that adopt simplified treatment, the Company recognizes leases as right-of-use assets and lease liabilities, on the start date of the lease term.

(1) Right-of-use assets

Right-of-use assets are initially measured at cost which includes: 1) the initial measurement amount of lease liabilities; 2) the lease payments made on or before the start date of the lease term, deducting the amounts related to the lease incentive given if there is a lease incentive; 3) the initial direct costs incurred by the lessee; 4) the estimated costs to be incurred by the lessee to dismantle and remove leased assets, restore the site where the leased assets are located, or restore the leased assets to the condition

agreed upon in the lease terms.

The Company depreciates right-of-use assets by the straight-line method. If it can be reasonably determined that the ownership of the leased assets will be acquired at the expiration of the lease term, the Company shall accrue depreciation over the remaining useful life of the leased assets. If it cannot be reasonably determined that the ownership of the leased assets can be acquired at the expiration of the lease term, the Company shall accrue depreciation over the lease term or the remaining useful life of the leased assets, whichever is shorter.

(2) Lease liabilities

On the start date of the lease term, the Company recognizes the present value of the outstanding lease payments as lease liabilities. When calculating the present value of lease payments, the interest rate implicit in the lease is used as the discount rate. If the interest rate implicit in the lease cannot be determined, the Company's incremental borrowing rate is used as the discount rate. The difference between the lease payment and its present value is regarded as the unrecognized financing expense, and the interest expense is recognized in each period of the lease term according to the discount rate of the present value of the recognized lease payment, and is included in the current profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit or loss when actually incurred.

After the start date of the lease term, when there is a change in the actual amount of fixed payment, a change in the estimated payable amount of the guaranteed residual value, a change in the index or ratio used to determine the lease payment amount, or a change in the evaluation result or actual exercise of the purchase option, renewal option or termination option, the Company re-measures the lease liabilities according to the present value of the changed lease payments, and adjusts the carrying value of the right-of-use assets accordingly. If the carrying value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the remaining amount shall be included in the current profit or loss.

2. The Company as lessor

On the start date of the lease term, the Company classifies the leases that have almost all the risks and rewards related to the ownership of the leased assets substantially transferred as financing leases, and other leases as operating leases.

(1) Operating lease

During each period of the lease term, the Company recognizes the lease receipts as rental income by the straight-line method, capitalizes the initial direct expenses incurred and amortizes the expenses on the same basis as for rental income recognition, to be included in the current profit or loss in installments. The variable lease payments obtained by the Company related to operating leases but not included in the lease receipts are included in the current profit or loss when actually incurred.

(2) Financing lease

On the start date of the lease term, the Company recognizes the financing lease receivables based on the net lease investment (the sum of the unguaranteed residual value and the present value of the lease receipts that have not been received on the start date of the lease term discounted at the interest rate implicit in lease), and derecognizes financing lease assets. During each period of the lease term, the Company calculates and recognizes interest income based on the interest rate implicit in the lease.

The variable lease payments received by the Company that are not included in the measurement of net lease investment are included in the current profit or loss when actually incurred.

43. Other significant accounting policies and accounting estimates

Applicable Not applicable

44. Changes in significant accounting policies and accounting estimates**(1). Changes in significant accounting policies**

Applicable Not applicable

(2). Changes in significant accounting estimates

Applicable Not applicable

(3). Adjustments to financial statements at the beginning of the year upon the first adoption of new accounting standards or interpretation of standards from 2023

Applicable Not applicable

45. Others

Applicable Not applicable

VI. Taxes**1. Major tax types and tax rates**

Particulars on major tax types and tax rates

Applicable Not applicable

Tax type	Taxing basis	Tax rate
Value added tax ("VAT")	The output tax is calculated on the basis of the income from sales of products and taxable income from rendering of services calculated according to the provisions of tax law. The difference between the output tax and the amount after deducting the input tax which is allowed to be deductible in the current period is the payable VAT.	13%, 9%, 6%, 1%
Consumption tax	Taxable sales (volume)	15%
Property tax	In the case of ad valorem taxation, it is calculated and paid as per 1.2% of the remaining value after 30% of the original value of the property is deducted in a lump sum; in the case of taxation according to a lease, it is calculated and paid as per 12% of the rental income.	12%, 1.2%
Urban maintenance and construction tax	Actual turnover tax paid	7%, 5%
Education surcharge	Actual turnover tax paid	3%
Surcharge for local education	Actual turnover tax paid	2%
Enterprise income tax	Taxable income	[Note]

[Note] Descriptions on taxpayers with different enterprise income tax rates

If there are taxpayers with different enterprise income tax rates, the disclosure will be made for description

√ Applicable □ Not applicable

Name of taxpayer	Income tax rate (%)
The Company	15
Huzhou Niuke Technology Co., Ltd.	5
Xuzhou Laibo Information Technology Co., Ltd.	5
Hangzhou Boxin Trading Co., Ltd.	5
Danyang Hapsode Cosmetics Trading Co., Ltd.	5
Hangzhou Weiluoke Cosmetics Co., Ltd.	5
Korea Younimi Cosmetics Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in South Korea
Hanna Cosmetics Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in South Korea
Hapsode Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in South Korea
Hong Kong Keshi Trading Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Xinghuo Industry Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Wanyan Electronic Commerce Co., Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Zhongwen Electronic Commerce Co., Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Xuchen Trading Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
BOYA (Hong Kong) Investment Management Co., Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Proya Europe SARL	Relevant taxes are calculated and paid according to local tax regulations in Luxembourg
Japan OR	Relevant taxes are calculated and paid according to local tax regulations in Japan
Taxpayers other than the above	25

2. Tax preference

√ Applicable □ Not applicable

The Company was reviewed as a high-tech enterprise on December 1, 2020 and obtained the High-tech Enterprise Certificate, with the validity of certification of 3 years and the grace period for enterprise income tax from 2020 to 2022. The Company is applying for a review of its qualification as a high-tech enterprise in 2023. The Company will be temporarily subject to the enterprise income tax at the preferential rate of 15% in 2023.

According to the relevant provisions of the *Announcement of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households* (Announcement No. 6 of

the Ministry of Finance and the State Taxation Administration in 2023), from January 1, 2023 to December 31, 2024, small and micro enterprises would calculate taxable income as per a reduced tax rate of 25% and pay the enterprise income tax as per the tax rate of 20% for the portion of annual taxable income not exceeding RMB1 million. According to the relevant provisions of the *Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing Preferential Income Tax Policies for Small and Micro Enterprises* (Announcement No. 13 of the Ministry of Finance and the State Taxation Administration in 2022), from January 1, 2022 to December 31, 2024, small and micro enterprises would calculate taxable income as per a reduced tax rate of 25% and pay the enterprise income tax as per the tax rate of 20% for the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million. Huzhou Niuke Technology Co., Ltd., Xuzhou Laibo Information Technology Co., Ltd., Hangzhou Boxin Trading Co., Ltd., Danyang Hapsode Cosmetics Trading Co., Ltd., and Hangzhou Weiluke Cosmetics Co., Ltd., subsidiaries of the Company, comply with the criteria for tax payment of small and micro enterprises, and will pay the enterprise income tax as per the tax rate of 5% in 2023.

According to the provisions of Article 3 (2) of the *Announcement of the Ministry of Finance and the State Taxation Administration on Defining Policies for Reducing and Exempting VAT for Small-scale VAT Taxpayers* (Announcement No. 1 of the Ministry of Finance and the State Taxation Administration in 2023), for taxpayers engaged in consumer-oriented service industries, the input tax deductible in the current period plus 10% would be used for deducting the tax payable from January 1, 2023 to December 31, 2023. Taxpayers engaged in consumer-oriented service industries refer to taxpayers whose sales from providing consumer-oriented service account for more than 50% of the total sales. Hangzhou Proya Commercial Management Co., Ltd., a subsidiary of the Company, complies with the conditions for general taxpayers engaged in consumer-oriented service industries, and the input tax deductible in the current period plus 10% would be used for deducting the tax payable from January 1, 2023 to December 31, 2023.

3. Others

Applicable Not applicable

VII. Notes to the Items in the Consolidated Financial Statements

1. Monetary capital

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	21,976.11	20,176.08
Cash at bank	3,933,070,722.34	3,078,501,723.18
Other monetary capital	27,134,412.79	82,481,185.79
Total	3,960,227,111.24	3,161,003,085.05
Of which: Total cash deposited outside China	92,213,212.06	73,162,153.00
Deposits with Finance Company		

Other description:

At the end of the period, the scope of restricted use covered the margin for fixed-term deposits of transformers of RMB250,000.00 in bank deposits, as well as ETC vehicle deposit of RMB70,000.00,

Pinduoduo deposit of RMB5,000,000.00 and Tmall and Alipay deposits of RMB2,042,952.89 in other monetary capital.

At the beginning of the period, the scope of restricted use covered fixed-term deposits of RMB30,000,000.00 in bank deposits, the margin for fixed-term deposits of transformers of RMB250,000.00, as well as the ETC vehicle deposit of RMB70,000.00, Pinduoduo deposit of RMB5,000,000.00 and Tmall and Alipay deposits of RMB350,000.00 in other monetary capital.

2. Financial assets held for trading

Applicable Not applicable

3. Derivative financial assets

Applicable Not applicable

4. Notes receivable

(1). List by the classification of notes receivable

Applicable Not applicable

(2). Notes receivable pledged by the Company at the end of the period

Applicable Not applicable

(3). Notes receivable endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date

Applicable Not applicable

(4). Notes that have been transferred to accounts receivable by the Company at the end of the period due to the non-performance of the contract of the drawer

Applicable Not applicable

(5). Disclosed by classification of bad debt accrual method

Applicable Not applicable

(6). Information of bad-debt provision

Applicable Not applicable

(7). Notes receivable actually written off in the current period

Applicable Not applicable

Other description:

Applicable Not applicable

5. Accounts receivable

(1). Disclosed by account age

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Book balance at the end of the period
Within 1 year	
Including: Subitem within 1 year	

Within 1 year	128,845,808.66
Sub-total within 1 year	128,845,808.66
1-2 years	1,922,881.09
2-3 years	4,561,375.07
Above 3 years	14,031,186.12
3-4 years	
4-5 years	
Above 5 years	
Total	149,361,250.94

(2). Disclosed by method of provision for bad debts√ Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Provision for bad debts by item	13,180,540.21	8.82	13,180,540.21	100.00		13,574,973.09	10.79	13,574,973.09	100.00	
Including:										
Provision for bad debts by portfolio	136,180,710.73	91.18	10,684,898.68	7.85	125,495,812.05	112,285,497.89	89.21	10,127,599.48	9.02	102,157,898.41
Including:										
Aging portfolio	136,180,710.73	91.18	10,684,898.68	7.85	125,495,812.05	112,285,497.89	89.21	10,127,599.48	9.02	102,157,898.41
Total	149,361,250.94	/	23,865,438.89	/	125,495,812.05	125,860,470.98	/	23,702,572.57	/	102,157,898.41

Provision for bad debts by item:

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Closing balance			
	Book balance	Provision for bad debts	Provision ratio (%)	Reason for accrual
Provision for bad debts by item	13,180,540.21	13,180,540.21	100.00	Expected as unable to recover
Total	13,180,540.21	13,180,540.21	100.00	/

Explanation of bad debt provision by item:

 Applicable Not applicable

Provision for bad debts by portfolio:

√ Applicable Not applicable

Provision by portfolio: Aging portfolio

Unit: Yuan Currency: RMB

Name	Closing balance		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Aging portfolio	136,180,710.73	10,684,898.68	7.85
Total	136,180,710.73	10,684,898.68	7.85

Recognition standard and explanation of provision for bad debts made by portfolio:

√ Applicable Not applicable

Account age	Closing amount		
	Book balance	Provision for bad debts	Provision ratio (%)
Within 1 year	128,845,808.66	6,470,977.58	5.00
1-2 years	1,922,881.09	576,864.32	30.00

2-3 years	3,549,928.39	1,774,964.19	50.00
Above 3 years	1,862,092.59	1,862,092.59	100.00
Subtotal	136,180,710.73	10,684,898.68	7.85

If the bad debt provision is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(3). Information of bad-debt provision

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in the current period				Closing balance
		Accrual	Withdrawal or written-back	Charge-off or write-off	Other changes	
Provision for bad debts by item	13,574,973.09	102,076.15	421,794.92	74,714.11		13,180,540.21
Provision for bad debts by portfolio	10,127,599.48	692,047.70		53,023.83	81,724.67	10,684,898.68
Total	23,702,572.57	794,123.85	421,794.92	127,737.94	81,724.67	23,865,438.89

The other decrease of RMB81,724.67 in the provision for bad debts by portfolio in the current period is the disposal of the equity of Hangzhou Xiake Bar Catering Management Co., Ltd. (hereinafter referred to as “Hangzhou Xiake Bar Company”) and Hangzhou Tiedingxian Catering Management Co., Ltd. (hereinafter referred to as “Hangzhou Tiedingxian Company”), and the bad debt provision for account receivables is transferred out accordingly.

Among them, significant amount of bad-debt provision withdrawn or written back in the current period:

Applicable Not applicable

(4). Accounts receivable actually written off in the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Written off amount
Accounts receivable actually written off	127,737.94

Significant accounts receivable that are written off

Applicable Not applicable

Explanation of the write-off of accounts receivable

Applicable Not applicable

(5). Accounts receivable of the top five ending balances collected by debtor

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Closing balance	Proportion of total balance of accounts receivable at the end of the period (%)	Closing balance of bad debt provision
Beijing Jingdong Century Trading Co., Ltd.	76,260,712.77	51.06	3,813,035.64
Vipshop (China) Co., Ltd.	30,824,131.18	20.64	1,541,206.56
Zhejiang Haochao Network Technology Co., Ltd.	9,014,731.83	6.04	450,736.59
Hangzhou Zhishang Technology Co., Ltd.	2,630,324.26	1.76	131,516.21
Hangzhou Fahema Import & Export Trading Co., Ltd.	2,079,936.42	1.39	1,039,968.21
Total	120,809,836.46	80.89	6,976,463.21

(6). Accounts receivable derecognized due to transfer of financial assets

Applicable Not applicable

(7). Amount of assets or liabilities for which accounts receivable have been transferred but involvement continues in the Company

Applicable Not applicable

Other description:

Applicable Not applicable

6. Receivables financing

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance notes	1,350,925.86	
Total	1,350,925.86	

Changes in the current period of receivables financing and changes in fair value:

Applicable Not applicable

If the bad debt provision is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

Other description:

Applicable Not applicable

Notes receivable endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date

Item	Recognized amount terminated at the end of the period
Bank acceptance notes	1,950,000.00
Subtotal	1,950,000.00

It is unlikely that a bank acceptance note will be overdue, as the acceptor of bank acceptance bill is a high-credit commercial bank. Therefore, the Company has derecognized endorsed or discounted bank acceptance bills. If any of such bills are overdue, the Company will be still jointly and severally liable to the holder according to the *Negotiable Instruments Law*.

7. Prepayments

(1). Prepayments are listed by age

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	88,967,528.26	96.80	88,898,806.55	97.18
1-2 years	2,201,962.94	2.40	1,696,085.16	1.85
2-3 years	501,729.07	0.55	829,263.44	0.91
Above 3 years	226,258.04	0.25	59,368.00	0.06
Total	91,897,478.31	100.00	91,483,523.15	100.00

Explanation of reasons why prepayments with more than 1 year's age and significant amount are not settled in time:

There are no significant unsettled prepayments with an age of more than 1 year at the end of the period.

