

Stock Code: 603605

Abbreviation: Proya

Bond Code: 113634

Bond Abbreviation: Proya convertible bond



Proya Cosmetics Co., Ltd.
Semi-Annual Report 2022

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

No profit distribution plan or plan for conversion of capital reserve to share capital during the Reporting Period.

VI. Risk declaration for the forward-looking statements

Applicable Not applicable

The Report contains forward-looking statements which 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 guarantee 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

Contents

Section I	Definitions	4
Section II	Company Profile and Key Financial Indicators	4
Section III	Management Discussion and Analysis	8
Section IV	Corporate Governance	21
Section V	Environmental and Corporate Social Responsibility	23
Section VI	Major Events	25
Section VII	Changes in Share Capital and Shareholders	52
Section VIII	Information on Preference Shares	59
Section IX	Information on Bonds	59
Section X	Financial Report	63

Documents Available for Inspection	Financial statements signed and sealed by the legal representative, the CFO of the Company, and the head of accounting department
Inspection	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	Proya Cosmetics Co., Ltd.
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 "Announcement on Revision of the Articles of Association and Change in Business Registration" (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 changes during the Reporting Period	Not applicable

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	Listed on	Stock abbreviation	Stock code	Stock abbreviation prior to change
A share	Shanghai Stock Exchange	珀莱雅	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	Reporting period (Jan - Jun)	Same period of prior year	Year-on-year change (%)
Operating income	2,625,943,244.29	1,917,718,497.60	36.93
Net profit attributable to shareholders of the listed company	296,939,515.54	226,101,313.86	31.33
Net profit attributable to shareholders of the listed company, after deducting non-recurring gains or losses	280,897,418.53	220,280,393.28	27.52
Net cash flows from operating activities	713,782,130.38	266,175,578.82	168.16
	End of the Reporting Period	End of prior year	Year-on-year change (%)
Net assets attributable to shareholders of the listed company	2,959,511,918.70	2,876,975,835.98	2.87
Total assets	5,071,158,684.26	4,633,049,783.03	9.46

(II) Key financial indicators

Key financial indicators	In the Reporting Period (Jan - Jun)	Same period of prior year	Year-on-year change (%)
--------------------------	---	------------------------------	----------------------------

Basic EPS (RMB/share)	1.06	1.13	-6.19
Diluted EPS (RMB/share)	1.04	1.12	-7.14
Basic EPS after deducting non-recurring gains or losses (RMB/share)	1.00	1.10	-9.09
Weighted average ROE (%)	10.10	9.10	Up by 1 percentage point
Weighted average ROE after deducting non-recurring gains or losses (%)	9.56	8.86	Up by 0.7 percentage points
Accounts receivable turnover rate (times/year)	49.40	16.71	195.63
Inventory turnover rate (times/year)	3.41	3.37	1.19

Notes to key accounting data and financial indicators

√ Applicable □ Not applicable

- The year-on-year decrease in the three financial indicators namely basic earnings per share, diluted earnings per share and basic earnings per share after deducting non-recurring gains or losses, is due to the increase of 80,403,986 shares by issuing 4 shares for every 10 shares to all shareholders through capitalization of the capital reserve in accordance with the resolution of the Fifth Meeting of the Third Session of the Board of Directors of the Company in 2022 and the resolution of the Annual General Meeting of Shareholders in 2021.
- The year-on-year increase of 195.63% in the accounts receivable turnover rate is mainly attributed to: (1) revenue in H1 2022 increased by 36.93% YOY; (2) accounts receivable as of the end of H1 2022 decreased by RMB64.62 million or 46.62% from the beginning of the year; thus increasing accounts receivable turnover rate.

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

□ Applicable √ Not applicable

IX. Items and Amounts of Non-recurring Profit and Loss

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Non-recurring profit and loss item	Amount	Notes (if applicable)
Gain or loss on disposal of non-current assets		
Tax refund or reduction approved beyond authority or without official approval or on an occasional basis		
Government grants as included in the profit or loss 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)	20,440,098.37	
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 and loss on non-monetary assets exchange		
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		
Profit and 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 said items	281,474.51	
Other profit and loss items under the definition of non-recurring profit and loss		
Less: Income tax impact	3,609,209.54	
Impact of minority shareholders' equity (after tax)	1,070,266.33	
Total	16,042,097.01	

Explanation of non-recurring profit and loss items listed in the *Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1--Non-recurring*

Gains and Losses as recurring gain and loss 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 R&D, production and sales of cosmetic products. Main brands owned by the Company include Proya, TIMAGE, Off&Relax, Hapsode, CORRECTORS, UZRO and Hanya. The Company's own brands cover fields such as popular skincare, makeup, 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 RMB200-400, 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 RMB50-100, and mainly sold online.

2. Makeup

TIMAGE, a professional make-up brand with a new Chinese style. Its products are generally priced between RMB150-200, and only sold online.

3. Body & hair

Off&Relax, developed and produced in Japan, focuses on scalp care. 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 at RMB260-600, and is 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* by the CSRC, the Company falls under chemical raw material and chemical product manufacturing (classification code: C26); according to *Industrial Classifications and Codes of National Economic Activities* (GB/T 4754-2011), the Company falls under manufacturing of daily chemical products (C268) and further under manufacture of cosmetics (C2682).

According to the National Bureau of Statistics, from January to June 2022, the total retail sales of consumer goods reached RMB21,043.2 billion, a YOY decrease of 0.7%; the total retail sales of cosmetics reached RMB190.5 billion, a YOY decrease of 2.5% (retail sales value from the businesses above a certain size).

II. Analysis of Core Competitiveness during the Reporting Period

√ Applicable □ Not applicable

Where our core strength lies:

We establish a precise operation management system highlighting "R&D, products, contents, operations". We keep developing and improving a portfolio of "hero products" based on efforts in improving independent R&D capabilities and integrating global R&D resources and our keen insight into consumer needs. We build a self-driven organization highlighting "culture-strategy-mechanism-talents". In addition, we develop a value-creation-oriented operation and performance management mechanism based on corporate culture and strategy to increase vitality and efficiency of our organization.

III. Business Discussion and Analysis

(I) Finance analysis

1. Year-on-year growth in operating income

Operating income amounted to RMB2.626 billion, a YOY increase of 36.93%

Of which: primary operating income of RMB2.616 billion, a YOY increase of 36.87%

other operating revenue of RMB10.02 million

Primary operating income:

(1) Breakdown by channel

By channel		Amount (RMB100 million)	Change in H1 2022 YOY (%)	Change in 2021 YOY (%)	Change in 2020 YOY (%)	Change in 2019 YOY (%)	Proportion of H1 2022 (%)	Proportion of 2021 (%)	Proportion of 2020 (%)	Proportion of 2019 (%)
Online	Direct sales	17.46	60.00	76.16	79.63	88.25	66.73	60.66	42.45	28.42
	Distribution	5.63	24.21	8.56	34.36	37.95	21.54	24.27	27.56	24.67
	Subtotal	23.09	49.49	49.54	58.59	60.97	88.27	84.93	70.01	53.09
Offline	Cosmetics	2.28	-14.79	-40.52	-19.28	4.42	8.73	10.88	22.56	33.61

	stores									
	Others	0.79	-20.45	-30.50	-32.81	26.33	3.00	4.19	7.43	13.30
	Subtotal	3.07	-16.31	-38.03	-23.12	9.82	11.73	15.07	29.99	46.91
Total		26.16	36.87	23.28	20.26	32.11	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 2022 YOY (%)	Change in 2021 YOY (%)	Change in 2020 YOY (%)	Change in 2019 YOY (%)	Proportion of H1 2022 (%)	Proportion of 2021 (%)	Proportion of 2020 (%)	Proportion of 2019 (%)
Own brands	Proya	21.28	43.12	28.25	12.43	26.81	81.36	82.87	79.66	85.21
	Timage	2.32	110.57	103.48	-	-	8.87	5.33	3.23	0.00
	Other brands	2.06	19.70	-5.96	36.91	19.74	7.87	8.85	11.59	10.18
	Subtotal	25.66	38.50	26.63	19.11	26.02	98.10	97.05	94.48	95.39
Agency brands	Cross-border agency brands	0.50	-14.89	-34.04	44.09	-	1.90	2.95	5.52	4.61
Total		26.16	36.87	23.28	20.26	32.11	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.

(3) Breakdown by category

By category	Amount (RMB100 million)	Change in H1 2022 YOY (%)	Change in 2021 YOY (%)	Change in 2020 YOY (%)	Change in 2019 YOY (%)	Proportion of H1 2022 (%)	Proportion of 2021 (%)	Proportion of 2020 (%)	Proportion of 2019 (%)
Skincare (including cleansing)	22.64	38.91	22.70	11.38	24.89	86.54	86.10	86.50	93.40
Make-up	3.52	30.03	32.97	181.91	482.43	13.46	13.38	12.41	5.29
Others		-100.00	-41.05	0.47	-		0.52	1.09	1.31
Total	26.16	36.87	23.28	20.26	32.11	100.00	100.00	100.00	100.00

2. Year-on-year growth in net profit

The net profit attributable to shareholders of the listed company amounted to RMB297 million, a YOY increase of 31.33%

The net profit attributable to shareholders of the listed company after deducting non-recurring profits or losses amounted to RMB281 million, a YOY increase of 27.52%

Indicator	H1 2022	2021	H1 2021	2020	2019	Notes
1. Net profit margin	11.75%	12.02%	10.88%	12.04%	11.73%	
2. Gross profit margin	68.12%	66.46%	63.73%	63.55%	63.96%	1. Increased percentage of

						online sales; 2.Hero product strategy.
3. Sales expense ratio	42.53%	42.98%	42.09%	39.90%	39.16%	
Of which: image promotion fee rate	34.84%	36.12%	33.95%	32.68%	26.86%	
4. Administrative expense ratio	4.84%	5.12%	6.06%	5.44%	6.25%	
5. R&D expense ratio	2.33%	1.65%	1.64%	1.92%	2.39%	R&D expenses increased by RMB29.70 million YOY. The parent company's R&D expense ratio in H1 2022 was 4.69% (compared with 3.76% for the same period last year).
6. Accounts receivable turnover rate (times/year)	49.40	21.88	16.71	15.53	21.74	Primary reasons: (1) Revenue in H1 2022 increased by 36.93% YOY; (2) Accounts receivable as of the end of H1 2022 decreased by RMB64.62 million or 46.62% from the beginning of the year; thus increasing the accounts receivable turnover rate.
7. Accounts receivable turnover days (days)	7.29	16.45	21.54	23.18	16.56	
8. Inventory turnover rate (times/year)	3.41	3.39	3.37	3.50	4.12	
9. Inventory turnover days (days)	105.57	106.19	106.82	102.86	87.38	

(II) Discussion and analysis of business conditions

1. New product strategy

Proya:

During the Reporting Period, we comprehensively optimized the product structure, continued to deepen the “hero product strategy”, and built a core product family to create a stronger brand.