(2). Prepayments of the top five closing balances collected by prepaid objects

Applicable Not applicable

Company name	Closing balance	Proportion of total ending balance of prepayment (%)
Shanghai Vision Star Media Co., Ltd.	12,588,511.07	13.70
Zhejiang Alibaba Communication Technology Co., Ltd.	17,772,204.46	19.34
Guangxi Jingdong Qingchuan E-commerce Co., Ltd.	14,548,908.42	15.83
Wuhan Juliang Xingtu Technology Co., Ltd.	11,957,774.42	13.01
Shanghai Zhuiji Information Technology Co., Ltd.	7,757,929.91	8.44
Total	64,625,328.28	70.32

Other description

Applicable Not applicable

8. Other receivables**List by item**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	10,143,560.07	73,564,083.63
Total	10,143,560.07	73,564,083.63

Other description:

 Applicable Not applicable**Interest receivable****(1). Classification of interest receivable** Applicable Not applicable**(2). Significant overdue interest** Applicable Not applicable**(3). Provision for bad debts** Applicable Not applicable

Other description:

 Applicable Not applicable**Dividend receivable****(1). Dividend receivable** Applicable Not applicable**(2). Significant dividends receivable with an age of more than 1 year** Applicable Not applicable**(3). Provision for bad debts** Applicable Not applicable

Other description:

 Applicable Not applicable**Other receivables****(4). Disclosed by account age**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Book balance at the end of the period
Within 1 year	
Including: Subitem within 1 year	

Within 1 year	9,913,470.33
Sub-total within 1 year	9,913,470.33
1-2 years	220,303.21
2-3 years	27,552,437.52
Above 3 years	5,534,893.76
3-4 years	
4-5 years	
Above 5 years	
Total	43,221,104.82

(5). Classification by nature of payment√ Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the period	Book balance at the beginning of the period
Security deposits	7,582,210.19	22,781,728.37
Suspense payment receivables	29,137,807.19	90,500,345.08
Reserve funds	652,910.33	552,985.89
Others	5,848,177.11	325,990.72
Total	43,221,104.82	114,161,050.06

(6). Provision for bad debts√ Applicable Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss over the next 12 months	Expected credit loss for the entire duration (credit impairment not occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at January 1, 2023	3,293,145.99	4,430,510.11	32,873,310.33	40,596,966.43
Balance as at January 1, 2023 is in the current period				
-Transferred to the second stage	-11,015.16	11,015.16		
-Transferred to the third stage		-342,930.62	342,930.62	
-Written-back to the second stage				
-Written-back to the first stage				

Accrual in the current period	-2,733,212.85	-4,032,503.69	-360,469.21	-7,126,185.75
Written-back in the current period				
Written-off in the current period				
Charge off in the current period	-2,000.00		-339,991.49	-341,991.49
Other changes	-51,244.44			-51,244.44
Balance as at June 30, 2023	495,673.54	66,090.96	32,515,780.25	33,077,544.75

[Note]: Other changes are the disposal of the equity of Hangzhou Xiake Bar Company and Hangzhou Tiedingxian Company, and the bad debt provision for other receivables is transferred out accordingly. Explanation of significant changes in the book balance of other receivables with changes in provision for loss in the current period:

Applicable Not applicable

The amount of bad debt provision in the current period and the basis for evaluating whether the credit risk of financial instruments increases significantly:

Applicable Not applicable

(7). Information of bad-debt provision

Applicable Not applicable

Among them, significant amount of bad-debt provision written-back or withdrawn in the current period:

Applicable Not applicable

(8). Other receivables actually write-off in the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Written off amount
Other receivables actually written off	341,991.49

Wherein, write-off of other important receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

(9). Other receivables of the top five closing balances collected by debtor

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Nature of payment	Closing balance	Account age	As a proportion of total closing balance in other receivables (%)	Provision for bad debts Closing balance
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EURL PHARMATICA	Suspense payment receivables	18,356,261.04	2-3 years	42.47	18,356,261.04
SIKEROM EURPOE GMBH	Suspense payment receivables	8,053,074.41	2-3 years	18.63	8,053,074.41
Hangzhou Property Maintenance Fund Management Center	Security deposits	4,708,614.72	Above 3 years	10.89	4,708,614.72
Hangzhou Xiake Bar Catering Management Co., Ltd.	Others	3,000,000.00	Within 1 year	6.94	150,000.00
Zhejiang Qiaoxing Construction Group Co., Ltd.	Security deposits	878,000.00	Within 1 year	2.03	43,900.00
Total	/	34,995,950.17	/	80.96	31,311,850.17

(10). Receivables involving government grants

Applicable Not applicable

(11). Other receivables derecognized due to transfer of financial assets

Applicable Not applicable

(12). The amount of assets and liabilities formed by transferring other receivables and continuing to be involved

Applicable Not applicable

Other description:

Applicable Not applicable

9. Inventory**(1). Classification of inventories**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
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	Book balance	Inventory falling price reserves/Provision for impairment of contract performance cost	Carrying amount	Book balance	Inventory falling price reserves/Provision for impairment of contract performance cost	Carrying amount
Raw materials	54,807,838.48	1,813,163.07	52,994,675.41	80,114,114.87	1,703,611.59	78,410,503.28
Packaging	44,645,222.82	7,002,690.94	37,642,531.88	42,300,426.18	1,016,137.11	41,284,289.07
Goods in process	11,545,472.56	467,206.41	11,078,266.15	18,952,830.41	134,093.52	18,818,736.89
Outsourcing gifts	13,357,978.64	495,569.76	12,862,408.88	12,011,197.41	65,685.51	11,945,511.90
Inventory commodities	659,726,539.17	59,489,358.74	600,237,180.43	546,279,426.61	37,780,598.48	508,498,828.13
Low value consumables	15,802,217.22	595,973.14	15,206,244.08	10,474,077.34	380,619.88	10,093,457.46
Total	799,885,268.89	69,863,962.06	730,021,306.83	710,132,072.82	41,080,746.09	669,051,326.73

(2). Inventory falling price reserves and provision for impairment of contract performance cost

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount increased in the current period		Amount decreased in the current period		Closing balance
		Accrual	Others	Written-back or charge-off	Others	
Raw materials	1,703,611.59	1,975,674.67		1,866,123.19		1,813,163.07
Packaging	1,016,137.11	7,159,582.19		1,173,028.36		7,002,690.94
Goods in process	134,093.52	341,646.02		8,533.13		467,206.41
Outsourcing gifts	65,685.51	498,298.20		68,413.95		495,569.76
Inventory commodities	37,780,598.48	30,983,450.13		9,274,689.87		59,489,358.74
Low value consumables	380,619.88	643,249.87		427,896.61		595,973.14
Total	41,080,746.09	41,601,901.08		12,818,685.11		69,863,962.06

(3). Explanation on the closing balance of inventory containing the capitalized amount of borrowing costs

□ Applicable √ Not applicable

(4). Explanation on amortization amount of contract performance cost in the current period

□ Applicable √ Not applicable

Other description:

□ Applicable √ Not applicable

10. Contract assets**(1). Description of contract assets**

Applicable Not applicable

(2). The amount and reasons for significant changes in carrying amount during the Reporting Period

Applicable Not applicable

(3). Provision for impairment of contract assets in the current period

Applicable Not applicable

Other description:

Applicable Not applicable

11. Assets held for sale

Applicable Not applicable

12. Non-current assets due within one year

Applicable Not applicable

13. Other current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Contract acquisition cost		
Return cost receivable	2,193,531.03	8,782,156.33
Advance payment of taxes	174,948.49	4,009,626.89
Input VAT to be deducted	46,087,216.73	36,944,213.35
Total	48,455,696.25	49,735,996.57

Other description:

None

14. Debt investments**(1). Description of debt investments**

Applicable Not applicable

(2). Significant debt investments at the end of the period

Applicable Not applicable

(3). Impairment provision accrual

Applicable Not applicable

15. Other debt investments**(1). Description of other debt investments**

Applicable Not applicable

(2). Other significant debt investments at the end of the period

Applicable Not applicable

(3). Impairment provision accrual

Applicable Not applicable

Other description:

Applicable Not applicable

16. Long-term receivables**(1) Description of long-term receivables**

Applicable Not applicable

(2) Provision for bad debts

Applicable Not applicable

(3) Long-term receivables derecognized due to transfer of financial assets

Applicable Not applicable

(4) Assets or liabilities formed by the continuing involvement of transferred long-term receivables

Applicable Not applicable

Other description:

Applicable Not applicable

17. Long-term equity investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance	Changes in the current period								Closing balance	Closing balance of impairment provision	
		Additional investment	Investment decrease	Recognized investment gains and losses under equity method	Other comprehensive income adjustments	Other changes in equity	Declared payment of cash dividends or profits	Provision for impairment	Others			
I. Joint Venture												
Huzhou Panrui Industry Investment Partnership (Limited Partnership)	3,068,948.16			-2,049.38							3,066,898.78	
Subtotal	3,068,948.16			-2,049.38							3,066,898.78	
II. Affiliated enterprises												
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,649,619.70			-14,687.84							2,634,931.86	
Metis Info Tech (Guangzhou) Co., Ltd.	6,066,423.66			-231,700.47							5,834,723.19	
Jiaxing Woyong Investment Partnership (Limited Partnership)	111,253,221.93	6,818,181.82		-1,546,592.11							116,524,811.64	
Zhuhai	10,576,298.67								10,576,298.67			92,018,511.89

Healthlong Biotechnology Co., Ltd.										
Beijing Xiushi Culture Development Co., Ltd.	4,918,865.34			-36,670.67					4,882,194.67	
Subtotal	135,464,429.30	6,818,181.82		-1,829,651.09			10,576,298.67		129,876,661.36	92,018,511.89
Total	138,533,377.46	6,818,181.82		-1,831,700.47			10,576,298.67		132,943,560.14	92,018,511.89

Other description

None

18. Investments in other equity instruments

(1). Description of investments in other equity instruments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Hangzhou Regenovo Biotechnology., Ltd.	20,580,000.00	20,580,000.00
LIPOTRUE,S.L.	35,822,400.00	35,822,400.00
Golong Holdings Co., Ltd. [Note]	90,000,000.00	90,000,000.00
Total	146,402,400.00	146,402,400.00

[Note] Hangzhou Golong Holdings Co. Ltd. changed its name to Golong Holdings Co. Ltd. in April 2023

(2). Description of non-transactional equity instrument investments

Applicable Not applicable

Other description:

Applicable Not applicable

Based on the purpose of strategic investment, the Company makes external equity investment, and the investee regards the acquired investment of the Company as an equity instrument. Therefore, the Company designates this part of the equity instrument investment as a financial asset measured at fair value through other comprehensive income.

19. Other non-current financial assets

Applicable Not applicable

20. Investment property

Measurement mode of investment property

(1). Investment property adopting cost measurement model

Unit: Yuan Currency: RMB

Item	Property and buildings	Land use rights	Construction in progress	Total
I. Original book value				
1. Opening balance	78,781,143.26			78,781,143.26
2. Amount increased in the current period				

(1) Outsourcing				
(2) Transfer-in of inventory\fixed assets\construction in process				
(3) Increase in enterprise mergers				
3. Amount decreased in the current period				
(1) Disposal				
(2) Others transferred out				
4. Closing balance	78,781,143.26			78,781,143.26
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	10,126,442.45			10,126,442.45
2. Amount increased in the current period	2,352,346.43			2,352,346.43
(1) Provision or amortization	2,352,346.43			2,352,346.43
3. Amount decreased in the current period				
(1) Disposal				
(2) Others transferred out				
4. Closing balance	12,478,788.88			12,478,788.88
III. Provision for impairment				
1. Opening balance				
2. Amount increased in the current period				
(1) Provision				
3. Amount decreased in the current period				
(1) Disposal				
(2) Others transferred out				
4. Closing balance				
IV. Carrying amount				
1. Carrying amount at the end of the period	66,302,354.38			66,302,354.38
2. Carrying amount at the beginning of the period	68,654,700.81			68,654,700.81

(2). Investment property with pending proprietorship certificate:

Applicable Not applicable

Other description

Applicable Not applicable

21. Fixed assets**List by item**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	559,647,512.15	570,376,309.67
Disposal of fixed assets		
Total	559,647,512.15	570,376,309.67

Other description:

None

Fixed assets**(1). Description of fixed assets**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Property and buildings	General equipment	Dedicated equipment	Means of transportation	Total
I. Original book value:					
1. Opening balance	539,295,502.97	80,477,003.52	249,649,332.67	20,584,593.97	890,006,433.12
2. Amount increased in the current period	413,512.99	9,426,908.46	2,899,075.10	5,081,088.53	17,820,585.08
(1) Purchase	13,054.27	4,664,817.63	1,927,676.85	4,585,867.27	11,191,416.02
(2) Transfer from construction in progress	400,458.72	4,762,090.83	971,398.25	495,221.26	6,629,169.06
(3) Increase in enterprise mergers					
3. Amount decreased in the current period		3,921,197.11	132,339.00	391,990.86	4,445,526.97
(1) Disposal or scrapping		666,818.52	132,339.00	391,990.86	1,191,148.38
(2) Other decreases [Note]		3,254,378.59			3,254,378.59
4. Closing balance	539,709,015.96	85,982,714.86	252,416,068.77	25,273,691.64	903,381,491.23
II. Accumulated depreciation					
1. Opening balance	127,549,692.50	41,778,273.42	133,987,291.36	16,314,866.18	319,630,123.45
2. Amount increased in the current period	8,475,679.88	4,885,069.48	10,435,898.86	1,535,456.31	25,332,104.53
(1) Provision	8,475,679.88	4,885,069.48	10,435,898.86	1,535,456.31	25,332,104.53
3. Amount decreased in the current period		815,098.38	40,759.20	372,391.32	1,228,248.90
(1) Disposal or scrapping		633,477.57	40,759.20	372,391.32	1,046,628.09

(2) Other decreases [Note]		181,620.81			181,620.81
4. Closing balance	136,025,372.38	45,848,244.51	144,382,431.02	17,477,931.17	343,733,979.08
III. Provision for impairment					
1. Opening balance					
2. Amount increased in the current period					
(1) Provision					
3. Amount decreased in the current period					
(1) Disposal or scrapping					
4. Closing balance					
IV. Carrying amount					
1. Carrying amount at the end of the period	403,683,643.58	40,134,470.35	108,033,637.75	7,795,760.47	559,647,512.15
2. Carrying amount at the beginning of the period	411,745,810.47	38,698,730.10	115,662,041.31	4,269,727.79	570,376,309.67

[Note] Other decreases of the original value of fixed assets of RMB3,254,378.59 and other decreases of accumulated depreciation of RMB181,620.81 are due to the disposal of the equity of Hangzhou Xiake Bar Company and Hangzhou Tiedingxian Company, and the original value of fixed assets and accumulated depreciation are transferred out accordingly.

(2). Description of temporarily idle fixed assets

Applicable Not applicable

(3). Description of fixed assets rented through financial leasing

Applicable Not applicable

(4). Fixed assets leased out through operating lease

Applicable Not applicable

(5). Fixed assets without property right certificate

Applicable Not applicable

Other description:

Applicable Not applicable

Disposal of fixed assets

Applicable Not applicable

22. Construction in progress

List by item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	267,796,910.29	207,378,935.86
Project goods and material		
Total	267,796,910.29	207,378,935.86

Other description:

None

Construction in progress

(1). Description of construction in progress

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Huzhou Production Base Expansion Project (Phase I)	158,595,879.28		158,595,879.28	141,886,053.44		141,886,053.44
Longwu R&D Center Construction Project	75,707,305.82		75,707,305.82	34,804,789.71		34,804,789.71
Decoration Engineering	4,198,401.85		4,198,401.85	5,282,700.29		5,282,700.29
Information System Upgrade Project	6,224,928.29		6,224,928.29	4,266,606.14		4,266,606.14
Make-up Factory	14,406,085.10		14,406,085.10	14,323,636.47		14,323,636.47
Other sporadic projects	8,664,309.95		8,664,309.95	6,815,149.81		6,815,149.81
Total	267,796,910.29		267,796,910.29	207,378,935.86		207,378,935.86

(2). Changes of items under important construction in progress in the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Budget	Opening balance	Amount increased in the current period	Amount transferred to fixed assets in the current period	Other decreased amount in the current period	Closing balance	Proportion of accumulated project investment to budget (%)	Progress of project	Accumulated amount of interest capitalization	Including: Amount of interest capitalization in the current period	Interest capitalization rate in the current period (%)	Source of fund
Huzhou Production Base Expansion Project (Phase I)	RMB416.7833 million	141,886,053.44	18,509,560.32	1,799,734.48		158,595,879.28	41.27	41.27%	16,252,002.95	5,860,615.41	4.57	Raised funds and owned funds

Longwu R&D Center Construction Project	RMB128.6113 million	34,804,789.71	41,830,834.72	928,318.61		75,707,305.82	59.59	58.05%	10,645,888.94	3,757,557.59	4.57	Raised funds and owned funds
Information System Upgrade Project	RMB112.395 million	4,266,606.14	2,170,839.56	212,517.41		6,224,928.29	5.73	5.16%	3,921,244.04	1,285,201.46	4.57	Raised funds and owned funds
Make-up Factory	RMB66.11 million	14,323,636.47	2,147,325.49	2,064,876.86		14,406,085.10	93.95	98.79%				
Total	RMB723.8996 million	195,281,085.76	64,658,560.09	5,005,447.36		254,934,198.49	/	/	30,819,135.93	10,903,374.46	/	/

(3). Provision for impairment of construction in progress in the current period

Applicable Not applicable

Other description

Applicable Not applicable

Project goods and material

Applicable Not applicable

23. Productive biological assets**(1). Productive biological assets with cost measurement mode**

Applicable Not applicable

(2). Productive biological assets with fair value econometric mode

Applicable Not applicable

Other description

Applicable Not applicable

24. Oil and gas assets

Applicable Not applicable

25. Right-of-use assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Property and buildings	Total
I. Original book value		
1. Opening balance	7,481,934.15	7,481,934.15
2. Amount increased in the current period	12,032,718.40	12,032,718.40
1) Lease-in	12,032,718.40	12,032,718.40
3. Amount decreased in the current period		
4. Closing balance	19,514,652.55	19,514,652.55
II. Accumulated depreciation		
1. Opening balance	1,071,299.90	1,071,299.90

2. Amount increased in the current period	2,496,135.88	2,496,135.88
(1) Provision	2,496,135.88	2,496,135.88
3. Amount decreased in the current period		
(1) Disposal		
4. Closing balance	3,567,435.78	3,567,435.78
III. Provision for impairment		
1. Opening balance		
2. Amount increased in the current period		
(1) Provision		
3. Amount decreased in the current period		
(1) Disposal		
4. Closing balance		
IV. Carrying amount		
1. Carrying amount at the end of the period	15,947,216.77	15,947,216.77
2. Carrying amount at the beginning of the period	6,410,634.25	6,410,634.25

Other description:

None

26. Intangible assets**(1). Description of intangible assets**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Land use rights	Office software	Patent rights	Non-patented technology	Customer resources	Trademark rights	Total
I. Original book value							
1. Opening balance	472,400,130.10	24,280,278.43	475,089.70	563,293.07	12,833,684.00	39,897,000.00	550,449,475.30
2. Amount increased in the current period		385,431.92					385,431.92
(1) Purchase		246,983.64					246,983.64
(2) Internal R&D							
(3) Increases in business mergers							
(4) Transfer from construction in progress		138,448.28					138,448.28

3. Amount decreased in the current period						4,000.00	4,000.00
(1) Disposal							
(2) Other decreases [Note]						4,000.00	4,000.00
4. Closing balance	472,400,130.10	24,665,710.35	475,089.70	563,293.07	12,833,684.00	39,893,000.00	550,830,907.22
II. Accumulated amortization							
1. Opening balance	92,279,870.46	21,721,920.25	430,621.47	539,820.37	12,819,610.79	2,340,748.70	130,132,592.04
2. Amount increased in the current period	6,007,884.87	999,112.64	3,144.66		2,995.40	1,995,091.66	9,008,229.23
(1) Provision	6,007,884.87	999,112.64	3,144.66		2,995.40	1,995,091.66	9,008,229.23
3. Amount decreased in the current period						700.00	700.00
(1) Disposal							
(2) Other decreases [Note]						700.00	700.00
4. Closing balance	98,287,755.33	22,721,032.89	433,766.13	539,820.37	12,822,606.19	4,335,140.36	139,140,121.27
III. Provision for impairment							
1. Opening balance							
2. Amount increased in the current period							
(1) Provision							
3. Amount							

decreased in the current period							
(1) Disposal							
4. Closing balance							
IV. Carrying amount							
1. Carrying amount at the end of the period	374,112,374.77	1,944,677.46	41,323.57	23,472.70	11,077.81	35,557,859.64	411,690,785.95
2. Carrying amount at the beginning of the period	380,120,259.64	2,558,358.18	44,468.23	23,472.70	14,073.21	37,556,251.30	420,316,883.26

At the end of this period, the proportion of intangible assets formed through internal research and development of the Company to the balance of intangible assets is 0.00%.

(2). The land use right without the property ownership certificate

Applicable Not applicable

Other description:

Applicable Not applicable

27. Development expenditure

Applicable Not applicable

28. Goodwill

(1). Original book value of goodwill

Applicable Not applicable

(2). Provision for impairment of goodwill

Applicable Not applicable

(3). Relevant information regarding the asset portfolio and set of asset portfolios to which the goodwill belongs

Applicable Not applicable

(4). Descriptions of the process of goodwill impairment testing, key parameters (such as the growth rate of the forecast period, the growth rate of the stable period, the profit rate, the discount rate and the forecast period, etc. when the present value of future cash flows are expected, if applicable) and the recognition method of the impairment losses on goodwill

Applicable Not applicable

(5). Impact of goodwill impairment test

Applicable Not applicable

Other description:

Applicable Not applicable

29. Long-term deferred expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount increased in the current period	Amortized amount in the current period	Other decreased amount	Closing balance
Renovation costs	19,109,585.61	5,392,301.77	6,361,736.13	879,562.23	17,260,589.02
Software service fee	33,018.85		16,509.47		16,509.38
Total	19,142,604.46	5,392,301.77	6,378,245.60	879,562.23	17,277,098.40

Other description:

None

30. Deferred tax assets/deferred tax liabilities**(1). Deferred tax assets without offset**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets				
Unrealized profit from internal transactions	73,222,637.62	18,305,659.40	42,025,801.32	10,506,450.33
Deductible loss				
Government grants related to assets	5,360,266.33	804,039.95	6,399,811.33	959,971.70
Unused membership credits	89,939,268.13	22,484,817.04	83,272,601.46	20,818,150.36
Anticipated return losses	4,541,544.49	1,135,386.13	4,541,544.48	1,135,386.12
Lease charges			449,832.92	67,474.94
Advertising fees and business promotion fees	3,258,145.25	814,536.31	3,258,145.25	814,536.31
Provisions for bad debts of accounts receivable	15,372,900.91	3,843,194.22	14,181,029.90	3,545,098.74
Provision for obsolete inventory	56,141,300.99	9,042,822.05	24,366,081.72	4,518,122.80
Impact of share-based	56,996,057.82	10,695,362.68	31,280,678.91	5,940,147.52

payments				
Total	304,832,121.54	67,125,817.78	209,775,527.29	48,305,338.82

(2). Deferred tax liabilities without offset√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Asset appreciation assessment in businesses consolidation not under common control				
Changes in the fair value of other debt investments				
Changes in the fair value of other investments in equity instrument				
One-time deduction for depreciation of fixed assets	156,226,399.14	23,949,022.41	126,101,620.56	19,019,431.67
Total	156,226,399.14	23,949,022.41	126,101,620.56	19,019,431.67

(3). Deferred tax assets or liabilities listed in net amount after offset√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Offset amount of deferred tax assets and liabilities at the end of the period	Closing balance of deferred tax assets and liabilities after offsetting	Offset amount of deferred tax assets and liabilities at the beginning of the period	Opening balance of deferred tax assets and liabilities after offsetting
Deferred tax assets	2,263,290.36	55,404.46		
Deferred tax liabilities				

(4). Details of unrecognized deferred tax assets√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	152,450,062.18	218,452,946.39
Deductible loss	415,477,977.81	393,391,257.51
Total	567,928,039.99	611,844,203.90

(5). The deductible loss of unrecognized deferred tax assets will expire in the following years√ Applicable Not applicable

Unit: Yuan Currency: RMB

Year	Closing amount	Opening amount	Remarks
2023	35,615,368.24	44,562,908.90	
2024	72,738,168.38	89,520,734.89	
2025	62,952,836.45	66,686,117.23	
2026	59,479,346.58	63,349,129.45	
2027	127,093,665.49	129,272,367.04	
2028	57,598,592.67		
Total	415,477,977.81	393,391,257.51	/

Other description:

 Applicable Not applicable**31. Other non-current assets**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Contract acquisition cost						
Contract performance cost						
Return cost receivable						
Contract assets						
Other long-term assets	7,598,619.42		7,598,619.42	5,554,726.06		5,554,726.06
Prepaid for long-term asset purchase funds	9,270,950.10		9,270,950.10			
Total	16,869,569.52		16,869,569.52	5,554,726.06		5,554,726.06

Other description:

None

32. Short-term borrowings**(1). Classification of short-term borrowings**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Pledge loans		
Mortgage loan		
Guaranteed loan		
Credit loans	200,155,555.56	200,195,890.41
Total	200,155,555.56	200,195,890.41

Explanation on classification of short-term borrowings:

None

(2). Overdue and outstanding short-term borrowings Applicable Not applicable

Other description:

 Applicable Not applicable**33. Financial liabilities held for trading** Applicable Not applicable**34. Derivative financial liabilities** Applicable Not applicable**35. Notes payable**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Closing balance	Opening balance
Trade acceptance notes		
Bank acceptance notes	56,801,810.60	69,626,352.12
Total	56,801,810.60	69,626,352.12

The total amount of outstanding notes payable due at the end of the current period is RMB0.00.

36. Accounts payable**(1). List by accounts payable**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Payment for goods	762,167,654.73	252,113,782.78
Expenses payable	237,660,741.42	213,566,905.71
Payment for engineering equipment	63,267,968.49	9,746,795.74
Total	1,063,096,364.64	475,427,484.23

(2). Significant accounts payable with an aging of more than one year

Applicable Not applicable

Other description:

Applicable Not applicable

37. Receipts in advance**(1). List by advance accounts**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Rents receivable in advance	351,138.49	464,328.26
Total	351,138.49	464,328.26

(2). Significant advance accounts with an aging of more than one year

Applicable Not applicable

Other description:

Applicable Not applicable

38. Contract liabilities**(1). Description of contract liabilities**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Advance payment	114,487,238.02	83,234,612.24
Unused membership credits	98,969,703.58	91,368,221.67
Total	213,456,941.60	174,602,833.91

(2). The amount and reasons for significant changes in book value during the Reporting Period

Applicable Not applicable

Other description:

Applicable Not applicable

39. Employee benefits payable**(1). List by employee benefits payable**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term compensation	124,278,743.01	317,385,935.24	362,687,803.57	78,976,874.68
II. Post-employment	660,006.35	10,486,485.34	10,339,154.71	807,336.98

benefits - defined contribution plans				
III. Dismissal benefit				
IV. Other benefits due within one year				
Total	124,938,749.36	327,872,420.58	373,026,958.28	79,784,211.66

(2). List by short-term compensation

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Salaries, bonuses, allowances and subsidies	123,139,326.87	291,380,593.72	336,258,851.51	78,261,069.08
II. Welfare expenses of employees		9,797,429.34	9,790,737.78	6,691.56
III. Social insurance premium	764,855.85	7,100,941.70	7,265,605.80	600,191.75
Including: Medical insurance premium	747,556.58	6,648,544.12	6,824,569.83	571,530.87
Industrial injury insurance premium	13,253.30	434,070.11	419,238.79	28,084.62
Maternity insurance premium	4,045.97	18,327.47	21,797.18	576.26
IV. Housing provident fund	374,560.29	7,599,205.80	7,864,843.80	108,922.29
V. Trade union fund and staff education fund		1,507,764.68	1,507,764.68	
VI. Short-term compensated absences				
VII. Short-term profit sharing plan				
Total	124,278,743.01	317,385,935.24	362,687,803.57	78,976,874.68

(3). List by defined contribution plan

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	637,429.90	10,122,170.53	9,979,916.89	779,683.54
2. Unemployment insurance expense	22,576.45	364,314.81	359,237.82	27,653.44
3. Enterprise annuity payment				
Total	660,006.35	10,486,485.34	10,339,154.71	807,336.98

Other description:

 Applicable Not applicable**40. Taxes payable** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Enterprise income tax	95,000,869.96	111,162,751.37
Value added tax	56,320,974.02	27,112,038.46
Property tax	2,855,180.41	6,689,657.49
Withholding of personal income tax	1,497,040.34	4,226,657.07
Urban maintenance and construction tax	6,697,207.17	1,288,999.75
Surtax for education expenses	2,609,649.12	1,003,854.07
Stamp tax	349,503.93	796,591.64
Surcharge for local education	1,739,766.08	619,094.66
Disabled security fund	17,614.40	19,226.94
Total	167,087,805.43	152,918,871.45

Other description:

None

41. Other payables**List by item** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		
Dividends payable		
Other payables	211,974,456.13	216,392,183.41
Total	211,974,456.13	216,392,183.41

Other description:

None

Interest payable Applicable Not applicable**Dividends payable** Applicable Not applicable**Other payables****(1). List other payables by nature of payment** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Security deposits	41,089,622.51	46,394,144.19
Restricted stock repurchase obligations	163,149,000.00	164,976,000.00
Others	7,735,833.62	5,022,039.22
Total	211,974,456.13	216,392,183.41

(2). Significant other payables with an aging of more than one year

Applicable Not applicable

Other description:

Applicable Not applicable

42. Held-for-sale liabilities

Applicable Not applicable

43. Non-current liabilities due within one year

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year		
Bonds payable due within one year		
Long-term payables due within one year		
Lease liabilities due within one year	3,864,732.04	2,549,452.14
Total	3,864,732.04	2,549,452.14

Other description:

None

44. Other current liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Short-term bonds payable		
Return payment payable		
Tax on items to be resold	12,821,142.71	10,820,499.59
Total	12,821,142.71	10,820,499.59

Changes in short-term bonds payable:

Applicable Not applicable

Other description:

Applicable Not applicable

45. Long-term borrowings**(1). Classification of long-term borrowings**

Applicable Not applicable

Other explanations, including the range of interest rate:

Applicable Not applicable

46. Bonds payable**(1). Bonds payable**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Convertible corporate bonds	740,666,717.66	724,491,557.93
Total	740,666,717.66	724,491,557.93

(2). Changes of bonds payable (excluding other financial instruments such as preference shares and perpetual bonds classified as financial liabilities)

Applicable Not applicable

Unit: Yuan Currency: RMB

Bond name	Face value	Issuance date	Bond period	Issuance amount	Opening balance	Issuance in the current period	Interest accrued by face value	Premium or discount amortization	Repayment in the current period	Effect of share conversion	Closing balance
Proya convertible bond	100.00	December 8, 2021	6 years	751,713,000.00	724,491,557.93		1,862,600.02	14,136,701.91		175,857.80	740,666,717.66
Total	/	/	/	751,713,000.00	724,491,557.93		1,862,600.02	14,136,701.91		175,857.80	740,666,717.66

(3). Explanation on conversion conditions and tranches of convertible bonds

Applicable Not applicable

With the approval issued by China Securities Regulatory Commission in the *Approval on Public Issue of Convertible Corporate Bonds of Proya Cosmetics Co., Ltd.* (ZJXK [2021] No. 3408), on December 8, 2021, the Company issued 7,517,130 convertible corporate bonds to unspecified targets at RMB100.00 par value per share for total consideration of RMB751,713,000.00.

The coupon rate of the aforesaid convertible corporate bonds is 0.30% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. Annual interest payment date is the anniversary of the date of initial offering of convertible bonds. The Company will, no later than five trading days after the interest payment date of each year, pay the interests of the year and, no later than five trading days after the maturity date of convertible corporate bonds, redeem all outstanding convertible bonds from investors at a price of 115% of the par value of the convertible bonds issued this time (including the annual interests of the last tranche).

The convertible period of convertible bonds starts from the first trading day after the expiration of 6 months from the issuance date of convertible bonds until the maturity date of convertible bonds. The

initial conversion price shall be RMB195.98 per share, not lower than the average trading price of A shares of the Company in the twenty trading days prior to the publication of the prospectus (if the stock price is adjusted for ex-rights or ex-dividend in the twenty trading days, the closing price of the trading day before such adjustment is calculated according to the price after the ex-rights or ex-dividend adjustment) or the average trading price of A shares of the Company in the previous trading day, and shall not be adjusted upward.