(1) Based on the increasingly mature digital management of the whole product life cycle, The Proya brand continuously upgraded and expanded the matrix of the existing hero products and related series, and launched a brand new series of hero products. We continuously strengthened the industry position of core hero products such as Deep Ocean Energy Essence, Elastic Brightening Youth Essence, PROYA Ultimate Repairing Ampoules (skin repairing), Elastic Brightening Youth Dual-Action Mask and Deep Ocean Energy Wrinkless and Firming Eye Cream, and upgraded the ingredients, formulas, and

packaging materials of Deep Ocean Energy Wrinkless and Firming Moisture Cream and Elastic Brightening Youth Activating Eye Cream to launch version 2.0. Moreover, we focused on creating new hero products such as PROYA Ultimate Brightening Ampoules Serum (vitamin C serum), Advanced Original Repair Concentrating Essence Cream and Advanced Original Soothing Concentrating Mask. By enhancing the competitiveness of hero products and building a portfolio of different efficacy skincare products, we gradually built up product reputation and thus enhanced user loyalty and brand reputation.

(2) We conducted more precise strategic adjustments in promotion, providing consumers with more valuable content to guide them in decision-making; optimized the whole process in terms of consumer reach, order fulfillment and after-sales; and deepened partnerships and broadened cooperation with influencers, identified more product use scenarios and selling points, and formed two-way and in-depth communication with target users. With our strong product competitiveness and a more efficient advertising model, Proya is shaping up to be a national product trendsetter and a new benchmark in the "scientific skin care" industry.

Timage:

During the Reporting Period, Timage continued to build its portfolio of facial makeup products and strengthen the consumer impression of the "professional makeup artist" with a number of innovative new products.

(1) In terms of product types, we extended our brand strength in facial makeup and created two sub-segments, "contour" and "base makeup", based on the major category of facial makeup. With our high-light powder hero products, "tri-color contouring compact" and "duo high-light powder compact", we led a robust brand growth, deepened the penetration of such a product type in the market, whilst also taking a share of the market; as for the base makeup product line, we launched a Timage tri-color concealer compact and setting sprays designed for different skin types, deepening the brand image of the "professional". In terms of product function, design and usage, from primer to foundation, and further on to concealer and powder, our goal is for Timage products to be part of every makeup step for users.

(2) Leveraging the high-quality content of the personal IP of the founder "Tang Yi", we promoted the recognition of the product's professionalism among consumers, thus enhancing consumer reach. In respect of product marketing, we promoted the confidence in Chinese products and highlighted the core of "Chinese makeup, original beauty" of our products combining product function, makeup effect and technique. In addition, we further developed and tapped into the Generation Z market. We selected influencers that fit the brand's tone to produce promotional content recognized by the target users, and delivered the content in a multi-dimensional manner, so as to efficiently and precisely shape the brand image of Timage as China's "professional makeup artist".

2. New marketing strategy

Proya:

During the Reporting Period, Proya continuously built its brand around the "spirit of discovery", focusing on important social issues such as gender equality and mental health, and intimate relationships, and creating long-term brand content and mass communication on issues that are closely related to the target audience, such as the growth of young people. The Company carried out brand marketing events as follows:

(1) "Next Stop, Decisive Turn" in January. In this event we held a poetry exhibition in a subway station, conveying good wishes for the New Year through poetry to the audience.

(2) "Gender is not the Borderline, Prejudice is" on Women's Day in March. In this event we once again pursued gender equality, and invited WANG Shuang, a national female soccer player and the Nanxing

Hexingtang Lion Dancing Team to participate in a documentary recording, striving for the vision of “Towards a Gender-equal World” using a practical approach. In addition, we cooperated with 7 brands to raise our voice.

(3) “Visible Only to Moms” on Mother’s Day in May. In this event we did not only focus on “moms”, one of our brand’s key audience groups, we also extended our attitude and narrative towards all family members. We invited experts and scholars from different fields to participate in the discussion of the topic, which differs from our previous event, “Be Thankful to Mother”. “Visible Only to Moms” triggered a broader discussion on “family division of labor and responsibility”.

Timage:

During the Reporting Period, Timage comprehensively deepened the brand recognition of “Chinese makeup, original beauty” and communicated with Chinese female consumers with its distinctive professionalism and aesthetic attitude. Through a series of activities such as cross-field cooperation, cultural celebrity artists and brand events, we completed our brand strategy for this phase, enhanced brand image and figurative brand cognition, and conveyed our commitment to social responsibility. The Company carried out brand marketing events as follows:

(1) “Unfiltered You” on Women’s Day in March. In this event we invited LUO Yang, an international female photography artist, to export the viewpoint of “original beauty”, raise the same voice as we do, interpreting original beauty from a female artist’s perspective and presenting the brand concept and aesthetic tone of original beauty with “filter” as the starting point of insight.

(2) “Witness the Original Beauty” in April. In this event we launched cross-field cooperation with HIMO, a professional photography company, to create “original beauty” ID photo makeup. HIMO set up exclusive makeup tables in its 180 offline stores, placed large screen ads offline in 5 major cities, and created trending topics online to encourage consumers to share their makeup before and after pictures during ID photo shoots over the years.

(3) “Life Turns Out to be Beautiful” in June. In this event we started a topic online with One Way Street Library in which many literary artists, music critics, directors, writers and screenwriters shared and exported positive contents through their own experiences in the form of words and photos, etc. Timage also made scented candles and sent them to consumers in the areas affected by the pandemic, hoping to rekindle their passion for life.

3. New channel strategy

Online:

(1) Tmall flagship store:

During the Reporting Period, we continued to consolidate the “hero product” portfolio strategy and create superstar hero products of the brand; implemented precise operation for store live stream; deepened the running of store membership to significantly improve the member repurchase rate and premium capacity; targeted users more carefully to improve the brand’s share among first-and second-tier brands and the proportion of high-value users; and continued to optimize service experience and strengthen full-contact services to raise reputation among customers. During “38”(Women’s Day) and the “618” shopping festivals, the gross merchandise volume (GMV) of Proya ranked fifth on Tmall Beauty, as well as for Chinese products on Tmall Beauty, was ranked first.

(2) TikTok and Kwai:

During the Reporting Period, we continued seize the opportunities that self live streaming presents, opened hero product portfolio accounts and transformed hero product operations on TikTok; conducted annual frame cooperation with high-quality live streamers and in-depth cooperation with high-quality

vertical field influencers, fully leveraging the combined effect of promotion and sales; and enhanced member and fan traffic on TikTok to increase sales of hero products and achieve continuous post-click business, building a healthy sales structure within the channel. During the “618” shopping festival, the GMV of Proya ranked first among Chinese Beauty products on TikTok.

(3) JD:

During the Reporting Period, we implemented the “hero product” strategy and further increased the proportion of sales of hero products through multi-platform operations; rebuilt the membership system to enhance the store's capability to attract new customers and promote repurchasing among previous buyers; and strengthened the precise operation in various traffic channels such as in-site search, paid promotion and self live stream. During the “618” shopping festival, the GMV of Proya ranked first among Chinese Beauty products on JD.

Offline:

(1) Cosmetics store channels: We classified our stores by sales level and city level, and provided different service content and activity programs according to different types of customer profiles, thus making sales more precise. We strengthened sales process management, increased business skills training, and tracked and reviewed the products for sale and sales process of various stores monthly, thus improving sales efficiency.

(2) Supermarket channels: We enhanced cooperation with key retail systems and key stores. Driven by brand power and product power, we continued to explore new traffic, expand the young user base, and further iterated the store image. We also standardized the store experience process and provided excellent services to retain customers and increase repurchases, maximizing traffic sources near offline stores, reducing costs and increasing efficiency.

4. New organizational strategy

(1) Organization: We constantly optimized our organizational structure, built a management model integrating a product and delivery capability-focused “middle platform” and an agile “front, continued to deepen the application of digital technology, and promoted the incubation and growth of new business through platform and digital empowerment.

(2) Talent: We continuously promoted the talent supply chain mechanism for young and international talents based on business needs, increased the introduction of R&D and IT talents, accurately and rapidly identified, and efficiently utilized talents, and gradually built a dynamic, competent and self-driven talent team through practical tasks and the combination of practical tasks and trainings. Through dual-channel management, we enhanced talent density, promoted talent development and built a talent pipeline.

(3) System: We deepened 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 (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, including the company level, the divisional level and the departmental level, to work on the end-to-end main value chain process building and internal control projects and continue to consolidate organizational capabilities.

5. New R&D strategy:

(1) R&D progress: During the Reporting Period, Proya Cosmetics International Academy of sciences has gradually built laboratories for fermentation, plant extraction and organic synthesis to further enhance the independent development capability of core efficacy ingredients, while actively developing basic skin research and developing, validating and applying in vitro evaluation methodology; and our Proya Hangzhou Longwu R&D Center, which will focus on core ingredient development, scientific research on skin and cosmetic formula development, and product efficacy evaluation, is currently under construction.

(2) Patents: During the Reporting Period, the Company obtained 12 nationally authorized invention patents and applied for 17 new invention patents and 4 design patents. As of the end of the Reporting Period, the Company had 104 nationally authorized invention patents.

(3) Standards building: As the first drafter, we published a group standard “Method for assessment on the hair anagen/telogen ratio” TZHCA 017-2022.

(4) Awards and Achievements: The Company was awarded the honorary title of “Hangzhou Kunpeng Enterprise” in June; and at the IFSCC International Cosmetic Science Conference, the Company presented a number of its scientific achievements.

(5) Strategic cooperation: The Company entered into a strategic cooperation agreement with Zhejiang Peptides Biotech Co., Ltd. to cooperate in the development of peptides for cosmetics.

6. New supply chain guarantee:

(1) During the Reporting Period, against the impact of the domestic pandemic and the international raw material shortage, the Company's supply chain system integrated data and information from various information platforms, measured raw material demand in a timely manner according to terminal demand, and synchronized information on suppliers' inventory, procurement cycle and logistics shipments. The information was finally delivered to various departments accurately and quickly through the supply chain information platform, which handled terminal sales and production capacity very well and provided the support for the Company's 618 promotion.

(2) The Huzhou Production Base Expansion Project is progressing smoothly; the Logistics Center and the Information Department jointly created the TMS logistics transportation management system to realize the digital management of the entire logistics chain in terms of digital vehicle scheduling, loading, in-transit tracking, etc.