In May 2022, the Company completed the 2021 Equity Distribution Plan. According to the *relevant terms of Public Issuance of Convertible Corporate Bonds of A Shares of Proya Cosmetics Co., Ltd.* and relevant requirements of CSRC on issuance of convertible corporate bonds, the price of conversion of Proya convertible bond was adjusted to RMB139.37 per share from RMB195.98 per share, which took effect since May 30, 2022 (the ex-dividend date).

In September 2022, the Company completed the registration of the Restricted Shares granted under the 2022 Restricted Stock Incentive Plan. According to the *relevant terms of Public Issuance of Convertible Corporate Bonds of A Shares of Proya Cosmetics Co., Ltd.* and relevant requirements of CSRC on issuance of convertible corporate bonds, the price of conversion of Proya convertible bond was adjusted to RMB138.92 per share from RMB139.37 per share, which took effect since September 9, 2022.

In May 2023, the Company completed the 2022 Equity Distribution Plan. According to the *relevant terms of Public Issuance of Convertible Corporate Bonds of A Shares of Proya Cosmetics Co., Ltd.* and relevant requirements of CSRC on issuance of convertible corporate bonds, the price of conversion of Proya convertible bond was adjusted to RMB98.61 per share from RMB138.92 per share, which took effect since May 29, 2023 (the ex-dividend date).

In 2022, there were 7,760 shares converted from convertible corporate bonds, the share capital increased by RMB5,517.00, capital reserves (equity premium) increased by RMB754,813.50, and other equity instruments reduced by RMB53,111.99.

During the current period, there were 1,270 shares converted from convertible corporate bonds, the share capital increased by RMB910.00, capital reserves (equity premium) increased by RMB127,691.53, and other equity instruments decreased by RMB8,099.98.

(4). Explanation on other financial instruments classified as financial liabilities

Basic information of other financial instruments such as preference shares and perpetual bonds that are outstanding at the end of the period

Applicable Not applicable

Statement of changes in financial instruments such as preference shares and perpetual bonds that are outstanding at the end of the period

Applicable Not applicable

Explanation on the basis of classifying other financial instruments into financial liabilities:

Applicable Not applicable

Other description:

Applicable Not applicable

47. Lease liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Operating leases payable	12,673,933.97	3,814,629.83
Unrecognized financing expense	-1,392,372.69	-96,510.42
Total	11,281,561.28	3,718,119.41

Other description:

None

48. Long-term payables**List by item** Applicable Not applicable**Long-term payables** Applicable Not applicable**Special accounts payable** Applicable Not applicable**49. Long-term employee benefits payable** Applicable Not applicable**50. Estimated liabilities** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Cause of formation
Provide external guarantees			
Pending litigations			
Product quality assurance			
Restructuring obligation			
Loss-making contract to be performed			
Return payment payable	59,282,928.68	9,143,868.44	Estimated future potential return losses
Others			
Total	59,282,928.68	9,143,868.44	/

Other explanations, including key assumptions and estimates concerning estimated significant liabilities:

None

51. Deferred income

Information of deferred income

 Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Cause of formation
Government grants	6,399,811.33		1,039,545.00	5,360,266.33	Funded by the government
Total	6,399,811.33		1,039,545.00	5,360,266.33	/

Items involving government grants:

Applicable Not applicable

Unit: Yuan Currency: RMB

Liability item	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating revenue of the current period	Amount included in other income in the current period	Other changes	Closing balance	Asset-related/income-related
Subsidies for modified cosmetic technology	6,399,811.33			1,039,545.00		5,360,266.33	Asset-related

Other description:

Applicable Not applicable

For the details on inclusion of government grants of the current period into profit or loss of the current period, please see the particulars contained in “84. Government grants”, “VII. Notes to the Items in the Consolidated Financial Statements”, “Section X Financial Report”.

52. Other non-current liabilities

Applicable Not applicable

53. Share capital

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Opening balance	Increase or decrease in the change (+, -)					Closing balance
		Issuance of new shares	Bonus shares	Shares converted from capital reserve	Others	Subtotal	
Total shares	283,519,469			113,408,136	910	113,409,046	396,928,515

Other description:

(1) Changes in equity

Shares converted from capital reserve increased by 113,408,136 shares, which was decided at the 11th meeting of the third session of the Board of Directors of the Company held in 2023 and 2022 Annual General Meeting, based on the total share capital of 283,520,339 shares of the Company as of the dividend payment date of record. Four shares will be issued for every ten shares to all shareholders through capitalization of the capital reserve and share capital increased by RMB113,408,136.

Other shares increased by 910 shares, which was due to the conversion of convertible corporate bonds of the Company totaled 1,270 shares in the current period. After the conversion, the share capital increased by RMB910.00.

(2) Description of share freezing

Name of shareholder	Number of shareholding (shares)	Frozen shares (shares)	Type of freezing
FANG Yuyou	59,625,258	17,041,269	Judicial freezing
Subtotal	59,625,258	17,041,269	

54. Other equity instruments**(1) Basic information of other financial instruments such as preference shares and perpetual bonds that are outstanding at the end of the period**

□ Applicable √ Not applicable

(2) Statement of changes in financial instruments such as preference shares and perpetual bonds that are outstanding at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Outstanding financial instruments	Opening		Increase in the current period		Decrease in the current period		Closing	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
Proya convertible bond	7,509,370	50,903,510.12			1,270	8,099.98	7,508,100	50,895,410.14
Total	7,509,370	50,903,510.12			1,270	8,099.98	7,508,100	50,895,410.14

Changes of other equity instruments in the current period, explanation on reasons for changes, and basis for relevant accounting treatment:

Applicable Not applicable

Other description:

Applicable Not applicable

The decrease in the current period amounted to RMB8,099.98, which was due to 1,270 shares converted from convertible corporate bonds. The share capital increased by RMB910.00, capital reserves (equity premium) increased by RMB127,691.53, and other equity instruments decreased by RMB8,099.98.

55. Capital reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (Equity premium)	858,188,638.87	127,691.53	113,408,136.00	744,908,194.40
Other capital reserves	56,627,147.35	49,961,246.32	45,189.82	106,543,203.85
Total	914,815,786.22	50,088,937.85	113,453,325.82	851,451,398.25

Other explanations, including the increase and decrease in the current period and the explanation on the reasons for the changes:

1) Increase/decrease in capital premium

The capital premium (equity premium) of the current period increased by RMB127,691.53, which was due to the conversion of convertible corporate bonds in the current period. For details, please see the particulars contained in “46. Bonds payable”, “VII. Notes to the Items of Consolidated Financial Statements”, “Section X Financial Report”.

The capital premium (equity premium) of the current period decreased by RMB113,408,136.00, which was due to the conversion of capital reserve into share capital of the Company. For details, please see the particulars contained in “53. Share capital”, “VII. Notes to the Items of Consolidated Financial Statements”, “Section X Financial Report”.

2) Increase/decrease in other capital reserves

Other capital reserves of the current period increased by RMB49,961,246.32, which was due to the restricted stock incentives of RMB49,961,246.32 recognized under the Equity Incentive Plan and calculated into other capital reserves;

Other capital reserves of the current period decreased by RMB45,189.82, which was due to the deferred tax assets accrued for the part of restricted share incentives recognized after writing back amounts deductible before tax for expected future periods and offsetting other capital reserves.

56. Treasury stock

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Restricted shares with repurchase obligation	164,976,000.00		1,827,000.00	163,149,000.00
Total	164,976,000.00		1,827,000.00	163,149,000.00

Other explanations, including the increase and decrease in the current period and the explanation on the reasons for the changes:

The treasury stock of the current period decreased by RMB1,827,000.00, which was due to treasury stock offset by dividends distributed on unlocked 2,100,000 restricted shares and the corresponding adjustment of other accounts payable.

57. Other comprehensive income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount incurred in the current period						Closing balance
		Amount incurred before income tax in the current period	Less: Included in other comprehensive income for the previous period and transferred in profit or loss for the current period	Less: Included in other comprehensive income for the previous period and transferred in retained earnings for the current period	Less: Income tax expenses	Attributed to parent company after tax	Attributed to minority shareholders after tax	
I. Other comprehensive income that cannot be reclassified into profit or loss								
Including: Changes arising from the re-measurement of defined benefit plans								
Other comprehensive income that cannot be reclassified into profit or loss under equity method								
Changes in the fair value of other investments in equity								

instrument								
Changes in fair value of the Company's own credit risks								
II. Other comprehensive income to be reclassified into profit or loss	-1,918,603.07	1,269,633.36				1,269,633.36		-648,969.71
Including: Other comprehensive income that can be converted into profit or loss under the equity method								
Changes in the fair value of other debt investments								
Amount of financial assets reclassified into other comprehensive income								
Credit impairment provisions for other debt investments								
Cash flow hedging reserve								
Conversion differences of financial statements denominated in foreign currencies	-1,918,603.07	1,269,633.36				1,269,633.36		-648,969.71
Total other comprehensive income	-1,918,603.07	1,269,633.36				1,269,633.36		-648,969.71

Other explanations, including the adjustment of the effective part of cash flow hedging profit or loss into the initially recognized amount of the hedged item:

None

58. Special reserve

Applicable Not applicable

59. Surplus reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Legal surplus reserve	141,759,734.50			141,759,734.50
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Total	141,759,734.50			141,759,734.50

Explanation on surplus reserves, including the increase and decrease in the current period and the explanation on the reasons for the changes:

None

60. Undistributed profit

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	In the current period	Previous year
Undistributed profit at the end of the previous period before adjustment	2,300,384,763.19	1,696,978,064.52
Total undistributed profit at the beginning of the adjustment period (+ for increase, - for decrease)		
Unappropriated earnings at the beginning of period after adjustment	2,300,384,763.19	1,696,978,064.52
Plus: Net profit attributable to the owner of the parent company in the current period	499,493,997.71	817,400,223.93
Less: Withdrawal of statutory surplus reserve		41,124,954.50
Withdrawal of any surplus reserves		
Withdrawal of general risk provision		
Dividends payable on common stock	246,662,694.93	172,868,570.76
Common stock dividends converted to share capital		
Undistributed profit at the end of the period	2,553,216,065.97	2,300,384,763.19

According to the Resolution of the 2022 Annual General Meeting of the Company, the Company distributed cash dividend of RMB8.70 (tax inclusive) per 10 shares to all shareholders based on the total share capital of 283,520,339 shares registered on the registration date of dividend-paying equity, totaling RMB246,662,694.93 (tax inclusive).

Details of the adjustment of the undistributed profit at the beginning of the period:

1. The undistributed profit affected by the retroactive adjustment in accordance with Accounting Standards for Business Enterprises and its related new regulations at the beginning of the period is RMB0.00.

2. The undistributed profit affected by the change of accounting policy at the beginning of the period is RMB0.00.
3. The undistributed profit affected by the correction of major accounting errors at the beginning of the period is RMB0.00.
4. The undistributed profit affected by the change of combination scope caused by the common control at the beginning of the period is RMB0.00.
5. The undistributed profit affected by other adjustments at the beginning of the period is RMB0.00.

61. Operating revenue and operating cost

(1). Information of operating revenue and operating cost

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	3,619,374,788.36	1,061,937,769.29	2,615,919,115.33	830,689,997.38
Other business	7,617,089.86	7,552,044.64	10,024,128.96	6,344,746.42
Total	3,626,991,878.22	1,069,489,813.93	2,625,943,244.29	837,034,743.80

(2). Information of income generated by the contract

Applicable Not applicable

(3). Explanation on performance obligations

Applicable Not applicable

(4). Explanation on remaining performance obligations allocated

Applicable Not applicable

Other description:

1) For details on income breakdown by brand, please see the particulars contained in “6. Segment information”, “XVI. Other Significant Matters”, “Section X Financial Report”.

2) Income breakdown by goods or service transfer time

Item	Amount for the current period	Amount for the same period in the previous year
Income recognized at a certain point	3,619,396,232.21	2,624,582,336.26
Income recognized within a period of time	7,595,646.01	1,360,908.03
Subtotal	3,626,991,878.22	2,625,943,244.29

62. Taxes and surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Consumption tax	184,238.97	10,616.45
Urban maintenance and construction tax	18,641,207.09	12,367,541.47
Education surcharge	8,646,048.99	6,098,531.01
Surcharge for local education	5,764,032.69	4,065,687.34
Stamp tax	1,427,080.88	861,783.14
Property tax	3,793,909.73	2,020,782.23
Vehicle and vessel use tax	13,039.40	4,170.40
Total	38,469,557.75	25,429,112.04

Other description:

None

63. Selling expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Image promotion expense	1,375,271,382.64	914,789,856.38
Employee remuneration	160,955,637.56	176,935,767.31
Office allowances	18,803,085.77	11,157,885.89
Travel expenses	6,410,208.59	5,239,809.36
Conference fees	4,299,563.82	1,369,251.43
Equity incentive expense for restricted shares	2,582,590.71	
Survey consulting fees	6,319,252.31	3,284,713.25
Others	5,355,553.86	4,144,367.00
Total	1,579,997,275.26	1,116,921,650.63

Other description:

None

64. General and administrative expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration and service fees	78,175,887.74	71,686,202.20
Office allowance and business entertainment expenses	34,943,670.30	24,577,036.46
Expenses for depreciation, amortization and leases	21,646,521.25	21,559,690.88

Equity incentive expense for restricted shares	42,040,845.63	
Consultation and intermediary fees	6,340,974.78	5,676,074.62
Travel expense and conference fees	4,740,467.63	1,708,872.35
Others	4,238,791.23	1,932,278.31
Total	192,127,158.56	127,140,154.83

Other description:

None

65. R&D expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Labor cost	36,691,200.82	30,174,033.12
Outsourced R&D expense	31,341,477.15	21,504,716.33
Direct input cost	8,855,671.21	6,836,001.15
Expenses for depreciation, amortization and leases	4,277,735.35	1,820,592.19
Equity incentive expense for restricted shares	5,337,809.98	
Others	5,016,970.64	731,351.28
Total	91,520,865.15	61,066,694.07

Other description:

None

66. Financial expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest income	-34,019,097.62	-24,330,282.91
Interest expenses	5,817,515.18	6,535,131.18
Handling fees	317,082.93	286,819.54
Exchange gains and losses	-2,469,067.40	2,703,555.21
Total	-30,353,566.91	-14,804,776.98

Other description:

None

67. Other incomes

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Government grants	34,639,076.23	20,440,098.37
Refund of service charges for withholding personal income tax	680,352.10	523,373.72
Additional deduction of input VAT	213,193.25	-335,500.59
Total	35,532,621.58	20,627,971.50

Other description:

For the details on government grants included in other income of the current period, please see the particulars contained in “84. Government grants”, “VII. Notes to the Items of Consolidated Financial Statements”, “Section X Financial Report”.

68. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income measured by equity method	-1,831,700.47	-3,658,316.04
Investment income from disposal of long-term equity investment	667,073.59	
Investment income of financial assets held for trading during the holding period		
Dividend income from investment in other equity instruments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of financial assets held for trading		
Investment income from disposal of investment in other equity instruments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gains of debt restructuring		
Total	-1,164,626.88	-3,658,316.04

Other description:

None

69. Net exposure hedging gains

Applicable Not applicable

70. Income from changes in fair value

□ Applicable √ Not applicable

71. Credit impairment losses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt loss on notes receivable		
Bad debt loss on accounts receivable	-372,328.93	813,881.14
Bad debt loss on other receivables	7,126,185.75	61,670.91
Impairment losses of debt investment		
Other impairment losses of debt investment		
Bad debt loss on long-term receivables		
Loss from impairment of contract assets		
Total	6,753,856.82	875,552.05

Other description:

None

72. Assets impairment loss

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Loss on bad debts		
II. Loss of inventory falling price and impairment loss of contract performance cost	-41,601,901.08	-63,474,565.18
III. Impairment loss of long-term equity investment	-10,576,298.67	-26,080,616.06
IV. Impairment loss of investment property		
V. Fixed asset impairment losses		
VI. Impairment loss from construction materials		
VII. Impairment loss of projects under construction		
VIII. Impairment loss of productive biological assets		
IX. Loss of impairment of oil and gas assets		
X. Impairment loss of intangible assets		
XI. Impairment loss of goodwill		
XII. Others		
Total	-52,178,199.75	-89,555,181.24

Other description:

None

73. Income from disposal of assets√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Gains on disposal of fixed assets	-217,694.21	
Total	-217,694.21	

Other description:

 Applicable Not applicable**74. Non-operating revenue**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring gains and losses
Total profit from disposal of non-current assets			
Including: Gains from disposal of fixed assets			
Gains from disposal of intangible assets			
Revenue from debt restructuring			
Non-monetary asset exchange profits			
Accepting donations			
Government grants			
Amounts not required to be paid	819,297.29		819,297.29
Revenue from fines and liquidated damages	80,499.36	50,000.00	80,499.36
Others	459,867.52	258,882.06	459,867.52
Total	1,359,664.17	308,882.06	1,359,664.17

Government grants included in current profits and losses

 Applicable Not applicable

Other description:

 Applicable Not applicable**75. Non-operating expenses**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring gains and losses
Total loss from disposal of non-current assets			
Including: Loss from disposal of fixed assets			
Loss on disposal of intangible assets			
Loss from debt restructuring			
Non-monetary asset exchange losses			
External donation	459,615.00	34,600.00	459,615.00
Late payment fees	2,347,897.07		2,347,897.07
Loss on retirement of non-current assets	100,854.99		100,854.99
Others	4,976.56	516,181.27	4,976.56
Total	2,913,343.62	550,781.27	2,913,343.62

Other description:

None

76. Income tax expenses**(1) Income tax expense statement**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expense	158,636,450.28	85,324,305.00
Deferred income tax expense	-13,991,718.91	7,323,122.04
Total	144,644,731.37	92,647,427.04

(2) Adjustment process of accounting profit and income tax expense√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period
Total profit	672,913,052.59
Income tax expense calculated at statutory/applicable tax rate	168,228,263.15
Influence of different tax rates applied to subsidiaries	-41,375,352.13
Influence of adjusting income tax in previous periods	-1,045,113.54
Influence of non-taxable income	
Influence of non-deductible costs, expenses and losses	2,874,985.49
Influence of deductible loss of unrecognized deferred income tax assets in the previous period	-8,877,968.09
Influence of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	31,792,050.31
Additional deduction of R&D expenses	-6,952,133.82
Income tax expense	144,644,731.37

Other description:

 Applicable Not applicable**77. Other comprehensive income**√ Applicable Not applicable

For the details, please see the particulars contained in “57. Other comprehensive income”, “VII. Notes to the Items of Consolidated Financial Statements”, “Section X Financial Report”.

78. Items in cash flow statement**(1). Other cash received relating to operating activities**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest income from bank deposits	34,019,097.62	24,233,809.41
Government grants	33,499,531.23	19,400,553.37
Receivables, payables and others	71,797,601.09	20,707,779.37
Total	139,316,229.94	64,342,142.15

Explanation on other cash received relating to operating activities:

None

(2). Other cash paid relating to operating activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Expenses paid in cash	1,352,917,250.79	969,394,367.73
Receivables, payables and others	17,254,242.10	24,745,797.67
Total	1,370,171,492.89	994,140,165.40

Explanation on other cash paid relating to operating activities:

None

(3). Other cash received relating to investing activities

Applicable Not applicable

(4). Other cash paid relating to investing activities

Applicable Not applicable

(5). Other cash received relating to financing activities

Applicable Not applicable

(6). Other cash paid relating to financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Operating lease rentals paid	3,017,591.46	
Amount for acquisition of minority equity		45,000,000.00
Total	3,017,591.46	45,000,000.00

Other cash paid relating to financing activities:

None

79. Supplementary information to cash flow statement**(1) Supplementary information to cash flow statement**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Supplementary information	Amount of the current period	Amount of the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	528,268,321.22	308,556,365.92
Add: Provision for impairment of assets	52,178,199.75	89,555,181.24
Credit impairment losses	-6,753,856.82	-875,552.05
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	17,248,552.10	25,408,239.42
Amortization of right-of-use assets	1,734,279.12	
Amortization of intangible assets	9,008,229.23	8,420,860.43
Amortization of long-term deferred expenses	6,398,143.87	8,386,299.09
Losses on disposal of fixed assets, intangible assets and other long-term assets (“-” for income)	217,694.21	
Loss on retirement of fixed assets (“-” for income)	100,854.99	
Losses on changes in fair value (“-” for income)		
Financial expenses (“-” for income)	5,817,515.18	6,535,131.18
Investment loss (“-” for income)	1,164,626.88	3,658,316.04
Decrease in deferred tax assets (“-” for increase)	-18,921,309.65	7,323,122.04
Increase in deferred tax liabilities (“-” for decrease)	4,929,590.74	-885,037.35
Decrease in inventory (“-” for increase)	-102,571,881.18	-138,821,424.14
Decrease of operating receivable items (“-” for increase)	69,128,299.79	42,008,373.99
Increase in operational payables (“-” for decrease)	563,359,566.28	354,512,254.57
Others	49,961,246.32	
Net cash flows from operating activities	1,181,268,072.03	713,782,130.38
2. Major investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		

Fixed assets under finance lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	3,952,864,158.35	2,694,296,764.69
Less: Opening balance of cash	3,125,333,085.05	2,378,334,768.09
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	827,531,073.30	315,961,996.60

(2) Net cash paid to acquire subsidiaries in the current period

Applicable Not applicable

(3) Net cash received from disposal of subsidiaries in the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

	amount
Cash or cash equivalents received from disposal of subsidiaries in the current period	5,000,000.00
Including: Hangzhou Xiake Bar Catering Management Co., Ltd.	3,500,000.00
Hangzhou Tiedingxian Catering Management Co., Ltd.	1,500,000.00
Less: Cash and cash equivalents held by subsidiary on date of losing control	1,981,857.39
Including: Hangzhou Xiake Bar Catering Management Co., Ltd.	1,294,311.74
Hangzhou Tiedingxian Catering Management Co., Ltd.	687,545.65
Add: Cash or cash equivalents received in the current period from disposal of subsidiaries in previous periods	
Net cash received from disposal of subsidiaries	3,018,142.61

Other description:

None

(4) Composition of cash and cash equivalents

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash	3,952,864,158.35	3,125,333,085.05
Including: Cash in vault	21,976.11	20,176.08
Bank deposits that can be used for payment at any time	3,933,070,722.34	3,048,251,723.18
Other monetary capital that can be used for payment at any time	19,771,459.90	77,061,185.79
Funds deposited with the central bank for payment		

Deposits in other banks		
Funds for interbank lending		
II. Cash equivalents		
Including: Bond investment due within three months		
III. Closing balance of cash and cash equivalents	3,952,864,158.35	3,125,333,085.05
Including: Cash and cash equivalents with restricted use by the parent company or a subsidiary of the group		

Other description:

Applicable Not applicable

Time point	Balance of monetary capital	Cash and cash equivalents	Difference	Causes of difference
June 30, 2023	3,960,227,111.24	3,952,864,158.35	7,362,952.89	Fixed-term deposit margin for transformers of RMB250,000.00, as well as ETC vehicle deposit of RMB70,000.00, Pinduoduo deposit of RMB5,000,000.00 and Tmall and Alipay deposits of RMB2,042,952.89 in other monetary capital.
December 31, 2022	3,161,003,085.05	3,125,333,085.05	35,670,000.00	Fixed-term deposits of RMB30,000,000.00, fixed-term deposit margin for transformers of RMB250,000.00, ETC vehicle deposit of RMB70,000.00, Pinduoduo deposit of RMB5,000,000.00 as well as Tmall and Alipay deposits of RMB350,000.00.

80. Notes on items in the change statement of owner's equity

Explanation on the name of "Others" item for adjusting the closing balance of the previous year and adjustment amounts:

Applicable Not applicable

81. Assets with limited ownership or use rights

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Carrying amount at the end of the period	Cause for restrictions

Monetary capital	7,362,952.89	Fixed-term deposit margin for transformers, Pinduoduo deposit, as well as Tmall and Alipay deposits
Notes receivable		
Inventory		
Fixed assets		
Intangible assets		
Total	7,362,952.89	/

Other description:

None

82. Foreign currency monetary items

(1). Foreign currency monetary items

Applicable Not applicable

Unit: Yuan

Item	Closing foreign currency balance	Converted exchange rate	RMB balance converted at the end of period
Monetary capital	-	-	84,393,047.26
Including: SF	22,953.62	8.0614	185,038.31
EUR	4,539,846.21	7.8771	35,760,822.58
HKD	32,893,119.75	0.9220	30,326,798.55
JPY	165,227,935.00	0.0501	8,276,928.18
KRW	57,791,646.00	0.0055	317,588.87
SGD	9,646.04	5.3442	51,550.37
USD	1,310,973.29	7.2258	9,472,830.80
VND	4,805,159.00	0.0003	1,489.60
Accounts receivable	-	-	2,477,505.48
Including: EUR	218,942.52	7.8771	1,724,632.12
HKD	1,603.06	0.9220	1,477.99
JPY	14,999,708.00	0.0501	751,395.37
Other receivables	-	-	23,373,011.55
Including: EUR	2,865,596.08	7.8771	22,572,586.88
JPY	15,978,454.00	0.0501	800,424.67
Accounts payable			7,841,975.24
Including: EUR	876,165.02	7.8771	6,901,639.48
HKD	22,500.00	0.9220	20,744.55
JPY	18,357,312.45	0.0501	919,591.21
Other payables	-	-	302,922.31
Including: HKD	5,975.00	0.9220	5,508.83
JPY	52,200.00	0.0501	2,614.91

KRW	53,644,495.00	0.0055	294,798.57
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Other description:

None

(2). Descriptions of overseas operating entities, including disclosure of the main overseas business locations, functional currency and the basis for selection of important overseas operating entities, and the reasons for changes in functional currency (if any)

Applicable Not applicable

Hapsode Co., Ltd. and Hanna Cosmetics Co., Ltd. are located in South Korea, with business income and expenditures denominated in Korean Won which is used as their accounting currency. Hong Kong Xinghuo Industry Limited, Hong Kong Zhongwen Electronic Commerce Co., Limited, Hong Kong Xuchen Trading Limited, Hong Kong Keshi Trading, Ltd., Boya (Hong Kong) Investment Management Co., Ltd. and Hong Kong Wanyan Electronic Commerce Co., Ltd. are located in Hong Kong and use RMB as their accounting currency. P.R.O Co., Ltd. is located in Japan, with business income and expenditures denominated in Japanese Yen, and adopts JPY as its accounting currency.

83. Hedging

Applicable Not applicable

84. Government grants

(1). Basic information of government grants

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Reported items	Amount included in current profits and losses
Government grants related to assets	1,039,545.00	Other incomes	1,039,545.00
Government grants related to income	33,599,531.23	Other incomes	33,599,531.23

(2). Return of government grants

Applicable Not applicable

Other description

(1) Details

1) Government grants related to assets

Item	Deferred income at the beginning of the period	New subsidies in the current period	Amortization in the current period	Closing deferred income	Amortization in the current period reported items	Notes
Subsidies for modified	6,399,811.33		1,039,545.00	5,360,266.33	Other incomes	

Item	Deferred income at the beginning of the period	New subsidies in the current period	Amortization in the current period	Closing deferred income	Amortization in the current period reported items	Notes
cosmetic technology						
Subtotal	6,399,811.33		1,039,545.00	5,360,266.33		

According to the Decision on the Award for Technical Transformation of Proya Cosmetics Co., Ltd. Huzhou Branch issued by the People's Government of Daixi Town, Huzhou, the Company received the technical transformation subsidy of RMB14,561,400.00 from the Government of Daixi Town in 2014, and apportioned the subsidy on an average basis over the service life of the asset. RMB728,070.00 was recorded under Other Income in the current period.

According to the Notice on Issuing Construction and Development Fund (First Batch) for Powerful Industrial City in 2015 (HCQ [2015] No. 150) issued by Huzhou Finance Bureau and Huzhou Economy and Information Technology Commission, the technical transformation subsidy of RMB2,350,000.00 was paid by Huzhou Finance Bureau in 2015. The Company apportioned the subsidy on an average basis over the service life of the asset. RMB117,500.00 was recorded under Other Income in the current period.

According to the Notice on Issuing Special Funds (Second Batch) for the "Machine Substitution for Humans" Project in 2014 (WFG [2015] No. 18) issued by the Development, Reform and Economy Commission of Wuxing District, Huzhou and the Finance Bureau of Wuxing District, the technical transformation subsidy of RMB500,000.00 was paid by the Finance Bureau of Wuxing District, Huzhou in 2015. The Company apportioned the subsidy on an average basis over the service life of the asset. RMB25,000.00 was recorded under Other Income in the current period.

According to the Notice on Issuing Special Funds (Second Batch) for Industrial Development in Huzhou in 2018 (HCQ [2018] No. 319) issued by Huzhou Finance Bureau and Huzhou Economy and Information Technology Commission, the technical transformation subsidy of RMB1,379,500.00 was paid by Huzhou Finance Bureau in December 2018. The Company apportioned the subsidy on an average basis over the service life of the asset. RMB68,975.00 was recorded under Other Income in the current period.

According to the Notice on Appropriating Special Subsidy Fund for Demonstration Intelligent Workshop in Wuxing District in 2019 (WCQH [2020] No. 145) issued by the Huzhou Finance Bureau and the Development, Reform and Economic Information Technology Bureau of Wuxing District, the technical transformation subsidy of RMB2,000,000.00 was paid by the Finance Bureau of Wuxing District, Huzhou in May 2020. The Company apportioned the subsidy on an average basis over the service life of the asset. RMB100,000.00 was recorded under Other Income in the current period.

According to the Investment Construction and Land Use Agreementsigned between Wuxing District Daixi Town People's Government of Huzhou City and the Company, RMB2,062,638.00 was granted by the People's Government of Daixi Town, Wuxing District, Huzhou City in January 2022 as subsidy for construction works. As of June 30, 2023, the works had not been completed.

2) Government grants related to income and used to compensate the Company for relevant costs or losses incurred

Item	Amount	Reported items	Notes
Enterprise development support funds	28,420,000.00	Other incomes	According to the Notice of Opinions on Implementing the High-quality Development of Manufacturing industry in Wuxing District (2020-2024) Issued by the Office of Wuxing District People's Government (WZBF [2022] No. 42), it was paid by the Finance Bureau of Wuxing District, Huzhou City.
Enterprise development support funds	2,062,638.00	Other incomes	Paid by the Finance Bureau of Daixi Town, Wuxing District, Huzhou.
Enterprise development support funds	1,000,000.00	Other incomes	According to the investment promotion contract signed with the Finance Bureau of Ningbo Meishan Free Trade Port, it was paid by the Finance Bureau of Ningbo Meishan Free Trade Port.
Enterprise development support funds	700,000.00	Other incomes	According to the XFGJX [2023] No. 19 Issued by the Development, Reform and Economic Information Technology Bureau and the Finance Bureau of Xihu District, it was paid by the Development, Reform and Economic Information Technology Bureau of Xihu District, Hangzhou.
Subsidies for low-income housing Programs	695,200.00	Other incomes	According to the Letter of Huzhou Housing and Urban-Rural Development Bureau on Applying for the Early Grant of Subsidies for the 2023 Government-Financed Urban Affordable Housing Programs, it was paid by the Finance Bureau of Wuxing District, Huzhou.
Commercial enterprise development support funds	423,600.00	Other incomes	According to the Notice on Facilitating Special Fund Management Measures of Ningbo Southern Affairs Issued by Ningbo Municipal Bureau of Commerce and Ningbo Finance Bureau (YYSWCH [2021] No. 14) and the Notice on the Issuance of the Purchase and Implementation Opinions to Promote the Development of Commercial Enterprises by Ningbo Municipal Bureau of Commerce and Ningbo Finance Bureau (Trial) (JSWSM [2022] No. 115), it was paid by Ningbo Finance Bureau.
E-commerce economy development	100,000.00	Other incomes	According to the WZBF [2019] No. 65 Issued by the Office of Wuxing District People's Government of Huzhou and New Ten

Item	Amount	Reported items	Notes
support funds			Supportive Policies on Accelerating the E-Commerce Development of Huzhou, it was paid by the Finance Bureau of Wuxing District.
Stabilization employment subsidy	100,000.00	Other incomes	According to the term of “encouraging enterprises to stabilize posts and keep workers for uninterrupted production” set out in the Notice on Measures for Supporting Enterprises in Stabilizing Production, Expanding Investment and Increasing Investments, it was paid by the Finance Bureau of Wuxing District.
Intellectual property subsidies, Party organization funds, and patent support funds	98,093.23	Other incomes	It was paid by Hangzhou Xihu District Market Supervision Administration, Sub-district Office of Xihu District People's Government of Hangzhou, the Development, Reform and Economic Information Technology Bureau of Wuxing District, Huzhou, and the Finance Bureau of Wuxing District.
Subtotal	33,599,531.23		

(2) The amount of government grants included in the profits and losses in the current period is RMB34,639,076.23.

85. Others

Applicable Not applicable

VIII. Change of Combination Scope

1. Business combinations not under common control

Applicable Not applicable

2. Business combinations under common control

Applicable Not applicable

3. Reversed purchase

Applicable Not applicable

4. Disposal of subsidiaries

Is there a single disposal of investment in a subsidiary leading to the loss of control

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Payment for equity disposal	Equity disposal ratio (%)	Equity disposal method	Time point of losing control	The basis for determining the time point when the control right is lost	Difference in net assets of the subsidiary at the consolidated financial statement level corresponding to the disposal price and disposal investment	Ratio of remaining equity on the date of losing control (%)	Carrying amount of remaining equity on the date of losing control	Fair value of remaining equity on the date of losing control	Gain or loss from remaining equity re-measured at fair value	The determination method and main assumption of the fair value of the remaining equity on the date of loss of control	Amount of other comprehensive income related to the equity investment of previous subsidiaries transferred to the investment profit and loss
Hangzhou Xiake Bar Catering Management Co., Ltd.	3,500,000.00	100.00	Disposal	February 2023	Losing control upon the transfer of property rights	-11,332.08						
Hangzhou Tiedingxian Catering Management Co., Ltd.	1,500,000.00	80.00	Disposal	February 2023	Losing control upon the transfer of property rights	-12,828.43						

Other description:

Applicable Not applicable

5. Change of combination scope for other reasons

Description of the changes in the combination scope caused by other reasons (for example, newly established subsidiaries, liquidation of subsidiaries, etc.) and the specific information:

Applicable Not applicable

1. Increase of consolidation scope

Company name	Equity acquisition method	Time point of equity acquisition	Amount of contribution	Contribution ratio
Huzhou Keyan Trading Co., Ltd.	New subsidiaries	March 2023		100.00%

2. Decrease in consolidation scope

Company name	Equity disposal method	Time point of equity disposal	Net assets as at the disposal date	Net profits from the beginning of the period to the disposal date
Korea Younimi Cosmetics Co., Ltd.	Cancel	April 2023	3,532,993.47	-1,740,215.20
Hangzhou Donghai Wangchao Catering Management Co., Ltd.	Cancel	June 2023		

6. Others

Applicable Not applicable

IX. Interests in other entities**1. Interests in subsidiaries****(1). Composition of enterprise group**

√ Applicable □ Not applicable

Subsidiary name	Main place of business	Registration place	Nature of business	Holding ratio (%)		Mode of acquisition
				Direct	Indirect	
Hangzhou Proya Trade Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Huzhou Chuangdai E-commerce Co., Ltd.	Huzhou	Huzhou	Wholesale and retail		100.00	Establishment
Hapsode (Hangzhou) Cosmetics Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Huzhou UZERO Trading Co., Ltd.	Huzhou	Huzhou	Wholesale and retail	100.00		Establishment
Hong Kong Xinghuo Industry Limited	Hong Kong	Hong Kong	Wholesale and retail	100.00		Establishment
Mijing Siyu (Hangzhou) Cosmetics Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Ningbo TIMAGE Cosmetics Co., Ltd.	Ningbo	Ningbo	Wholesale and retail	71.36		Establishment

Explanation on the shareholding ratio in subsidiaries different from the voting ratio:

None

Basis for holding 50% or less of voting rights but still controlling the investee, and holding more than 50% of voting rights but not controlling the investee:

None

Basis for controlling the important structured entities included in the combination scope:

None

Basis for determining whether a company is an agent or a principal:

None

Other description:

None

(2). Significant non-wholly owned subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Shareholding ratio of the minority shareholder (%)	Gain or loss attributable to minority shareholders in the current period	Dividends declared and distributed to minority shareholders in the current period	Balance of minority interests at the end of the period
Ningbo TIMAGE Cosmetics Co., Ltd.	28.64	28,172,384.54		46,454,503.27

Explanation on the shareholding ratio of minority shareholder in subsidiaries different from the voting ratio:

Applicable Not applicable

Other description:

Applicable Not applicable

(3). Main financial information of important non-wholly-owned subsidiaries

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo TIMAGE Cosmetics Co., Ltd.	302,697,597.36	6,398,297.92	309,095,895.28	142,668,661.73	1,672,655.27	144,341,317.00	173,712,882.33	5,198,059.78	178,910,942.11	112,248,423.70	1,672,655.27	113,921,078.97

Name of subsidiary	Amount incurred in the current period				Amount incurred in the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows generated from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows generated from operating activities
Ningbo TIMAGE Cosmetics Co., Ltd.	429,841,111.95	98,618,452.96	98,618,452.96	77,958,227.70	234,672,214.61	40,846,250.55	40,846,250.55	24,728,583.15

Other description:

None

(4). Major restrictions on using enterprise group assets and paying off enterprise group debts

Applicable Not applicable

(5). Financial support or other support provided to structured entities included in the scope of consolidated financial statements:

Applicable Not applicable

Other description:

Applicable Not applicable

2. The share of owner's equity in the subsidiary has changed and still controls the transactions of the subsidiary

Applicable Not applicable

3. Rights and interests in joint ventures or associates

Applicable Not applicable

(1). Significant joint ventures or associates

Applicable Not applicable

(2). Main financial information of significant joint ventures

Applicable Not applicable

(3). Main financial information of significant associates

Applicable Not applicable

(4). Summary of financial information of insignificant joint ventures or associates

Applicable Not applicable

Unit: Yuan Currency: RMB

	Closing balance/amount incurred in the current period	Beginning balance/amount incurred in the previous period
Joint ventures:		
Total book value of investment	3,066,898.78	3,068,948.16
The total of the following items calculated according to the shareholding ratio		
-Net profit	-2,049.38	-5,814.02
-Other comprehensive income		
-Total comprehensive income	-2,049.38	-5,814.02
Associates:		
Total book value of investment	129,876,661.36	135,464,429.30
The total of the following items calculated according to the shareholding ratio		
-Net profit	-1,829,651.09	-3,652,502.02
-Other comprehensive income		
-Total comprehensive income	-1,829,651.09	-3,652,502.02

Other description

None

(5). Statement of significant restrictions on the ability of joint ventures or associates to transfer capital to the Company

Applicable Not applicable

(6). Excess losses incurred by joint ventures or associates

Applicable Not applicable

(7). Unconfirmed commitments related to the investment in joint ventures

Applicable Not applicable

(8). Contingent liabilities related to investments in joint ventures or associates

Applicable Not applicable

4. Important joint operation

Applicable Not applicable

5. Rights and interests in structured entities not included in the scope of consolidated financial statements

Explanation on structured entities not included in the scope of consolidated financial statements:

Applicable Not applicable

6. Others

Applicable Not applicable

X. Risks related to Financial Instruments

Applicable Not applicable

The Company's risk management aims to reach a balance between risks and benefits, to minimize the negative impact of risks on the Company's operating results, and to maximize the interests of shareholders and other equity investors. Based on these risk management goals, the Company's basic strategy for risk management is to determine and analyze various risks faced by the Company, establish an appropriate risk tolerance bottom line and conduct risk management, and supervise various risks in a timely and reliable manner to control the risks within a limited scope.

The Company faces various risks related to financial instruments in its daily activities, including credit risk, liquidity risk and market risk. The management has deliberated and approved the policing governing these risks as outlined below.

(I) Credit risk

Credit risk refers to the risk that one party of a financial instrument fails or is unable to fulfill its obligations, resulting in financial losses to the other party.

1. Approach to credit risk**(1) Assessment method of credit risk**

The Company, on each balance sheet date, assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Company takes into account the reasonable and

well-founded information available without unnecessary additional costs or efforts, including qualitative and quantitative analysis based on historical data, external credit risk rating and forward-looking information. The Company determines the changes that may result in default risk of financial instruments within their expected duration by comparing the default risk of the financial instruments on the balance sheet date and the initial recognition date based on an individual financial instrument or the combined financial instruments with similar credit risk characteristics.

The Company deems that the credit risk of the financial instruments has increased significantly if any one or more of the following quantitative and qualitative standards are triggered:

- 1) The main quantitative standard is that the probability of default within the remaining duration on the balance sheet date has increased by more than a certain proportion compared with that at the initial recognition;
- 2) The main qualitative standard is that there are material adverse changes occurring to the business or financial conditions of the debtor and changes in the existing or anticipated technology, market, economic or legal environment which have a material adverse effect on the debtor's ability to make repayment to the Company.

(2) Definitions of default and assets with credit impairment

If the financial instruments meet any one or more of the following conditions, the Company defines the financial assets as in default, with its standard consistent with the definition of credit impairment:

- 1) The debtor faces major financial difficulties;
- 2) The debtor breaches the provisions governing it in the contract;
- 3) The debtor is very likely to become bankrupt or go into other financial restructuring proceedings;
- 4) The creditor makes a concession to the debtor which it will not make under any other circumstances for the economic or contractual considerations in connection with the debtor's financial difficulties.

2. Measurement of expected credit loss

The key parameters for measurement of expected credit loss include the probability of default, loss given default and default risk exposure. The Company builds the models of probability of default, loss given default and default risk exposure considering the quantitative analysis of historical statistical data (such as counterparty rating, guarantee type, category of collateral and pledge, repayment method) and forward-looking information.

3. For the details on the Reconciliation Statement of Beginning Balance and Closing Balance of Financial Instrument Loss Reserve, please see the particulars contained in "5. Account receivable; 6. Receivables financing; and 8. Other receivables", "VII. Notes to the Items in the Consolidated Financial Statements", "Section X Financial Report".

4. Credit risk exposure and credit risk concentration

The credit risk of the Company is derived mainly from the monetary capital and accounts receivable. To control the above related risk, the Company has respectively taken the following measures.

(1) Monetary capital

Bank deposits and other monetary capital of the Company were deposited with financial institutions with high credit rating; therefore, the credit risk was low.

(2) Accounts receivable

The Company continuously carries out credit assessment on customers who trade in credit. According to the result of credit assessment, the Company deals with approved and credible customers, and monitors the balance of their accounts receivable, so as to prevent significant bad debt risk.

No guarantee is required as the Company only transacts with recognized and reputable third parties. Credit risk concentration is managed as per customers. As of June 30, 2023, there was certain credit concentration risk in the Company and 80.89% (December 31, 2022: 68.05%) of the accounts receivable

of the Company were concentrated on top five customers in the balance of account receivable. The Company had no guarantee or other credit enhancement on the balance of the accounts receivable. The maximum credit risk exposure of the Company is the carrying amount of the financial assets in the balance sheet.

(II) Liquidity risk

Liquidity risk refers to the risk of shortage of funds when the Company fulfills its obligation to settle by delivering cash or other financial assets. Liquidity risk may arise from the inability to sell financial assets at fair value as soon as possible, the counterparty's inability to pay off its contractual debt, the acceleration of debt or the inability to generate expected cash flow.

To control such risk, the Company applies various financing methods, such as bill settlement and bank loans, in appropriate combination of long-term and short-term financing ways to optimize the financing structure and keep the balance between financing sustainability and flexibility. The Company has obtained lines of credit from several commercial banks to satisfy its working capital demands and capital expenditure.

Classification of financial liabilities by the remaining due days

Item	Closing amount				
	Carrying amount	Undiscounted contract value	Within 1 year	1-3 years	Above 3 years
Short-term borrowings	200,155,555.56	203,990,000.00	203,990,000.00		
Notes payable	56,801,810.60	56,801,810.60	56,801,810.60		
Accounts payable	1,063,096,364.64	1,063,096,364.64	1,063,096,364.64		
Other payables	211,974,456.13	211,974,456.13	211,974,456.13		
Bonds payable	740,666,717.66	899,470,380.00	3,754,050.00	18,770,250.00	876,946,080.00
Lease liabilities	11,281,561.28	11,281,561.28		11,281,561.28	
Non-current liabilities due within one year	3,864,732.04	3,864,732.04	3,864,732.04		
Subtotal	2,287,841,197.91	2,450,479,304.69	1,543,481,413.41	30,051,811.28	876,946,080.00

(Continued)

Item	Balance at the end of the previous year				
	Carrying amount	Undiscounted contract value	Within 1 year	1-3 years	Above 3 years
Short-term borrowings	200,195,890.41	201,900,886.94	201,900,886.94		
Notes payable	69,626,352.12	69,626,352.12	69,626,352.12		
Accounts payable	475,427,484.23	475,427,484.23	475,427,484.23		
Other payables	216,392,183.41	216,392,183.41	216,392,183.41		

Item	Balance at the end of the previous year				
	Carrying amount	Undiscounted contract value	Within 1 year	1-3 years	Above 3 years
Bonds payable	724,491,557.93	900,552,174.00	3,754,685.00	18,773,425.00	877,094,416.00
Lease liabilities	3,718,119.41	3,718,119.41		3,718,119.41	
Non-current liabilities due within one year	2,549,452.14	2,549,452.14	2,549,452.14		
Subtotal	1,692,401,039.65	1,870,166,652.25	969,651,043.84	22,491,544.41	877,094,416.00

(III) Market risk

Market risk refers to the fact that the fair value or future cash flow of financial instruments may fluctuate due to changes in market prices. Market risks include interest rate and foreign exchange risks.

1. Interest rate risk

Interest rate risk refers to that the fair value or future cash flow of financial instruments may fluctuate due to changes in market interest rates. The interest-bearing financial instruments with a fixed interest rate cause the interest rate risk of fair value, and those with a floating interest rate cause the interest rate risk of cash flow. The Company determines the proportion of financial instruments with a fixed interest rate and financial instruments with a floating interest rate according to the market environment, and maintains an appropriate combination of financial instruments through regular review and monitoring.

2. Foreign exchange risk

Foreign exchange risk refers to that the fair value or future cash flow of financial instruments may fluctuate due to changes in foreign exchange rates. The risk of changes in foreign exchange rates faced by the Company is mainly related to the Company's foreign currency assets and liabilities. The Company carries out most of its business in the Chinese mainland, and therefore has main activities valued in RMB. Therefore, the market risk of foreign exchange changes faced by the Company is minor.

For the details on the monetary assets and liabilities in foreign currency of the Company at the end of the period, please see the particulars contained in "82. Foreign currency monetary items", "VII. Notes to the Items in the Consolidated Financial Statements", "Section X Financial Report".