(3) The Huzhou Factory is implementing the supply chain green recycling box project. In this project, items for recycling are collected around the entire route in the factory and the third-party logistics warehouses, creating the first green recycling benchmark for packaging boxes in the domestic cosmetics industry.

(4) The supply chain procurement department, in conjunction with suppliers, implements sustainable packaging, with significant results in plastic reduction, use of environment-friendly materials, packaging reduction, etc. In the packaging of certain hero products, some plastics are replaced with aluminum to reduce the use of plastic.

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	2,625,943,244.29	1,917,718,497.60	36.93
Operating costs	837,034,743.80	695,558,289.19	20.34
Selling expenses	1,116,921,650.63	807,204,631.76	38.37
General and administrative expenses	127,140,154.83	116,191,173.05	9.42
Financial expenses	-14,804,776.98	-1,864,128.79	Not applicable
R&D expenses	61,066,694.07	31,371,344.46	94.66
Net cash flows from operating activities	713,782,130.38	266,175,578.82	168.16
Net cash flows from investing activities	-176,651,474.45	-190,628,459.71	Not applicable
Net cash flow from financing activities	-220,919,542.24	-248,631,053.62	Not applicable

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

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

Reasons for changes in selling expenses: Selling expenses for H1 2022 amounted to RMB1.117 billion, with a rate of 42.53% (42.09% for the same period last year) which basically remains unchanged. Selling expenses increased by RMB310 million, a YOY increase of 38.37%, which is mainly a corresponding increase as a result of revenue growth. Of this, image promotion expenses increased by RMB264 million, a YOY increase of 40.52%, mainly due to the increase in image promotion expenses for new brand incubation (e.g. TIMAGE, OR) and re-branding (e.g. Hapsode).

Reasons for changes in general and administrative expenses: General and administrative expenses for H1 2022 amounted to RMB127 million, with a rate of 4.84% (6.06% for the same period last year). The decrease in the rate was mainly due to the higher YOY growth rate of revenue than that of administrative expenses. Administrative expenses increased by RMB10.95 million, a YOY increase of 9.42%, mainly due to the YOY increase in employee compensation.

Reasons for changes in financial expenses: Mainly due to the YOY increase in interest income.

Reasons for changes in R&D expenses: Mainly due to the increase in R&D investment, resulting in increased R&D labor costs, direct investment and outsourcing costs, etc.

Reasons for changes in net cash flow from operating activities: Net flow increased by RMB448 million YOY, mainly due to: 1. The increase in cash: Cash inflow from operating activities increased by RMB790 million, mainly due to a YOY increase of RMB774 million in “cash received from sales of goods and rendering of services” (reflected in the YOY increase in revenue); and 2. The decrease in cash: Cash outflow from operating activities increased by RMB342 million, mainly due to a YOY increase of RMB149 million in “other cash paid relating to operating activities” (mainly due to the YOY increase in image promotion expenses); and a YOY increase of RMB107 million in taxes and fees paid (taxes and

fees deferred at the beginning of the period were paid during the period).

Reasons for changes in net cash flow from investment activities: Insignificant YOY change.

Reasons for changes in net cash flow 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 on 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: RMB

Item	Closing amount of the period	To total assets (%)	Closing amount of the previous period	To total assets (%)	Change ratio YOY (%)	Cause
Accounts receivable	74,004,643.37	1.46	138,626,627.90	2.99	-46.62	Mainly because: 1. The Company settled with offline dealers as usual with decline further credit support, thus the balance of accounts receivable as of H1 2022 decreased; 2. The product recall of Proya SUN AROUND UV Protective Sunscreen Serum occurred during the period and the balance of accounts receivable decreased
Receivables financing	8,727,916.00	0.17	3,242,000.00	0.07	169.21	Mainly due to the increased balance of bank acceptance notes as of the end of the period
Prepayments	114,722,216.21	2.26	58,406,647.11	1.26	96.42	Mainly due to the increased prepaid image promotion

						fees, etc.
Other receivables	27,908,294.86	0.55	66,043,707.81	1.43	-57.74	Mainly because the annual rebates receivable from certain e-commerce platforms at the beginning of the period were recovered during the period
Investments in other equity instruments	146,402,400.00	2.89	56,402,400.00	1.22	159.57	Mainly due to the new equity investment of RMB90 million in Hangzhou Golong Holdings Co., Ltd. during the period.
Construction in progress	155,648,709.93	3.07	108,678,896.27	2.35	43.22	Mainly due to the additional investment in Huzhou Production Base Expansion Project (Phase I) and Longwu R&D Center Construction Project
Deferred income tax assets	19,740,438.97	0.39	38,796,018.02	0.84	-49.12	Mainly because the final tranche of restricted shares under the equity incentive plan implemented in 2018 was unlocked in January 2022 and the deferred income tax assets originally recognized were reduced accordingly
Other non-current assets	4,621,667.82	0.09	44,167,303.56	0.95	-89.54	Mainly because RMB39.9 million for trademarks (SINGULADERM) included in the opening balance was transferred to intangible assets after the registration of

						trademark rights transfer during the period
Notes payable	52,985,397.00	1.04	79,156,771.40	1.71	-33.06	Mainly due to the reduced bank notes payable
Accounts payable	758,217,516.91	14.95	404,026,241.16	8.72	87.67	Mainly due to the YOY increase in sales, resulting in an increase of RMB230 million in payables for goods and an increase of RMB110 million in expenses payable
Estimated liabilities	6,818,443.69	0.13	10,812,084.88	0.23	-36.94	Mainly due to a decrease in expected product returns

Other description

None

2. Overseas assets

Applicable Not applicable

(1) Scale of assets

Including overseas assets of RMB 155,883.7 thousand, accounting for 3.07% of the 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	Carrying value at the end of the period	Cause for restrictions
Monetary capital	5,656,688.40	Including transformer deposit, Pinduoduo deposit, Tmall deposit and Alipay deposit, etc.
Total	5,656,688.40	

4. Other description

Applicable Not applicable

(IV) Analysis of investment**1. Overall analysis of external equity investments**√ Applicable Not applicable

Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in joint ventures	3,068,944.66		3,068,944.66	3,074,758.68		3,074,758.68
Investment in associates	192,088,171.43	52,351,201.99	151,337,086.78	181,555,246.18	14,670,468.59	166,884,777.59
Total	195,157,116.09	52,351,201.99	154,406,031.44	184,630,004.86	14,670,468.59	169,959,536.27

For details, see description in 17. Long-term equity investments, 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**(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
Hangzhou Proya Trade Co., Ltd.	Cosmetics sales	Cosmetics	5,000.00	22,433.27	11,641.80	905.99	Holding
Zhejiang Meiligu Electronic Commerce	Cosmetics sales	Cosmetics	1,000.00	48,375.55	20,445.69	4,505.08	Holding

Co., Ltd.							
-----------	--	--	--	--	--	--	--

(VII) Structured entities controlled by the Company

Applicable Not applicable

V. Other matters for disclosure**(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 match up to 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 the performance may fail to match the expected goal.

3. Uncertain impact of COVID-19 on operations**4. Impact of the uncertainties of the international situation on the supply chain****(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
2021 Annual General Meeting of Shareholders	May 12, 2022	Announcement No. 2022-027 on SSE website (www.sse.com.cn)	May 13, 2022	The meeting considered and approved proposals including the <i>Company's Annual Report 2021 and its Summary</i> , and the <i>Company's 2021 Annual Profit Distribution Plan and Capital Reserve Capitalization Plan</i> . For details, see the <i>Announcement on Resolutions of the 2021 Annual General Meeting of Shareholders (No.: 2022-027)</i> released on the SSE

				website (http://www.sse.com.cn) on May 13, 2022 and relevant information disclosure media Meili.
--	--	--	--	--

Holders of Preferred Shares with Resumed Voting Rights Requesting to Hold Extraordinary General Meeting

Applicable Not applicable

Descriptions 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 Capitalization Plan

Profit distribution plan and plan for conversion of capital reserve into share capital proposed for the first six months of 2022

Distribution or conversion or not	No
Number of bonus shares to be distributed for every ten shares (share)	0
Amount of cash dividend for every 10 shares (RMB) (tax inclusive)	0
Number of shares converted for every 10 shares (share)	0
Description of profit distribution plan and plan for conversion of capital reserve into share capital	
Not applicable	

IV. Equity Incentive Schemes, Employee Share Ownership Schemes 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

(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 plans

Applicable Not applicable

Other incentives

Applicable Not applicable

Section V Environmental and Corporate 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 information of the Company 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 to key pollutant discharging units

Applicable Not applicable

During the Reporting Period, the Company responded actively to the goals of carbon peaking and carbon neutrality by continuously advancing low-carbon environmental protection and green manufacturing measures, including utilizing highly sophisticated VOCs gas collection devices. These measures helped effectively reduce disorganized gas emissions from enterprises, cut pollution and improve air quality, allowing the Company to do its part in protecting the atmosphere. Additionally, we implemented performance excellence and precise management. In the first half of the year, our staff put forward more than 100 reasonable suggestions, and these helped us to lower energy consumption and scrap rate, improve the efficiency of raw material usage and reduce carbon emissions.

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

During the Reporting Period, the Company offered safety trainings for employees. The factory's employees learned about work safety-related laws and regulations through trainings, so that their

awareness of potential safety hazards was enhanced and their ability of handling safety emergencies was improved. The Huzhou factory introduced the autonomous fire management platform developed by the provincial fire rescue corps. Since then, the factory managed the fire prevention and control work with a whole set of system processes, following the working policy of “prevention first, then extinguishing”. The “Three Autonomous Capabilities” of independent risk assessment, independent safety inspection and independent correction of hidden dangers were achieved against the inspection standards of the management platform.