XI. Disclosure of fair value**1. The closing fair value of assets and liabilities measured at fair value**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing fair value			
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	Total
I. Continuous fair value measurement				
(I) Financial assets held for trading				

1. Financial assets measured at fair value with changes included in the current profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Financial assets designated as measured at fair value and the changes of which are accounted in the current profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment			146,402,400.00	146,402,400.00
(II) Other debt investments				
(III) Other equity instrument investments				
(IV) Investment property				
1. Land use right for lease				
2. Leased buildings				
3. Land use rights that are held for transfer upon appreciation				
(V) Biological assets				
1. Consumable biological assets				
2. Productive biological assets				
Total assets consistently measured at fair value			146,402,400.00	146,402,400.00
(VI) Financial liabilities held for trading				
1. Financial liabilities measured at fair value with changes included in the current profit or loss				
Including: Trading bonds issued				
Derivative financial liabilities				

Others				
2. Financial liabilities designated as measured at fair value and the changes of which are accounted in current profit or loss				
Total liabilities consistently measured at fair value				
II. Non-continuous fair value measurement				
(I) Assets held for sale				
Total assets measured by non-continuous fair value				
Total liabilities measured by non-continuous fair value				

2. Determination basis for the market price of continuous and non-continuous first-level fair value measurement items

Applicable Not applicable

3. Qualitative and quantitative information on the valuation techniques and important parameters used in continuous and non-continuous second-level fair value measurement items

Applicable Not applicable

4. Qualitative and quantitative information on the valuation techniques and important parameters used in continuous and non-continuous third-level fair value measurement items

Applicable Not applicable

The fair value of other equity instrument investments is determined according to their historic cost.

5. Adjustment information and sensitivity analysis of non-observable parameters between beginning and closing carrying amount for continuous third-level fair value measurement items

Applicable Not applicable

6. For continuous fair value measurement items, if the conversion occurs among different levels within the current period, the reasons for the conversion and the policy for determining the conversion time point

Applicable Not applicable

7. Changes in valuation techniques during the current period and the reasons for the changes

Applicable Not applicable

8. Fair value of financial assets and financial liabilities not measured at fair value

Applicable Not applicable

9. Others

Applicable Not applicable

XII. Related parties and related transactions**1. Information about the parent company of the Company**

Applicable Not applicable

2. Information on subsidiaries of the Company

See the notes for details of the subsidiaries of the Company

Applicable Not applicable

For the details on subsidiaries of the Company, please see the particulars contained in “IX. Interests in Other Entities”, “Section X Financial Report”.

3. Information on joint ventures and associates of the Company

See the notes for details of the significant joint ventures or associates of the Company

Applicable Not applicable

Information about other joint ventures or associates that have related transactions with the Company in the current period, or have balance resulting from related transactions with the Company in the previous period is as follows

Applicable Not applicable

4. Information of other related parties

Applicable Not applicable

Name of other related parties	Relationship between other related parties and the Company
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Others
Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Others
Hangzhou Tiedingxian Catering Management Co., Ltd.	Others
Hangzhou Xiake Bar Catering Management Co., Ltd.	Others
Shaoxing Keqiao Qingteng Culture Investment Co., Ltd.	Others
PARISEZHAN HK LIMITED	Others

EURL PHARMATICA	Others
SARL ORTUS	Others
S.A.S AREDIS	Others
Korea Youke Co., Ltd.	Others
Shanghai Youke Brand Management Co., Ltd.	Others
Shanghai Youke Jiabei Technology Co., Ltd.	Others
PAN Xiang	Others
Beauty Hi-tech Innovation Co., Ltd.	Others

Other description

None

5. Information of related party transactions

(1). Related party transactions of purchasing and selling goods, rendering and receiving services

Statement of purchasing goods/receiving services

Applicable Not applicable

Unit: '0,000 Currency: RMB

Related parties	Details of related party transaction	Amount incurred in the current period	Approved transaction amount (if applicable)	Exceeding the transaction limit or not (if applicable)	Amount incurred in the previous period
Hangzhou Xiake Bar Catering Management Co., Ltd.	Catering service fee	71.43			
Hangzhou Tiedingxian Catering Management Co., Ltd.	Catering service fee	83.52			
Beauty Hi-tech Innovation Co., Ltd.	Agent operation service fee	250.47			

Statement of sales of goods/rendering of service

Applicable Not applicable

Unit: '0,000 Currency: RMB

Related parties	Details of related party transaction	Amount incurred in the current period	Amount incurred in the previous period
Shanghai Youke Jiabei Technology Co., Ltd.	Sales of goods		3,361.65
Shanghai Youke Brand Management Co., Ltd.	Sales of goods		1,228.90
Ningbo Weiman Cosmetics Co., Ltd.	Sales of goods		63.08
Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Sales of goods		0.53

Explanation on related party transactions in purchasing and selling goods, rendering and receiving services

Applicable Not applicable

(2). Related entrusted management/contracting and entrusted management/outsourcing

Statement of entrusted management/contracting of the Company:

Applicable Not applicable

Explanation on related trusteeship/contracting

Applicable Not applicable

Statement of entrusted management/outsourcing of the Company

Applicable Not applicable

Explanation on related management/outsourcing

Applicable Not applicable

(3). Related-party lease

The Company as the lesser:

Applicable Not applicable

Unit: '0,000 Currency: RMB

Name of lessee	Types of leased assets	Lease income recognized in the current period	Lease income recognized in the previous year
Hangzhou Xiake Bar Catering Management Co., Ltd.	Site	15.12	
Hangzhou Tiedingxian Catering Management Co., Ltd.	Site	15.36	

The Company as the lessee:

√ Applicable □ Not applicable

Unit: '0,000 Currency: RMB

Name of lesser	Types of leased assets	Simple short-term lease and low-value asset rental expense (if applicable)		Variable lease payments not included in the measurement of lease liability (if applicable)		Rent paid		Interest expense assumed on lease liability		Increased right-of-use assets	
		Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Site					517,536.00		13,976.20			

Explanation on related lease

□ Applicable √ Not applicable

(4). Information on related guarantees

The Company as the guarantor

 Applicable Not applicable

The Company as the guaranteed party

 Applicable Not applicable

Explanation on related guarantee

 Applicable Not applicable**(5). Borrowing of related party funds** Applicable Not applicable**(6). Information of asset transfer and debt restructuring of related parties** Applicable Not applicable**(7). Remuneration of key management personnel** Applicable Not applicable

Unit: '0,000 Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key management personnel	654.49	449.45

[Note] Excludes related compensation recognized for share-based payment

(8). Other related party transactions Applicable Not applicable**6. Accounts receivable and payable from related parties****(1). Receivable items** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Hangzhou Xiake Bar Catering Management Co., Ltd.	58,056.75	2,902.84		
	Hangzhou Tiedingxian Catering	51,670.51	2,583.53		

	Management Co., Ltd.				
Subtotal		109,727.26	5,486.37		
Prepayments					
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.			43,000.00	
Subtotal				43,000.00	
Other receivables					
	EURL PHARMATICA [Note]	18,431,261.04	18,431,261.04	18,232,635.52	18,232,635.52
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	132,568.20	132,568.20	133,568.20	133,568.20
	Hangzhou Xiake Bar Catering Management Co., Ltd.	3,000,000.00	150,000.00		
	Beauty Hi-tech Innovation Co., Ltd.	82,571.59	82,571.59		
Subtotal		21,646,400.83	18,796,400.83	18,366,203.72	18,365,503.72

[Note] The amount of EURL PHARMATICA is from PAN Xiang and the consolidated statistics of EURL PHARMATICA, PARISEZHAN HK LIMITED, SARL ORTUS and S.A.S AREDIS under the control of PAN Xiang.

(2). Payable items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Related parties	Book balance at the end of the period	Book balance at the beginning of the period
Accounts payable			
	S.A.S AREDIS	258,504.52	258,504.52
	Ningbo Weiman Cosmetics Co., Ltd.		121,884.94
	Hangzhou Tiedingxian Catering Management Co., Ltd.	19.00	
Subtotal		380,408.46	380,408.46

Receipts in advance			
Subtotal			
Other payables			
	Hangzhou Tiedingxian Catering Management Co., Ltd.	20,000.00	
	Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	8,057.00	
Subtotal		28,057.00	

7. Commitment of related parties

Applicable Not applicable

8. Others

Applicable Not applicable

XIII. Share-based payments

1. Overall situation of share-based payment

Applicable Not applicable

Unit: Share Currency: RMB

Total amount of equity instruments granted by the Company in the current period	Not applicable
Total amount of equity instruments exercised by the Company in the current period	
Total amount of equity instruments of the Company which are invalid in the current period	
The range of exercise pricing of stock options issued by the Company at the end of the period and their remaining periods of contracts	Not applicable
The range of exercise pricing of other equity instrument options issued by the Company at the end of the period and their remaining periods of contracts	The grant price of restricted shares granted is RMB78.56 per share, and the term is 48 months from the grant date

Other description

According to the *Proposal on Satisfying the Conditions for Release from Sales Restrictions in the Third Release Period for Initially Granted Shares and Reserved Shares Under 2018 Restricted Share Incentive Plan* deliberated and approved at the 4th meeting of the third session of Board of Directors in 2022, the Company released the 347,201 restricted shares held by the incentive objects who had satisfied the third release conditions. The circulating date of the sales was January 20, 2022.

On July 25, 2022, according to the *Proposal on 2022 Restricted Share Incentive Plan of the Company (Draft) and Its Summary* deliberated and approved at the First Extraordinary General Meeting of the Company in 2022, under the Incentive Plan, the Company proposed to grant up to 2,100,000 restricted shares to incentive objects. The grant date of the restricted shares is July 25, 2022. The incentive objects include senior management, middle-level managers and backbone employees working for the Company

(excluding independent directors and supervisors, and the shareholders or actual controllers severally or jointly holding more than 5% shares of the Company and their spouses, parents and children), 101 persons in total, and the grant price is RMB78.56 per share. The subject shares under the Incentive Plan are derived from the ordinary A shares of the Company privately issued by the Company to the incentive objects. The validity period of the Incentive Plan begins from the date when the registration of the grant of restricted shares is completed to the date when all the restricted shares granted to the incentive objects are released or repurchased and de-registered, in no case longer than 48 months. The granted restricted shares will be released in three tranches (30%, 30% and 40%) over 36 months after the end of 12 months following the initial grant of the restricted shares. The performance condition for the initial release is that: On the basis of the operating revenue and net profit in 2021, the growth rate of operating revenue and net profit in 2022 was no less than 25% and 25%, respectively. The performance condition for the second release is that: On the basis of the operating revenue and net profit in 2021, the growth rate of operating revenue and net profit in 2023 was no less than 53.75% and 53.75%, respectively. The performance condition for the third release is that: On the basis of the operating revenue and net profit in 2021, the growth rate of operating revenue and net profit in 2024 was no less than 87.58% and 87.58%, respectively.

2. Equity-settled share-based payments

Applicable Not applicable

Unit: Yuan Currency: RMB

Determination method of the fair value of equity instruments on grant date	Determined as per the share price on the grant date and the grant price of restricted shares
Basis for determining the quantity of feasible equity instruments	Determined according to the estimated performance conditions in the release period
Reason for material difference between estimation in the current period and estimation in the previous period	Not applicable
Accumulative amount of equity-settled share-based payment included in capital reserves	97,318,367.56
Total recognized expenses of equity-settled share-based payment in the current period	49,961,246.32

Other description

None

3. Cash-settled share-based payment

Applicable Not applicable

4. Modification and termination of share-based payment

Applicable Not applicable

5. Others

Applicable Not applicable

XIV. Commitments and contingencies**1. Significant commitments**√ Applicable Not applicable

Significant external commitments, nature and amount existing at the balance sheet date

As of June 30, 2023, the investment projects of the Company's public offering for fund raising are as follows:

Unit: RMB'0,000

Item	Total investment amount	Fund raising commitment	Closing accumulated investment	Project Filing or Approval No.
Huzhou Production Base Expansion Project (Phase I)	43,752.54	33,850.00	20,768.63	2011-330502-04-01-178735
Longwu R&D Center Construction Project	21,774.45	19,450.00	15,960.58	2101-330106-04-02-307916
Information System Upgrade Project	11,239.50	9,050.00	1,658.42	
Additional working capital	18,000.00	12,821.30	12,533.15	
Total	94,766.49	75,171.30	50,920.78	

2. Contingencies**(1). Important contingencies on the balance sheet date** Applicable Not applicable**(2). Even if the Company does not have important contingencies to be disclosed, it shall also state:** Applicable Not applicable**3. Others** Applicable Not applicable**XV. Events after balance sheet day****1. Important non-adjustment matters** Applicable Not applicable**2. Profit distribution**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Profits or dividends to be distributed	150,832,835.70
Profits or dividend declared after deliberation and approval	

According to the 13th meeting of the third session of Board of Directors on August 28, 2023, based on the total share capital as at the record date on which equity distribution is implemented, the Company proposes to distribute to all shareholders registered a cash dividend of RMB3.80 (tax inclusive) per 10

shares. Based on the total share capital of 396,928,515 shares on June 30, 2023, it is estimated that the cash dividend to be distributed will amount to RMB150,832,835.70 (tax inclusive). In case of a change in the Company's total share capital due to the conversion of convertible bonds before the record date for equity distribution, the Company maintains the said distribution ratios and yet adjusts the total distribution and conversion amounts. The matter above is to be deliberated and approved by the General Meeting.

3. Sales return

Applicable Not applicable

4. Explanation of other events after the balance sheet date

Applicable Not applicable

XVI. Other significant matters

1. Correction of early accounting errors

(1). Retrospective restatement

Applicable Not applicable

(2). Prospective application

Applicable Not applicable

2. Debt restructuring

Applicable Not applicable

3. Asset replacement

(1). Exchange of non-monetary assets

Applicable Not applicable

(2). Replacement of other assets

Applicable Not applicable

4. Annuity plan

Applicable Not applicable

5. Termination of operation

Applicable Not applicable

6. Segment information

(1). Determination basis and accounting policy of reportable segment

Applicable Not applicable

The Company does not have diversified operations or cross-regional operations, so there is no division-based reporting. The details of main business income and main business costs of the Company classified by brands are as follows:

January to June 2023

Brand	Income from main business	Costs of main business	Gross profit
Proya brand	2,891,721,842.83	828,597,188.97	2,063,124,653.86
Other brands	727,652,945.53	233,340,580.32	494,312,365.21
Subtotal	3,619,374,788.36	1,061,937,769.29	2,557,437,019.07

January to June 2022

Brand	Income from main business	Costs of main business	Gross profit
Proya brand	2,128,414,002.19	632,399,637.33	1,496,014,364.86
Other brands	487,505,113.14	198,290,360.05	289,214,753.09
Subtotal	2,615,919,115.33	830,689,997.38	1,785,229,117.95

(2). Financial information of the reportable segment

Applicable Not applicable

(3). If the Company has no reportable segment, or cannot disclose the total assets and liabilities of each reportable segment, the reasons shall be explained

Applicable Not applicable

(4). Other description

Applicable Not applicable

7. Other significant transactions and matters that have an impact on investors' decisions

Applicable Not applicable

8. Others

Applicable Not applicable

1. The Company as lessee

(1) For details of the right-of-use assets, please see the particulars contained in “25. Right-of-use assets”, “VII. Notes to the Items in the Consolidated Financial Statements”, “Section X Financial Report”.

(2) For the details on accounting policies for short term leases and low value asset leases of the Company, please see the particulars contained in “42. Lease”, “V. Significant Accounting Policies and Accounting Estimates”, “Section X Financial Report”. Short term lease charges and low value asset lease charges included in current profits and losses are as below:

Item	Amount for the current period	Amount for the same period in the previous year
Short term lease charges		1,522,375.17
Low value asset lease charges (except for short term lease charges)	238,389.59	85,154.60
Total	238,389.59	1,607,529.77

(3) Current profit and loss and cash flows related to the lease

Item	Amount for the current period	Amount for the same period in the previous year
Interest expenses on the lease liabilities	116,147.15	
Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit or loss		
Income from sub-leasing of right-of-use assets		
Total cash outflows related to the lease	3,166,110.79	
Related profit and loss arising from sale and leaseback transactions		

(4) For the maturity analysis of lease liabilities and the corresponding liquidity risk management, please see the particulars contained in “X. Risks Related to Financial Instruments”, “Section X Financial Report”.

2. The Company as lessor

Operating lease

(1) Lease Revenue

Item	Amount for the current period	Amount for the same period in the previous year
Lease income	816,122.40	796,423.81

(2) Assets under operating lease

Item	Closing amount	Balance at the end of the previous year
Investment property	66,302,354.38	68,654,700.81
Subtotal	66,302,354.38	68,654,700.81

For the details on the operation and rent-out of investment property, please see the particulars contained in “20. Investment property”, “VII. Notes to the Items in the Consolidated Financial Statements”, “Section X Financial Report”.