(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

Section VI Major 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 actual controllers, shareholders, related parties, acquirers of the Company 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 in time or not	Specific reasons for failure in timely fulfillment	The next step in the event of failure of timely fulfillment
IPO-related commitments	Restrictions on sales of shares	HOU Juncheng, FANG Yuyou and CAO Liangguo, Directors 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	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			IPO is 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 change and resignation; (3) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months					
	Restrictions on sales of shares	JIN Yanhua, Senior Management	(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 have the Company repurchase such shares; (2) During his term in 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	Commitment date: April 16, 2018 Duration: April 16, 2018 to long-term	No	Yes	Not applicable	Not applicable

			<p>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 his shares in the Company will be automatically extended for 6 months. His commitments above shall survive job change and resignation;</p> <p>(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.</p>					
	Restrictions on sales of shares	WANG Li, Senior Management	<p>(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 have the Company repurchase such shares; (2) During her term in 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</p>	<p>Commitment date: September 03, 2018 Duration: September 03, 2018 to long-term</p>	No	Yes	Not applicable	Not applicable

			<p>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 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;</p> <p>(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 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</p>	<p>Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term</p>	No	Yes	Not applicable	Not applicable

			<p>shares, they shall announce the same three trading days in advance, discharge the obligation to disclose information in a timely and accurate manner as per the rules of the securities exchange, except to the extent that his or her shares in the Company are less than 5%; (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.</p>					
--	--	--	---	--	--	--	--	--

	Restrictions on sales of shares	FANG Yuyou, LI Xiaolin, shareholders directly holding more than 5% of the shareholding	(1) Upon expiration of the lock-up period, should they intend to reduce their shareholding, they should fully comply with the relevant regulations of the CSRC and the stock exchange on shareholders' shareholding reduction, prudently formulate a shareholding reduction plan taking into account the needs of the Company to stabilize the share price, carry out operation and capital operation, and gradually reduce their shareholding after the 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 same three trading days in advance, discharge the obligation to disclose information in a timely and accurate manner as per the rules of the securities exchange, except to the extent that his or her shares in the Company are less than 5%; (4) Should they fail to perform the said intent of share reduction, they must explain the cause for failing to do so in the General Meeting of	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	
--	---------------------------------	--	--	--	----	-----	----------------	--

			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	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			apologize to the Company's shareholders and public investors. In the event of losses to investors not as a result of force majeure, the Company will be liable for compensation to investors by law, and be liable otherwise as required by laws, regulations and the regulators; if due to force 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 such 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 failing to take specific measures to stabilize the share price, they must explain the reasons for failing to do so at the Issuer's General Meeting of Shareholders and the media designated by the CSRC	Commitment date: November 15, 2017 Duration: November 15, 2017 to	No	Yes	Not applicable	Not applicable	

			and publicly apologize to the issuer's shareholders and public investors. Where no such commitment is made, 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 have taken and carried out measures to stabilize the share price as per the said plan.	long-term				
	Others	The Company's directors (excluding independent directors) and senior management	When the preconditions for enabling the share price stabilization plan are met, if there is a failure to take specific measures to stabilize the share price 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 the media designated by the CSRC and publicly apologize to the Issuer's shareholders and public investors. Where no such commitment is made, 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	<p>If the Company's prospectus contains any false records, misleading statements or major omissions, which causes investors to suffer losses in securities transactions, the Company will compensate investors for such losses by law. After such violations are identified by the CSRC or the stock exchange or the judicial authorities where the Company is located, the Company will actively compensate investors for direct economic losses incurred therefore 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 investors. If 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</p>	<p>Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term</p>	No	Yes	Not applicable	Not applicable
--	--------	-------------	--	--	----	-----	----------------	----------------

			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 by law. After such violations are identified by the CSRC or the stock exchange or the judicial authorities where the Company is located, the Company will actively compensate investors for direct economic losses incurred therefore 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 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	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			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 commitments, and their shares in the Issuer will not be transferred until they have taken and carried out compensation measures as per the said commitments.					
	Others	Directors, supervisors and senior management	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 by law. After such violations are identified by the CSRC or the stock exchange or the judicial authorities where the Company is located, the Company will actively compensate investors for direct economic losses incurred therefore 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	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			effectively protecting the interests of investors, especially small and medium investors. If 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 (or allowances) and shareholder dividends (if any) from the Issuer within 5 working days from the date of the said commitments, 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	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			quality, increase operations revenue, raise future earnings, and achieve sustainable development to fill the diluted immediate returns. The Company promises to continuously improve various measures to fill the diluted immediate returns in accordance with the implementation rules issued by the CSRC and the SSE. If found to have violated the said commitments, the Company will promptly announce the facts and cause of such violation, except for 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 Ai Qin, 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 the position as the controlling shareholder	Commitment date: November 15, 2017 Duration: November 15, 2017 to	No	Yes	Not applicable	Not applicable

			<p>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 will immediately make supplementary commitments in line with such rules of the CSRC and the SSE, and actively promote the Company to issue new commitments or measures to comply with the requirements of the CSRC and the SSE; (3) They will fully, completely and timely 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</p>	long-term				
--	--	--	--	-----------	--	--	--	--

			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.					
	Others	Directors, senior management	In order to ensure that the Company's measures to fill the diluted immediate returns can be effectively performed, they, as the Company's director 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, 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 promote the Company to improve the compensation system, so as	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>to be more in line with the requirements for filling the diluted immediate returns; support the Company's Board of Directors or Remuneration Committee linking the implementation of the Company's measures to fill the diluted immediate returns in developing, revising and supplementing the Company's compensation system; promise that the vesting conditions for the Company's equity incentives will be linked to the implementation of the Company's measures to fill the diluted immediate 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 such rules of the CSRC and the SSE, and actively promote the Company to make new commitments or take new measures to comply with the requirements of the CSRC and the SSE; (6) They will fully, completely and timely perform the Company's measures regarding filling the diluted immediate</p>					
--	--	--	---	--	--	--	--	--

			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 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 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 same as or similar to those of the Company and its holding subsidiaries. They shall be liable for the economic losses caused by	Commitment date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>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, if the Company further expands its product and business scope, 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</p>					
--	--	--	---	--	--	--	--	--

			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 priority 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 recovery measures to fill the dilution on 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 CSRC makes other new regulatory requirements regarding the measures to fill returns and the commitments thereof, and if the above	Commitment date: April 21, 2021 Duration: April 21, 2021 to long-term	No	Yes	Not applicable	Not applicable

			<p>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 recovery measures against dilution and their commitments in this regard, and if found to have violated such commitments, which causes losses to the Company or investors, they are willing to be liable for compensation to the Company or investors by law. As one of the parties responsible for the measures against dilution, 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>					
Others	Directors, senior management	<p>In order to ensure that the Company's measures to fill the diluted 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 limit their post related consumption behaviors;</p>	<p>Commitment date: April 21, 2021 Duration: April 21, 2021 to long-term</p>	No	Yes	Not applicable	Not applicable	

			<p>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 recovery measures for filling returns; 5. If the Company implements equity incentives in the future, the vesting conditions for the Company's equity incentives 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 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</p>					
--	--	--	--	--	--	--	--	--

			him or her by the securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules.					
--	--	--	---	--	--	--	--	--

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 Litigations and Arbitration Matters

The Company had material litigations and arbitrations during the Reporting Period The Company had no material litigations and arbitrations 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 related to the ordinary course of business

1. Matters that have been disclosed in the interim announcement without progress or change in 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

The 5th meeting of the third session of Board of Directors and the 2021 annual general meeting of shareholders were held by the Company on April 20, 2022 and May 12, 2022 respectively, at which the *Proposal on the Estimated Amount of Daily Related-party Transactions in 2022* was considered and approved. For details, please refer to the *Announcement on the Estimated Amount of Daily Related-party Transactions in 2022* (Announcement No.: 2022-020) disclosed on the website of the SSE (www.sse.com.cn) on April 22, 2022. In H1 2022, the amount of daily related-party transactions of the Company did not exceed the amount estimated at the beginning of the year.

The estimated and actual amounts of the Company's daily related-party transactions in 2022 were as follows:

Category of related-party transaction	Related party	Estimated amount in 2022	January to June 2022 Actual amount
Deposits in bank accounts opened with the related party	Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	Daily limit of RMB150 million Not exceeding RMB 150,000,000	RMB146,667,700
Related-party lease	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	RMB1,800,000	RMB817,600

Note: As Zhejiang Yueqing Rural Commercial Bank Co., Ltd. was no longer recognized as a related legal entity of the Company with effect from March 16, 2022, the “actual amount in January to June 2022” represents the balance in the accounts as of March 15, 2022. From the beginning of 2022 to March 15, 2022, the Company obtained deposit interest of RMB1,444,900 from Zhejiang Yueqing Rural Commercial Bank Co., Ltd.

3. Matters not disclosed in the interim announcement

Applicable Not applicable

(II) Related party transactions relating to assets or equity acquisition and disposal

1. Matters that have been disclosed in the interim announcement without progress or change in 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 related to joint external investment

1. Matters that have been disclosed in the interim announcement without progress or change 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 debits with related parties

1. Matters that have been disclosed in the interim announcement without progress or change 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 controlled by the Company, 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 Changes in Share Capital and Shareholders

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	34.7201	0.1727				-34.7201	-34.7201	0.00	0.00
1. Shares held by state government									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic funds	34.7201	0.1727				-34.7201	-34.7201	0.00	0.00
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons	34.7201	0.1727				-34.7201	-34.7201	0.00	0.00
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	20,066.2765	99.8273			8,040.3986	34.9409	8,075.3395	28,141.6160	100.00
1. Ordinary RMB Shares	20,066.2765	99.8273			8,040.3986	34.9409	8,075.3395	28,141.6160	100.00
2. Foreign-funded shares listed domestically									
3. Foreign-funded shares listed overseas									
4. Others									
III. Total number of shares	20,100.9966	100.00			8,040.3986	0.2208	8,040.6194	28,141.6160	100.00

2. Explanation on changes in shares

Applicable Not applicable

On January 12, 2022, the Company held the 4th meeting of the third session of Board of Directors and the 4th meeting of the third session of Board of Supervisors, reviewing and approving the *Proposal on the Satisfaction of Conditions for Releasing the Sales Restrictions for the third Release Period of the Restricted Shares Granted for the First Time and with Reserve under the 2018 Restricted Share Incentive Plan*, and agreeing to handle the release procedures for the incentive participants who meet the conditions for releasing the sales restrictions. A total of 347,201 restricted shares were released from the sales restrictions. These were allowed to be listed and circulated on January 20, 2022. The number of the shares not subject to selling restrictions of the Company increased from 200,662,765 before the listing to 201,009,966, while the number of the shares in circulation subject to restrictions decreased from 347,201 before the listing to 0.

On May 12, 2022, the Company held the 2021 Annual General Meeting of Shareholders, and reviewed and approved the *2021 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 registered shareholders on the record date were distributed a cash dividend of RMB8.60 (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 80,403,986 shares. The new shares not subject to selling restrictions were listed on May 31, 2022. The number of shares not subject to selling restrictions of the Company increased from 201,009,966 before the listing to 281,413,952.

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 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. As of June 30, 2022, a total of RMB313,000 of Proya Convertible Bonds had been converted into A shares of the Company, and the number of shares converted was 2,208 shares. The number of shares not subject to selling restrictions of the Company increased from 281,413,952 before the conversion to 281,416,160 after.

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 semi-annual report (if any)

Applicable Not applicable

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 beginning of the period	Number of shares with selling restrictions released during the Reporting Period	Number of shares with selling restrictions increased during the Reporting Period	Number of shares with selling restrictions at the end of the Reporting Period	Reason for selling restrictions	Date of releasing the sales restrictions
JIN Yanhua	39,320	39,320	0	0	Initial grant under the 2018 Restricted Stock Incentive Plan	January 20, 2022
WANG Li	22,382	22,382	0	0	The grant with reserve under 2018 Restricted Stock Incentive Plan	January 20, 2022
16 persons granted for the first time under 2018 Restricted Stock Incentive Plan	239,379	239,379	0	0	Initial grant under the 2018 Restricted Stock Incentive Plan	January 20, 2022
4 persons granted with reserve under 2018 Restricted Stock Incentive Plan	46,120	46,120	0	0	The grant with reserve under 2018 Restricted Stock Incentive Plan	January 20, 2022
Total	347,201	347,201	0	0	/	/

II. Shareholders

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the Reporting Period	14,331
Total number of shareholders of preferred 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	27,905,926	97,670,741	34.71	0	None		Domestic natural person
Hong Kong Securities Clearing Company Limited("HKS CC")	19,188,092	66,344,132	23.58	0	None		Others
FANG Yuyou	14,539,137	50,886,980	18.08	0	None		Domestic natural person
China Construction Bank Co., Ltd. - Yinhua Fuyu Themed Hybrid Securities Investment Fund	5,800,165	5,800,165	2.06	0	None		Others
CAO Liangguo	15,372	3,785,310	1.35	0	None		Domestic natural person
China Construction Bank Co., Ltd. - China Universal Consumer Industry Hybrid Securities Investment Fund	1,000,035	2,400,118	0.85	0	None		Others

Industrial and Commercial Bank of China Limited - Invesco Great Wall Emerging Growth Hybrid Securities Investment Fund	680,000	2,380,000	0.85	0	None	Others
Aberdeen Standard Investment Management (Asia) Limited - Aberdeen Standard - China A-Share Fund	679,730	2,379,053	0.85	0	None	Others
Industrial and Commercial Bank of China Limited - GF Multi-Factor Flexible Allocation Hybrid Securities Investment Fund	-313,002	2,100,000	0.75	0	None	Others
China Construction Bank Co., Ltd. - China Universal Consumption Upgrade Hybrid Securities Investment Fund	-49	1,200,038	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	97,670,741	RMB ordinary shares	97,670,741			

HKSCC	66,344,132	RMB ordinary shares	66,344,132
FANG Yuyou	50,886,980	RMB ordinary shares	50,886,980
China Construction Bank Co., Ltd. - Yinhua Fuyu Themed Hybrid Securities Investment Fund	5,800,165	RMB ordinary shares	5,800,165
CAO Liangguo	3,785,310	RMB ordinary shares	3,785,310
China Construction Bank Co., Ltd. - CUAM Consumer Industry Hybrid Securities Investment Fund	2,400,118	RMB ordinary shares	2,400,118
Industrial and Commercial Bank of China Limited - Invesco Great Wall Emerging Growth Hybrid Securities Investment Fund	2,380,000	RMB ordinary shares	2,380,000
Aberdeen Standard Investment Management (Asia) Limited - Aberdeen Standard - China A-Share Fund	2,379,053	RMB ordinary shares	2,379,053
Industrial and Commercial Bank of China Limited - GF Multi-Factor Flexible Allocation Hybrid Securities Investment Fund	2,100,000	RMB ordinary shares	2,100,000
Industrial and Commercial Bank of China Limited - China Universal Consumption Upgrade Hybrid Securities Investment Fund	1,200,038	RMB ordinary shares	1,200,038
Notes on the special repurchase account among the top 10 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 preferred shares with voting rights restored and the number of preferred shares	None		

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

Applicable Not applicable

(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

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 bond 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 would be 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.

(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	28,904	
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 (%)
China Construction Bank Co., Ltd. - China - Europe New Blue Chip Flexible Allocation Hybrid Securities Investment Fund	56,043,000	7.46
Fuguofuyi Progressive Fixed-benefit Pension Products-Industrial and Commercial Bank of China Limited	32,700,000	4.35
Industrial and Commercial Bank of China Limited - South Guangli Return Bond Securities Investment Fund	20,795,000	2.77
China Merchants Bank Co., LTD. - Huabao Convertible Bond Securities Investment Fund	19,186,000	2.55
Industrial and Commercial Bank of China Limited - China Huitianfu Consumption Upgrade Hybrid Securities Investment Fund	18,246,000	2.43
China National Petroleum Corporation Employer Pension Plan - Industrial and Commercial Bank of China Limited	16,947,000	2.26
Industrial and Commercial Bank of China Limited - Fuguo Tianxing Return Hybrid Securities Investment Fund	16,163,000	2.15
China Everbright Bank Co., LTD. - Boshi CB Enhanced Bond Securities Investment Fund	14,517,000	1.93
Guoyuan International Holdings Limited - Client Funds (Exchange)	13,405,000	1.78
China International Capital Corporation Limited	12,591,000	1.68

(III) Changes in convertible bonds during the Reporting Period

Unit: Yuan Currency: RMB

Name of convertible corporate bonds	Before this change	Increase or decrease (+ or -) due to this change			After this change
		Share conversion	Redemption	Repurchase	
Proya	751,713,000	313,000	0	0	751,400,000

convertible bond					
------------------	--	--	--	--	--

(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)	313,000
Number of shares converted from convertible bonds during the Reporting Period (Share)	2,208
Accumulative number of shares converted from convertible bonds during the Reporting Period (Share)	2,208
Accumulative number of shares converted from convertible bonds accounting for the total number of issued shares of the Company before the conversion (%)	0.0008
Value of bonds not yet converted (RMB)	751,400,000
Proportion of unconverted convertible bonds to the total issuance of convertible bonds (%)	99.9584

(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	After adjustment Price of convertible shares	Disclosure date	Disclosure media	Explanation on adjusting the conversion price.
May 30, 2022	139.37	May 24, 2022	SSE website (http://www.sse.com.cn), Shanghai Securities News, Securities Times	Due to the Company's implementation of profit distribution in 2021, the conversion price of Proya convertible bond has been adjusted from RMB195.98 per share to RMB139.37 per share.
The latest conversion price as at the end of the Reporting Period		139.37		

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

As of June 30, 2022, the Company's total assets were RMB5,071,158,684.26, and its liabilities totaled RMB2,089,592,037.97, with a gearing ratio of 41.21%. On June 6, 2022, the rating agency China Lianhe

Credit Rating Co., Ltd. issued the 2022 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, 2022

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	Closing balance	Opening balance
Current assets:			
Cash and cash equivalents	VII. 1	2,699,953,453.09	2,391,048,249.81
Provision for settlement			
The amount of capital lent			
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	VII. 5	74,004,643.37	138,626,627.90
Receivables financing	VII. 6	8,727,916.00	3,242,000.00
Prepayments	VII. 7	114,722,216.21	58,406,647.11
Premiums receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivables			
Other receivables	VII. 8	27,908,294.86	66,043,707.81
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	VII. 9	535,221,140.74	447,938,758.29
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VII. 13	44,594,427.91	53,534,962.39
Total current assets		3,505,132,092.18	3,158,840,953.31
Non-current assets:			
Loans and advances to customers			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	VII. 17	154,406,031.44	169,959,536.27

Investments in other equity instruments	VII. 18	146,402,400.00	56,402,400.00
Other non-current financial assets			
Investment properties	VII. 20	68,783,466.09	70,321,868.00
Fixed assets	VII. 21	563,214,939.96	558,981,209.20
Construction in progress	VII. 22	155,648,709.93	108,678,896.27
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	VII. 26	428,714,891.30	397,145,124.29
Development expenditure			
Goodwill			
Long-term deferred expenses	VII. 29	24,494,046.57	29,756,474.11
Deferred tax assets	VII. 30	19,740,438.97	38,796,018.02
Other non-current assets	VII. 31	4,621,667.82	44,167,303.56
Total non-current assets		1,566,026,592.08	1,474,208,829.72
Total assets		5,071,158,684.26	4,633,049,783.03
Current liabilities:			
Short-term borrowings	VII. 32	200,251,506.85	200,251,506.85
Loans from the central bank			
Loans from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	VII. 35	52,985,397.00	79,156,771.40
Accounts payable	VII. 36	758,217,516.91	404,026,241.16
Receipts in advance	VII. 37	94,226.63	173,769.85
Contract liabilities	VII. 38	104,237,600.21	91,151,985.32
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	99,877,047.61	78,649,049.72
Taxes payable	VII. 40	71,356,352.93	99,893,176.97
Other payables	VII. 41	61,385,996.69	62,162,153.55
Including: Interest payable			
Dividends payable			
Fees and commissions payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities	VII. 44	10,407,936.05	9,521,415.32

Total current liabilities		1,358,813,580.88	1,024,986,070.14
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable	VII. 46	711,060,173.61	695,586,778.80
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities	VII. 50	6,818,443.69	10,812,084.88
deferred income	VII. 51	5,376,718.33	6,416,263.33
Deferred tax liabilities	VII. 30	7,523,121.46	8,408,158.81
Other non-current liabilities			
Total non-current liabilities		730,778,457.09	721,223,285.82
Total liabilities		2,089,592,037.97	1,746,209,355.96
Owner's equity (or Shareholders' equity):			
Paid-in capital (or share capital)	VII. 53	281,416,160.00	201,009,966.00
Other equity instruments	VII. 54	50,935,404.67	50,956,622.11
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 55	706,973,355.92	834,272,205.66
Less: Treasury shares	VII. 56		5,628,128.21
Other comprehensive income	VII. 57	-1,496,791.19	-1,247,674.10
Special reserve			
Surplus reserve	VII. 59	100,634,780.00	100,634,780.00
General risk reserve			
Undistributed profits	VII. 60	1,821,049,009.30	1,696,978,064.52
Total owner's equity (or shareholders' equity) attributable to the parent company		2,959,511,918.70	2,876,975,835.98
Minority interests		22,054,727.59	9,864,591.09
Total owner's equity (or shareholders' equity)		2,981,566,646.29	2,886,840,427.07
Total liabilities and owners' equity (or shareholders' equity)		5,071,158,684.26	4,633,049,783.03