XVII. Notes on Main Items in Financial Statements of the Parent Company**1. Accounts receivable****(1). Disclosed by account age**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Account age	Book balance at the end of the period
Within 1 year	
Including: Subitem within 1 year	
Within 1 year	364,655,531.02
Sub-total within 1 year	364,655,531.02
1-2 years	10,713,932.31

2-3 years	
Above 3 years	
3-4 years	
4-5 years	
Above 5 years	
Total	375,369,463.33

(2). Disclosed by classification of bad debt accrual method

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Provision for bad debts by item										
Including:										
Provision for bad debts by portfolio	375,369,463.33	100.00	21,446,956.25	5.71	353,922,507.08	324,317,444.15	100.00	34,434,380.91	10.62	289,883,063.24
Including:										
Aging portfolio	375,369,463.33	100.00	21,446,956.25	5.71	353,922,507.08	324,317,444.15	100.00	34,434,380.91	10.62	289,883,063.24
Total	375,369,463.33	/	21,446,956.25	/	353,922,507.08	324,317,444.15	/	34,434,380.91	/	289,883,063.24

Provision for bad debts by item:

□ Applicable √ Not applicable

Provision for bad debts by portfolio:

√ Applicable □ Not applicable

Provision by portfolio: Aging portfolio

Unit: Yuan Currency: RMB

Name	Closing balance		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	364,655,531.02	18,232,776.56	5.00
1-2 years	10,713,932.31	3,214,179.69	30.00
Total	375,369,463.33	21,446,956.25	5.71

Recognition standard and explanation of provision for bad debts made by portfolio:

□ Applicable √ Not applicable

If the bad debt provision is made according to the general model of expected credit loss, please refer to the disclosure of other receivables:

Applicable Not applicable

(3). Information of bad-debt provision

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in the current period				Closing balance
		Accrual	Withdrawal or written-back	Charge-off or write-off	Other changes	
Provision for bad debts by portfolio	34,434,380.91	-12,987,424.66				21,446,956.25
Total	34,434,380.91	-12,987,424.66				21,446,956.25

Among them, significant amount of bad-debt provision withdrawn or written back in the current period:

Applicable Not applicable

(4). Accounts receivable actually written off in the current period

Applicable Not applicable

(5). Accounts receivable of the top five ending balances collected by debtor

Applicable Not applicable

Company name	Book balance	Proportion of accounts receivable balance (%)	Provision for bad debts
Huzhou Hapsode Trading Co., Ltd.	113,353,159.61	30.20	5,667,657.98
Huzhou UZERO Trading Co., Ltd.	69,204,107.61	18.44	3,460,205.38
Hangzhou Proya Commercial Management Co., Ltd.	44,351,306.05	11.82	4,435,130.61
Proya(Zhejiang) Cosmetics Co., Ltd.	42,709,775.17	11.38	2,135,488.76
Hangzhou Proya Trade Co., Ltd.	35,464,726.52	9.45	1,773,236.33
Subtotal	305,083,074.96	81.29	17,471,719.06

(6). Accounts receivable derecognized due to transfer of financial assets

Applicable Not applicable

(7). Amount of assets or liabilities for which accounts receivable have been transferred but involvement continues in the Company

Applicable Not applicable

Other description:

Applicable Not applicable

2. Other receivables

List by item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	137,185,024.99	141,574,549.59
Total	137,185,024.99	141,574,549.59

Other description:

Applicable Not applicable

Interest receivable

(1). Classification of interest receivable

Applicable Not applicable

(2). Significant overdue interest

Applicable Not applicable

(3). Provision for bad debts

Applicable Not applicable

Other description:

Applicable Not applicable

Dividend receivable

(4). Dividend receivable

Applicable Not applicable

(5). Significant dividends receivable with an age of more than 1 year

Applicable Not applicable

(6). Provision for bad debts

Applicable Not applicable

Other description:

Applicable Not applicable

Other receivables**(7). Disclosed by account age**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Book balance at the end of the period
Within 1 year	
Including: Subitem within 1 year	
Within 1 year	34,315,573.68
Sub-total within 1 year	34,315,573.68
1-2 years	44,794,534.68
2-3 years	146,458,111.45
Above 3 years	4,761,614.72
3-4 years	
4-5 years	
Above 5 years	
Total	230,329,834.53

(8). Classification by nature of payment√ Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the period	Book balance at the beginning of the period
Current accounts receivable	220,626,230.89	210,637,812.50
Security deposits	5,639,614.72	18,833,006.72
Suspense payment receivables	1,412,395.89	2,334,148.44
Others	2,651,593.03	551,116.58
Total	230,329,834.53	232,356,084.24

(9). Provision for bad debts√ Applicable Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss over the next 12 months	Expected credit loss for the entire duration (credit impairment not occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at January 1, 2023	1,692,824.12	18,797,846.68	70,290,863.86	90,781,534.65
Balance as of January 1, 2023 is in the current				

period				
-Transferred to the second stage	-2,239,726.73	2,239,726.73		
-Transferred to the third stage		-43,937,433.44	43,937,433.44	
-Written-back to the second stage				
-Written-back to the first stage				
Accrual in the current period	2,262,681.30	36,338,220.43	-36,237,626.85	2,363,274.89
Written-back in the current period				
Written-off in the current period				
Charge off in the current period				
Other changes				
Balance as at June 30, 2023	1,715,778.69	13,438,360.40	77,990,670.45	93,144,809.54

Explanation of significant changes in the book balance of other receivables with changes in provision for loss in the current period:

Applicable Not applicable

The amount of bad debt provision in the current period and the basis for evaluating whether the credit risk of financial instruments increases significantly:

Applicable Not applicable

(10). Information of bad-debt provision

Applicable Not applicable

Among them, significant amount of bad-debt provision written-back or withdrawn in the current period:

Applicable Not applicable

(11). Other receivables actually written off in the current period

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

(12). Other receivables of the top five closing balances collected by debtor

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Nature of payment	Closing balance	Account age	As a proportion of total closing balance in other receivables (%)	Closing balance of bad debt provision
Hong Kong Xinghuo Industry Limited	Current accounts receivable	160,611,460.14	[Note 1]	68.99	73,380,619.79
BOYA (Hong Kong) Investment Management Co., Limited	Current accounts receivable	37,810,080.00	[Note 2]	16.24	10,300,584.00
Ningbo Keshi Trading Limited	Current accounts receivable	7,022,833.46	[Note 3]	3.02	704,391.70
Hangzhou Yizhuo Culture Media Co., Ltd.	Current accounts receivable	6,355,939.55	[Note 4]	2.73	1,440,405.31
Hangzhou Property Maintenance Fund Management Center	Security deposits	4,708,614.72	Above 3 years	2.02	4,708,614.72
Total	/	216,508,927.87	/	93.00	90,534,615.52

[Note 1] RMB13,247,905.35 in 1 year; RMB4,817,764.35 in 1-2 years; RMB142,545,790.44 in 2-3 years.

[Note 2] RMB4,169,760.00 in 1 year; RMB33,640,320.00 in 1-2 years.

[Note 3] RMB5,609,833.36 in 1 year; RMB1,413,000.10 in 1-2 years.

[Note 4] RMB1,865,506.22 in 1 year; RMB4,490,433.33 in 1-2 years.

(13). Receivables involving government grants

Applicable Not applicable

(14). Other receivables derecognized due to transfer of financial assets

Applicable Not applicable

(15). The amount of assets and liabilities formed by transferring other receivables and continuing to be involved

Applicable Not applicable

Other description:

Applicable Not applicable

3. Long-term equity investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	332,632,553.57	42,500,000.00	290,132,553.57	304,354,996.61	42,500,000.00	261,854,996.61
Investments in associates and joint ventures	219,127,348.84	92,018,511.89	127,108,836.95	213,909,167.02	81,442,213.22	132,466,953.80
Total	551,759,902.41	134,518,511.89	417,241,390.52	518,264,163.63	123,942,213.22	394,321,950.41

(1) Investments in subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of impairment provision
Hangzhou Proya Trade Co., Ltd.	32,241,059.09	50,742.51		32,291,801.60		
Hanna Cosmetics Co., Ltd.	2,094,048.00			2,094,048.00		
Zhejiang Meiligu Electronic Commerce Co., Ltd.	26,913,422.69	12,073,781.97		38,987,204.66		
Yueqing Laiya Trading Co., Ltd.	1,000,000.00			1,000,000.00		
Hapsode (Hangzhou) Cosmetics Co., Ltd.						42,500,000.00
Mijing Siyu (Hangzhou) Cosmetics Co., Ltd.	18,000,000.00			18,000,000.00		
Huzhou UZERO Trading Co., Ltd.	5,460,276.70			5,460,276.70		
Huzhou Niuke Technology Co., Ltd.	3,500,000.00			3,500,000.00		
Hangzhou Proya Commercial Management Co., Ltd.	5,000,000.00			5,000,000.00		
Huzhou Younimi Cosmetics Co., Ltd.	21,393,476.00			21,393,476.00		
Shanghai Zhongwen Electronic Commerce Co., Ltd.	5,929,948.75	599,504.52		6,529,453.27		
Korea Younimi Cosmetics Co., Ltd.	5,046,455.61		5,046,455.61			
Hong Kong Keshi Trading Limited	24,736,491.00			24,736,491.00		
Hong Kong Xinghuo Industry Limited	10,185,924.00			10,185,924.00		
Ningbo TIMAGE Cosmetics Co., Ltd.	61,330,669.19	484,705.77		61,815,374.96		
Ningbo Keshi Trading Limited	520,000.00			520,000.00		
Zhejiang Beute Cosmetics Co., Ltd.	10,181,983.21			10,181,983.21		
Ningbo Proya Enterprise	19,558,487.33	15,487,723.66		35,046,210.99		

Consulting Management Co., Ltd.						
Hangzhou Yizhuo Culture Media Co., Ltd.	1,000,000.00			1,000,000.00		
Hangzhou Oumisi Trading Co., Ltd.	3,900,000.00			3,900,000.00		
Guangzhou Qianxi Network Technology Co., Ltd.	1,000,000.00			1,000,000.00		
Zhejiang Qingya Culture Art Communication Co., Ltd.	1,650,000.00			1,650,000.00		
Hangzhou Weiluohe Cosmetics Co., Ltd.	500,000.00			500,000.00		
Singuladerm (Hangzhou) Cosmetics Co., Ltd.	500,000.00	4,500,000.00		5,000,000.00		
Proya (Hainan) Cosmetics Co., Ltd.	100,000.00			100,000.00		
Hangzhou TIMAGE Cosmetics Co., Ltd.	112,755.04	127,554.14		240,309.18		
Total	261,854,996.61	33,324,012.57		5,046,455.61	290,132,553.57	42,500,000.00

(2) Investments in associates and joint ventures

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investment unit	Opening balance	Changes in the current period								Closing balance	Closing balance of impairment provision	
		Additional investment	Investment decrease	Recognized investment gain and loss under equity method	Other comprehensive income adjustments	Other changes in equity	Declared payment of cash dividends or profits	Provision for impairment	Others			
I. Joint Venture												
Huzhou Panrui Industry Investment Partnership (Limited Partnership)	3,068,948.16			-2,049.38							3,066,898.78	
Subtotal	3,068,948.16			-2,049.38							3,066,898.78	
II. Associates												
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,649,619.70			-14,687.84							2,634,931.86	
Jiaxing Woyong Investment Partnership (Limited Partnership)	111,253,221.93	6,818,181.82		-1,546,592.11							116,524,811.64	
Zhuhai Healthlong Biotechnology Co., Ltd.	10,576,298.67							10,576,298.67				92,018,511.89
Beijing Xiushi Culture Development Co., Ltd.	4,918,865.34			-36,670.67							4,882,194.67	
Subtotal	129,398,005.64	6,818,181.82		-1,597,950.62				10,576,298.67			124,041,938.17	92,018,511.89
Total	132,466,953.8	6,818,181.82		-1,600,000.00				10,576,298.67			127,108,836.95	92,018,511.89

Other description:

□ Applicable √ Not applicable

4. Operating revenue and operating cost**(1). Information of operating revenue and operating cost**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	1,710,497,142.80	814,221,197.64	1,338,252,463.90	608,471,644.94
Other business	20,047,982.29	9,555,378.31	365,701.44	7,891,133.10
Total	1,730,545,125.09	823,776,575.95	1,338,618,165.34	616,362,778.04

(2). Information of income generated by the contract Applicable Not applicable**(3). Explanation on performance obligations** Applicable Not applicable**(4). Explanation on remaining performance obligations allocated** Applicable Not applicable

Other description:

Breakdown information by major categories of revenue arising from contracts with customers

(1) Income breakdown by goods or service transfer time

Item	Amount for the current period	Amount for the same period in the previous year
Income recognized at a certain point	1,713,705,273.22	1,338,554,957.83
Income recognized within a period of time	16,839,851.87	63,207.51
Subtotal	1,730,545,125.09	1,338,618,165.34

(2) Revenue recognized in the current period included in the opening carrying amount of contract liabilities is RMB68,099,041.17.

5. Investment income√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income measured by cost method		
Long-term equity investment income	-1,600,000.00	-3,474,371.02

measured by equity method		
Investment income from disposal of long-term equity investment	-2,545,129.34	
Investment income of financial assets held for trading during the holding period		
Dividend income from investment in other equity instruments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of financial assets held for trading		
Investment income from disposal of investment in other equity instruments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gains of debt restructuring		
Total	-4,145,129.34	-3,474,371.02

Other description:

None

6. Others

Applicable Not applicable

XVIII. Supplementary information

1. Statement of non-recurring gains and losses for the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	amount	Notes
Gain or loss on disposal of non-current assets	-217,694.21	
Tax refund or reduction approved beyond authority or without official approval or on an occasional basis		
Government grants included in the current profit and loss (except those that are closely related to the enterprise's business, in compliance with the relevant policies and enjoy in accordance with the national unified standard quota or quantitative amount)	34,639,076.23	

Fund occupation fees charged from non-financial businesses included in the current profit and loss		
Gains arising from investment costs for acquisition of subsidiaries, associates and joint ventures less than the fair values of attributable identifiable net assets of the invested entity at the time of acquisition		
Gain or loss from exchange of non-monetary assets		
Gain and loss on authorizing others to invest or manage assets		
Provisions for various asset impairments due to force majeure factors such as natural disasters		
Gain and loss on restructuring of debts		
Corporate restructuring expenses, such as re-settlement expenses and integration cost		
Profit and loss in excess of the fair value generated from obviously unfairly priced transactions		
Net profit and loss of subsidiaries generated from the merger of companies under common control from the beginning of the period to the date of merger		
Profit and loss arising from contingent events unrelated to the Company's normal operations		
Profit and loss from changes in fair value arising from financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment gain from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging related to the Company's normal operations		
Reversal of provision for impairment of receivables and contract assets individually tested for impairment	421,794.92	
Profit or loss from entrusted loans		
Profit and loss arising from changes in the fair value of investment property subsequently measured with the fair value model		
Impact of one-time adjustments on the current profit and loss according to the requirements of tax and accounting laws and regulations on the		

current profit and loss		
Custody fee income from entrusted operations		
Other non-operating revenue and expenses other than the above items	-873,327.35	
Other gains and losses items under the definition of non-recurring gains and losses		
Less: Income tax impact	7,638,568.45	
Effect of minority shareholders' equity (after tax)	5,729,135.70	
Total	20,602,145.44	

The reasons should be explained for the non-recurring gains and losses items defined by the Company according to the definition of *Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1--Non-recurring Gains and Losses*, and the non-recurring gains and losses items listed in *Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1--Non-recurring Gains and Losses* as recurring gains and losses items.

Applicable Not applicable

2. Net assets income rate and earnings per share

Applicable Not applicable

Profit during the Reporting Period	Weighted average ROE (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	13.29	1.25	1.24
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	12.74	1.20	1.19

3. Differences in Accounting Data under Chinese and International Accounting Standards

Applicable Not applicable

4. Others

Applicable Not applicable

Chairman: HOU Juncheng

Date of submission approved by the Board of Directors: August 28, 2023

Revision information

Applicable Not applicable