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, 2022

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	Closing balance	Opening balance
Current assets:			
Cash and cash equivalents		1,944,900,609.70	1,691,858,730.42
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII. 1	359,884,682.64	354,196,955.99
Receivables financing		3,867,500.00	3,092,000.00
Prepayments		48,616,961.86	24,580,460.37
Other receivables	XVII. 2	149,973,641.15	222,452,930.42
Including: Interest receivable			
Dividends receivable			
Inventories		347,671,481.60	271,436,146.45
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		32,279,552.05	33,270,945.69
Total current assets		2,887,194,429.00	2,600,888,169.34
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVII. 3	380,783,980.68	350,003,540.49
Investments in other equity instruments		110,580,000.00	20,580,000.00
Other non-current financial assets			
Investment properties		355,574,426.10	362,657,495.17
Fixed assets		263,426,447.67	253,209,471.02
Construction in progress		154,154,427.07	105,012,647.89
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		388,805,524.71	395,609,113.72
Development expenditure			
Goodwill			
Long-term deferred expenses		15,490,665.56	20,075,870.93
Deferred tax assets		13,647,957.81	22,968,793.93
Other non-current assets		4,844,687.21	4,493,322.95
Total non-current assets		1,687,308,116.81	1,534,610,256.10

Total assets		4,574,502,545.81	4,135,498,425.44
Current liabilities:			
Short-term borrowings		200,251,506.85	200,251,506.85
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		52,985,397.00	79,156,771.40
Accounts payable		590,343,077.95	282,934,452.33
Receipts in advance			
Contract liabilities		40,981,855.73	28,108,787.35
Employee benefits payable		67,947,310.35	33,926,736.55
Taxes payable		43,404,643.84	66,893,331.24
Other payables		2,163,390.08	8,546,397.66
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		998,077,181.80	699,817,983.38
Non-current liabilities:			
Long-term borrowings			
Bonds payable		711,060,173.61	695,586,778.80
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
deferred income		5,376,718.33	6,416,263.33
Deferred tax liabilities		7,511,212.40	8,395,198.23
Other non-current liabilities			
Total non-current liabilities		723,948,104.34	710,398,240.36
Total liabilities		1,722,025,286.14	1,410,216,223.74
Owner's equity (or Shareholders' equity):			
Paid-in capital (or share capital)		281,416,160.00	201,009,966.00
Other equity instruments		50,935,404.67	50,956,622.11
Including: Preference shares			
Perpetual bonds			
Capital reserve		753,906,363.60	834,563,920.32
Less: Treasury shares			5,628,128.21
Other comprehensive income			
Special reserve			
Surplus reserve		100,634,780.00	100,634,780.00
Undistributed profits		1,665,584,551.40	1,543,745,041.48

Total owner's equity (or shareholders' equity)		2,852,477,259.67	2,725,282,201.70
Total liabilities and owners' equity (or shareholders' equity)		4,574,502,545.81	4,135,498,425.44

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 2022

Unit: Yuan Currency: RMB

Item	Notes	H1 2022	H1 2021
I. Gross revenue		2,625,943,244.29	1,917,718,497.60
Including: Operating revenue	VII. 61	2,625,943,244.29	1,917,718,497.60
Interest income			
Premiums earned			
Fees and commission income			
II. Total operating costs		2,152,787,578.39	1,667,751,364.94
Including: Operating costs	VII. 61	837,034,743.80	695,558,289.19
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	25,429,112.04	19,290,055.27
Selling expenses	VII. 63	1,116,921,650.63	807,204,631.76
General and administrative expenses	VII. 64	127,140,154.83	116,191,173.05
R&D expenses	VII. 65	61,066,694.07	31,371,344.46
Financial expenses	VII. 66	-14,804,776.98	-1,864,128.79
Including: Interest expenses		6,535,131.18	5,082,866.57
Interest income		24,330,282.91	11,723,066.05
Add: Other income	VII. 67	20,627,971.50	10,159,807.90
Investment income ("-" for losses)	VII. 68	-3,658,316.04	-2,378,652.94
Including: Income from investment in associates and joint ventures		-3,658,316.04	-2,375,106.70
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	875,552.05	2,955,792.59
Asset impairment losses (“-” for losses)	VII. 72	-89,555,181.24	-8,625,168.59
Gains from disposal of assets (“-” for losses)			-1,416.28
III. Operating profit (“-” for losses)		401,445,692.17	252,077,495.34
Add: Non-operating revenue	VII. 74	308,882.06	114,443.12
Less: Non-operating expenses	VII. 75	550,781.27	60,174.49
IV. Total profit (“-” for total losses)		401,203,792.96	252,131,763.97
Less: Tax expenses	VII. 76	92,647,427.04	43,482,270.58
V. Net profit (“-” for net losses)		308,556,365.92	208,649,493.39
(I) Categorized by the nature of continuing operations			
1. Net profit from continuing operations (“-” for net losses)		308,556,365.92	208,649,493.39
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)		296,939,515.54	226,101,313.86
2. Minority interest income (“-” for net losses)		11,616,850.38	-17,451,820.47
VI. Other comprehensive income, net of tax		-249,117.09	-396,595.34
(I) Other comprehensive income (net of tax) attributable to owners of the parent company		-249,117.09	-396,595.34
1. Other comprehensive income that cannot be reclassified to 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			
2. Other comprehensive income to be reclassified into profit or loss		-249,117.09	-396,595.34
(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		-249,117.09	-396,595.34
(7) Others			
(II) Other comprehensive income (net of tax) attributable to minority shareholders			
VII. Total comprehensive income		308,307,248.83	208,252,898.05
(I) Total comprehensive income attributable to owners of the parent company		296,690,398.45	225,704,718.52
(II) Total comprehensive income attributable to minority shareholders		11,616,850.38	-17,451,820.47
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		1.06	1.13
(II) Diluted earnings per share (RMB/share)		1.04	1.12

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 2022

Unit: Yuan Currency: RMB

Item	Notes	H1 2022	H1 2021
I. Operating Revenue	XVII. 4	1,338,618,165.34	896,751,013.59
Less: Operating costs	XVII. 4	616,362,778.04	456,588,246.62
Taxes and surcharges		10,380,101.33	9,582,635.63
Selling expenses		213,869,474.60	81,296,635.42
General and administrative expenses		98,835,341.03	93,298,483.53
R&D expenses		62,747,420.22	33,738,875.24
Financial expenses		-18,381,341.10	-5,242,699.84
Including: Interest expenses		6,439,386.65	3,673,688.51
Interest income		19,969,174.65	11,002,950.08
Add: Other income		14,152,667.95	2,487,852.60
Investment income ("-" for losses)	XVII. 5	-3,474,371.02	-2,511,473.64
Including: Income from investment in associates and joint ventures		-3,474,371.02	-2,511,473.64
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)		61,920,164.56	-29,471,176.41
Asset impairment losses (“-” for losses)		-78,282,507.05	-1,596,258.57
Gains from disposal of assets (“-” for losses)			
II. Operating profit (“-” for losses)		349,120,345.66	196,397,780.97
Add: Non-operating revenue		6,939.37	5,363.22
Less: Non-operating expenses		34,601.49	9,975.00
III. Total profit (“-” for total losses)		349,092,683.54	196,393,169.19
Less: Tax expenses		54,384,602.86	27,106,176.79
IV. Net profit (“-” for net losses)		294,708,080.68	169,286,992.40
(I) Net profit from continuing operations (“-” for net loss)		294,708,080.68	169,286,992.40
(II) Net profit from discontinuing operations (“-” for net loss)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit and 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		294,708,080.68	169,286,992.40
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 CFO of the Company: WANG Li Head of Accounting Department: WANG Li

Consolidated Cash Flow Statement

January to June 2022

Unit: Yuan Currency: RMB

Item	Notes	H1 2022	H1 2021
I. Cash flows from operating activities:			
Cash receipts from sales of goods and rendering of services		2,996,503,490.56	2,222,119,171.48
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			
Receipts of tax refunds		1,438,462.09	8,644,521.51
Other cash receipts relating to operating activities	VII. 78 (1)	64,342,142.15	41,759,657.98
Subtotal of cash inflows from operating activities		3,062,284,094.80	2,272,523,350.97
Cash payment for goods and services		775,028,311.27	715,847,620.70
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		263,654,300.60	237,264,313.77
Payments of various types of taxes		315,679,187.15	208,417,814.87
Other cash payments relating to operating activities	VII. 78 (2)	994,140,165.40	844,818,022.81
Subtotal of cash outflows from operating activities		2,348,501,964.42	2,006,347,772.15
Net cash flows from operating activities		713,782,130.38	266,175,578.82
II. Cash flows from investing activities:			
Cash receipts from returns on investments			
Cash receipts from investments income			
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			1,000.00
Net cash receipts from the disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Subtotal of cash inflows from investing activities			1,000.00
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets		72,466,047.18	98,334,802.52
Cash payments for investments		104,185,427.27	31,206,800.00
Net increase in pledged loans			
Net cash payments for acquisition of subsidiaries and other operating entities			
Other cash payments relating to investing activities	VII. 78 (4)		61,087,857.19
Subtotal of cash outflows from investing activities		176,651,474.45	190,629,459.71
Net cash flows from investing activities		-176,651,474.45	-190,628,459.71
III. Cash flows from financing activities:			
Cash receipts from capital contributions		700,000.00	450,000.00
Including: Cash receipts by subsidiaries from minority shareholders' investment		700,000.00	450,000.00
Cash receipts from borrowings		200,000,000.00	200,000,000.00
Other cash receipts relating to financing activities			

Subtotal of cash inflows from financing activities		200,700,000.00	200,450,000.00
Cash payments for debt repayment		200,000,000.00	299,000,000.00
Cash payments for distribution of dividends, profits or payment of interest expenses		176,619,542.24	149,594,422.10
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities	VII. 78 (6)	45,000,000.00	486,631.52
Subtotal of cash outflows from financing activities		421,619,542.24	449,081,053.62
Net cash flows from financing activities		-220,919,542.24	-248,631,053.62
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		-249,117.09	-396,595.34
V. Net increase in cash and cash equivalents		315,961,996.60	-173,480,529.85
Add: Opening balance of cash and cash equivalents		2,378,334,768.09	1,401,850,754.88
VI. Closing balance of cash and cash equivalents		2,694,296,764.69	1,228,370,225.03

The chairman of the Company:
HOU Juncheng

CFO of the Company: WANG
Li

Head of Accounting
Department: WANG Li

Parent Company's Cash Flow Statement

January to June 2022

Unit: Yuan Currency: RMB

Item	Notes	H1 2022	H1 2021
I. Cash flows from operating activities:			
Cash receipts from sales of goods and rendering of services		1,560,499,082.76	1,080,660,581.18
Tax refund receipts			2,938,756.09
Other cash receipts relating to operating activities		132,070,257.42	68,370,736.09
Subtotal of cash inflows from operating activities		1,692,569,340.18	1,151,970,073.36
Cash payment for goods and services		589,859,418.74	553,972,561.93
Cash payments to and on behalf of employees		113,360,200.45	94,985,032.15
Payments of various types of taxes		160,233,972.59	88,642,861.24
Other cash payments relating to operating activities		170,292,344.51	172,843,455.28
Subtotal of cash outflows from operating activities		1,033,745,936.29	910,443,910.60
Net cash flows from operating activities		658,823,403.89	241,526,162.76
II. Cash flows from investing activities:			

Cash receipts from returns on investments			506,383.08
Cash receipts from investments income			
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			
Net cash receipts from the disposal of subsidiaries and other operating entities			
Other cash receipts relating to investing activities			
Subtotal of cash inflows from investing activities			506,383.08
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets		71,839,761.78	92,347,046.32
Cash payments for investments		150,335,427.27	32,256,800.00
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		222,175,189.05	124,603,846.32
Net cash flows from investing activities		-222,175,189.05	-124,097,463.24
III. Cash flows from financing activities:			
Cash receipts from capital contributions			
Cash receipts from borrowings		200,000,000.00	200,000,000.00
Other cash receipts relating to financing activities			
Subtotal of cash inflows from financing activities		200,000,000.00	200,000,000.00
Cash payments for debt repayment		200,000,000.00	200,000,000.00
Cash payments for distribution of dividends, profits or payment of interest expenses		176,619,542.24	148,641,547.10
Other cash payments relating to financing activities			
Subtotal of cash outflows from financing activities		376,619,542.24	348,641,547.10
Net cash flows from financing activities		-176,619,542.24	-148,641,547.10
IV. Effect of changes in foreign exchange rates on cash and cash equivalents			
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalents		1,684,565,248.70	484,019,222.50
VI. Closing balance of cash and cash equivalents			
		1,944,593,921.30	452,806,374.92

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

Consolidated Statements of Changes in Owners' Equity

January to June 2022

Unit: Yuan Currency: RMB

Item	H1 2022														
	Equity attributable to owners of the parent company												Minority interests	Total equity attributable to owners	
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others			Subtotal
Preference shares		Perpetual bonds	Others												
I. Closing balance of the previous period	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 over 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
(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 or capital	2,208.00			-21,217.44	302,521.21								283,511.77	700,000.00	983,511.77

Semi-Annual Report 2022

reduction															
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
1. Withdrawal of surplus reserve															
2. Withdrawal of general risk reserve															
3. Distribution to owners (or shareholders)														-172,868,570.76	-172,868,570.76
4. Others															
(IV) Transfer within owners' equity	80,403,986.00				-127,601,370.95	-5,628,128.21								-41,569,256.74	-126,713.88
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. Other comprehensive income transferred 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 period															
2. Utilization for the 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

Item	H1 2021														
	Equity attributable to owners of the parent company												Minority interests	Total equity attributable to owners	
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others			Subtotal
	Preference shares	Perpetual bonds	Others												
I. Closing balance of the previous year	201,116,925.00				837,034,836.69	12,653,905.25	-269,066.13		100,634,780.00		1,265,671,865.63		2,391,535,435.94	90,326,830.19	2,481,862,266.13
Add: Changes in accounting policies															
Correction for previous errors															
Business combinations under common control															
Others															
II. Opening balance at the beginning of the current year	201,116,925.00				837,034,836.69	12,653,905.25	-269,066.13		100,634,780.00		1,265,671,865.63		2,391,535,435.94	90,326,830.19	2,481,862,266.13
III. Movement for the current period (“-” for decrease)					3,997,313.48	-5,291,971.65	-396,595.34				81,297,127.86		90,189,817.65	-79,685,445.01	10,504,372.64
(I) Total comprehensive income							-396,595.34				226,101,313.86		225,704,718.52	-17,451,820.47	208,252,898.05
(II) Owner's contribution and capital reduction					2,262,118.91	-5,291,971.65							7,554,090.56	700,000.00	8,254,090.56
1. Ordinary shares contributed by						-5,291,971.65							5,291,971.65	700,000.00	5,991,971.65

owners															
2. Capital contributions by other equity instrument holders															
3. Amount of share-based payments credited to owners' equity					2,262,118.91								2,262,118.91		2,262,118.91
4. Others															
(III) Profit distribution													-144,804,186.00		-144,804,186.00
1. Withdrawal of surplus reserve															
2. Withdrawal of general risk reserve															
3. Distribution to owners (or shareholders)													-144,804,186.00		-144,804,186.00
4. Others															
(IV) Internal transfer within owners' equity															
1. Transfer of capital reserve to capital (or share capital)															
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 period															
2. Utilization for the period															
(VI) Others					1,735,194.57							1,735,194.57	-62,933,624.54	-61,198,429.97	
IV. Closing balance of the current period	201,116,925.00				841,032,150.17	7,361,933.60	-665,661.47		100,634,780.00		1,346,968,993.49	2,481,725,253.59	10,641,385.18	2,492,366,638.77	

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 2022

Unit: Yuan Currency: RMB

Item	H1 2022										
	Paid-up 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
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 the 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) 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 period											
2. Utilization for the period											
(VI) Others					-556,091.93	-5,628,128.21					5,072,036.28
IV. Closing balance for 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

Item	H1 2021										
	Paid-up 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 period	201,116,925.00				837,075,425.32	12,653,905.25			100,634,780.00	1,134,989,843.29	2,261,163,068.36
Add: Changes in accounting policies											
Correction for previous errors											
Others											
II. Opening balance of the current year	201,116,925.00				837,075,425.32	12,653,905.25			100,634,780.00	1,134,989,843.29	2,261,163,068.36
III. Movement for the current period ("-" for decrease)					931,539.28	-5,291,971.65				24,482,806.40	30,706,317.33
(I) Total comprehensive income										169,286,992.40	169,286,992.40
(II) Owner's contribution and capital reduction					707,296.73	-5,291,971.65					5,999,268.38
1. Ordinary shares contributed by the owners						-5,291,971.65					5,291,971.65
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					707,296.73						707,296.73
4. Others											
(III) Profit distribution										-144,804,186.00	-144,804,186.00
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)										-144,804,186.00	-144,804,186.00
3. Others											
(IV) Internal transfer within owners' equity											
1. Transfer of capital reserve to capital (or share capital)											
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 period											
2. Utilization for the period											
(VI) Others					224,242.55						224,242.55
IV. Closing balance of the current period	201,116,925.00				838,006,964.60	7,361,933.60			100,634,780.00	1,159,472,649.69	2,291,869,385.69

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 “Company” or the “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 are located in Hangzhou, Zhejiang province. The Company currently holds the business license with the unified social credit code of 91330100789665033F. The total number of current shares is 281,416,160.00 (par value of RMB1 per share). From these shares, there are zero A shares with restrictions in circulation, and 281,416,160.00 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, 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 8th meeting of the third session of the Board of Directors on August 24, 2022.

2. Scope of consolidated financial statements

Applicable Not applicable

The Company has incorporated 47 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 the 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

Refer to “44. Changes in significant accounting policies and accounting estimates” in “V. Significant accounting policies and accounting estimates” of “Section X Financial Report” of this report.

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 recording currency of the Company is RMB.

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

6. Preparation of consolidated financial statements

Applicable Not applicable

1. The parent company incorporates all subsidiaries under its control into the consolidated financial statements. Based on the financial statements of the parent company and its subsidiaries, the consolidated financial statements are prepared by the parent company in accordance with the *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*.

2. Relevant accounting treatment of acquisition and disposal of or disposal and acquisition of equity of the same subsidiary in two consecutive accounting years: the acquisition of the equity of the acquiree is made with aims 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 shall be included in the consolidated financial statements. Due to changes in the Company's business plan arrangements, etc., if the Company disposes of the equity of the acquiree in the next accounting year to the extent of losing control over it, the acquiree will be excluded from the consolidated financial statements when it is no longer controlled by the Company.

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 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 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 difference 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 and expected credit loss measured on a portfolio basis

Item	Basis for determining the portfolio	Method for measurement of expected credit loss
Other receivables - aging portfolio	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 by portfolio

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	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

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 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 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 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 disposal through several transactions until the loss of control of investment in subsidiaries

(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 the loss of 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	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%	31.67%-9.50%
Special equipment	Straight-line method	3-10	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

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 is 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

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 are 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, it 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. Preferred shares, perpetual bonds and other financial instruments

Applicable Not applicable

According to the relevant standards for financial instruments and the *Regulations on the Distinction between Financial Liabilities and Equity Instruments and Relevant Accounting Treatments* (Ministry of Finance [2014] No.13), 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, it will be deemed 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 policy 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 stock, 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 incur 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 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 income 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 income 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 are conclusive evidence proving that it is very likely to obtain sufficient taxable income in future periods to deduct the deductible temporary differences, the deferred income tax assets not recognized yet in previous accounting periods shall be recognized.

3. If the carrying value of the deferred income 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 income 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 income 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) transaction 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 financial 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) Financial lease

On the start date of the lease term, the Company recognizes the financial 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 financial 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

Description:

1. Since January 1, 2022, the Company has implemented the provisions on “the accounting treatment of external sales of products or by-products produced by enterprises before the fixed assets are ready for their intended use or during the research and development process” in the *Interpretation No. 15 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance. The change of accounting policy has no impact on the Company's financial statements

2. Since January 1, 2022, the Company has implemented the provisions on “the determination of onerous contracts” in the *Interpretation No. 15 of the Accounting Standards for Business Enterprise* issued by the Ministry of Finance. The change of accounting policy has no impact on the Company's financial statements

(2). Changes in significant accounting estimates

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%
Business tax		
Urban maintenance and construction tax	Actual turnover tax paid	7%, 5%
Enterprise income tax	Taxable income	[Note]
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%
Education surcharge	Actual turnover tax paid	3%
Surcharge for local education	Actual turnover tax paid	2%

[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.	20
Xuzhou Proya Information Technology Co., Ltd.	20
Xuzhou Laibo Information Technology Co., Ltd.	20
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 in 2020-2022. The Company was subject to the enterprise income tax at the preferential rate of 15% for the Reporting Period.

According to the *Notice of the Ministry of Finance and the State Taxation Administration on the Implementation of Inclusive Tax Relief Policy for Small and Micro Enterprises* (CS [2019] No.13), the *Announcement of the State Taxation Administration on Relevant Issues on the Implementation of Inclusive Tax Relief Policy for Small and Micro Enterprises* (Announcement No.2 of the State Taxation Administration in 2019), the *Announcement of the Ministry of Finance and the State Taxation Administration on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households* (CS [2021] No.12), and the *Announcement 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), Huzhou Niuke Technology Co., Ltd., Xuzhou Proya Information Technology Co., Ltd., Xuzhou Laibo Information Technology Co., Ltd., etc. comply with the criteria for tax payment of small and micro enterprises, and would calculate taxable income as per a reduced tax rate of 12.5% and pay the enterprise income tax as per the tax rate of 20% for the portion of taxable income not exceeding RMB1 million; and 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 taxable income exceeding RMB1 million but not exceeding RMB3 million.

In accordance with the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (Announcement No.39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs in 2019) and the *Announcement on VAT Policy to Promote the Rescue and Development of Distressed Industries in the Service Sector* (Announcement No.11 of the Ministry of Finance and the State Taxation Administration in 2022), Hangzhou Proya Commercial Management Co., Ltd., a subsidiary of the Company, complies with the conditions for general tax payers 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 October 1, 2019 to December 31, 2022.

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	19,280.21	22,348.23
Cash at bank	2,645,842,882.86	2,339,040,989.92
Other monetary capital	54,091,290.02	51,984,911.66
Total	2,699,953,453.09	2,391,048,249.81
Of which: Total cash deposited outside China	73,705,703.81	69,786,305.02

Other description:

At the end of the period, the scope of restricted use covered the margin for fixed-term deposits of transformer of RMB306,688.40 in bank deposits, as well as Pinduoduo deposit of RMB5,000,000.00 and Tmall and Alipay deposits of RMB350,000.00 in other monetary capital.

At the beginning of the period, the scope of restricted use covered the margin for fixed-term deposits of transformer of RMB293,481.72 in bank deposits, as well as the L/C deposit of RMB7,000,000.00, 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 the 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	
Sub-total within 1 year	73,162,554.67
1 to 2 years	6,551,229.49
2 to 3 years	10,843,929.58
Above 3 years	7,076,930.05
3 to 4 years	
4 to 5 years	
Above 5 years	
Total	97,634,643.79

(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 proportion (%)		Amount	Percentage (%)	Amount	Provision proportion (%)	
Provision for bad debts by item	16,303,090.57	16.70	16,303,090.57	100.00		14,489,512.75	8.89	14,489,512.75	100.00	
Including:										
Provision by item	16,303,090.57	16.0	16,303,090.57	100.00		14,489,512.75	8.89	14,489,512.75	100.00	
Provision for bad debts by portfolio	81,331,553.22	83.30	7,326,909.85	9.01	74,004,643.37	148,581,371.95	91.11	9,954,744.05	6.70	138,626,627.90
Including:										
Aging portfolio	81,331,553.22	83.30	7,326,909.85	9.01	74,004,643.37	148,581,371.95	91.11	9,954,744.05	6.70	138,626,627.90
Total	97,634,643.79	/	23,630,000.42	/	74,004,643.37	163,070,884.70	/	24,444,256.80	/	138,626,627.90

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	16,303,090.57	16,303,090.57	100.00	Expected as unable

item				to recover
Total	16,303,090.57	16,303,090.57	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	81,331,553.22	7,326,909.85	9.01
Total	81,331,553.22	7,326,909.85	9.01

Standard and explanation of provision for bad debts on portfolio basis

Applicable Not applicable

Account age	Closing amount		
	Book balance	Provision for bad debts	Provision ratio (%)
Within 1 year	73,162,554.67	3,658,127.75	5.00
1-2 years	4,741,866.38	1,422,559.91	30.00
2-3 years	2,361,819.97	1,180,909.99	50.00
Above 3 years	1,065,312.20	1,065,312.20	100.00
Subtotal	81,331,553.22	7,326,909.85	9.01

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 write-back	Charge-off or write-off	Other changes	
Provision for bad debts by item	14,489,512.75	1,813,577.82				16,303,090.57
Provision for bad debts by portfolio	9,954,744.05	-2,627,458.96		375.24		7,326,909.85
Total	24,444,256.80	-813,881.14		375.24		23,630,000.42

A 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	375.24

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 closing balances collected by debtor

Applicable Not applicable

Company name	Book balance	Proportion of total balance of accounts receivable (%)	Provision for bad debts
Beijing Jingdong Century Trading Co., Ltd.	34,121,105.60	34.95	1,706,055.27
Vipshop (China) Co., Ltd.	7,686,986.13	7.87	384,349.31
Hangzhou Yongyi Network Technology Co., Ltd.	4,640,580.00	4.75	4,640,580.00
Suzhou Aishang Cosmetic Co., Ltd.	4,163,579.58	4.26	208,178.98
Shanghai Zimei Investment Management Co., Ltd.	3,347,142.98	3.43	167,357.15
Subtotal	53,959,394.29	55.26	7,106,520.71

(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
Notes receivable	8,727,916.00	3,242,000.00
Total	8,727,916.00	3,242,000.00

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	6,455,217.00
Subtotal	6,455,217.00

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	111,603,825.48	97.28	57,284,969.16	98.08
1 to 2 years	2,967,174.38	2.59	1,062,309.95	1.82
2 to 3 years	151,216.35	0.13	59,368.00	0.10
Above 3 years				
Total	114,722,216.21	100.00	58,406,647.11	100.00

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

None

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

Applicable Not applicable

Company name	Book balance	Proportion of the balance of prepayments (%)
Alipay (China) Network Technology Co., Ltd.	26,698,931.11	23.27
Beijing Linkworld Network Technology Co., Ltd.	16,896,625.42	14.73
Hubei Toutiao Technology Co. Ltd.	6,861,906.10	5.98
Wuhan Juliang Xingtu Technology Co., Ltd.	6,226,991.86	5.43
Guangxi Jingdong Xinjie E-commerce Co., Ltd.	5,013,149.83	4.37
Subtotal	61,697,604.32	53.78

Other description

Applicable Not applicable

8. Other receivables

List by item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivables		
Dividends receivable		
Other receivables	27,908,294.86	66,043,707.81
Total	27,908,294.86	66,043,707.81

Other description:

Applicable Not applicable

Interest receivables

(1). Classification of interest receivables

Applicable Not applicable

(2). Significant overdue interest

Applicable Not applicable

(3). Provision for bad debts

Applicable Not applicable

Other description:

Applicable Not applicable

Dividend receivables

(1). Dividend receivables

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	
Sub-total within 1 year	21,050,495.64
1 to 2 years	34,235,895.59
2 to 3 years	5,787,910.32
Above 3 years	1,570,554.41
3 to 4 years	
4 to 5 years	
Above 5 years	
Total	62,644,855.96

(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	31,555,098.56	24,126,373.18
Suspense payment receivables	29,886,138.66	74,931,769.08
Reserve funds	855,440.53	624,289.31
Others	348,178.21	1,336,042.57
Total	62,644,855.96	101,018,474.14

(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	Expected credit loss for the entire duration (credit impairment has	

		occurred)	occurred)	
Balance as at January 1, 2022	3,254,330.37	517,127.76	31,203,308.20	34,974,766.33
Balance as of January 1, 2022 is in the current period				
-Transferred to the second stage	-711,767.56	711,767.56		
-Transferred to the third stage		-179,706.46	179,706.46	
-Written-back to the second stage				
- Written-back to the first stage				
Accrual in the current period	-1,745,821.02	6,205,405.97	-4,521,255.86	-61,670.91
Written-back in the current period				
Written-off in the current period				
Charge off in the current period	-1,500.00	-150,034.32	-25,000.00	-176,534.32
Other changes				
Balance as at June 30, 2022	795,241.79	7,104,560.51	26,836,758.80	34,736,561.10

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

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in the current period				Closing balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts by	26,987,367.33	-1,721,162.94				25,266,204.39

item					
Provision for bad debts by portfolio	7,987,399.00	1,659,492.03		-176,534.32	9,470,356.71
Total	34,974,766.33	-61,670.91		-176,534.32	34,736,561.10

A significant amount of bad-debt provision is written-back or withdrawn in the current period:

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Written off amount
Other accounts receivable actually written off	176,534.32

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
EURL PHARMATICA [Note 1]	Suspense payment receivables	17,981,236.73	[Note 2]	28.70	17,981,236.73
Wuxing District Daixi Town People's Government of Huzhou City	Security deposits	13,193,392.00	1-2 years	21.06	3,958,017.60
Beijing Space Transformation Technology Co., Ltd.	Suspense payment receivables	8,019,839.96	Within 1 year	12.80	413,492.00
SIKEROM EURPOE GMBH	Suspense payment receivables	7,164,967.66	1-2 years	11.44	7,164,967.66

Hangzhou Property Maintenance Fund Management Center	Security deposits	4,708,614.72	2-3 years	7.52	2,354,307.37
Total	/	51,068,051.07	/	81.52	31,872,021.36

[Note 1] EURL PHARMATICA amount is the consolidated amount of URL PHARMATICA, PARISEZHAN HK LIMITED, SARL ORTUS and S.A.S AREDIS under the same control.

[Note 2] RMB5,145,659.94 in 1 year; RMB12,835,576.79 in 1-2 years.

(10). Receivables involving government subsidies

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		
	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	87,870,902.73	13,061,934.06	74,808,968.67	29,764,865.65	1,131,843.45	28,633,022.20
Goods in process	17,754,957.26	572,955.58	17,182,001.68	13,001,345.50	168,931.64	12,832,413.86
Inventory commodities	425,637,161.96	60,411,185.80	365,225,976.16	373,318,017.14	25,067,162.01	348,250,855.13
Turnover materials						
Consumable biological assets						

Performance cost						
Packaging	64,028,802.72	4,460,872.56	59,567,930.16	37,042,703.68	650,080.09	36,392,623.59
Low value consumables	3,766,652.13	290,512.25	3,476,139.88	7,337,309.01	300,823.91	7,036,485.10
Outsourcing gifts	15,131,643.13	171,518.94	14,960,124.19	14,904,454.81	111,096.40	14,793,358.41
Total	614,190,119.93	78,968,979.19	535,221,140.74	475,368,695.79	27,429,937.50	447,938,758.29

(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	Write-back or charge-off	Others	
Raw materials	1,131,843.45	12,083,065.66		152,975.05		13,061,934.06
Goods in process	168,931.64	426,333.31		22,309.37		572,955.58
Inventory commodities	25,067,162.01	44,366,253.68		9,022,229.89		60,411,185.80
Turnover materials						
Consumable biological assets						
Performance cost						
Packaging	650,080.09	6,496,833.64		2,686,041.17		4,460,872.56
Low value consumables	300,823.91	22,052.04		32,363.70		290,512.25
Outsourcing gifts	111,096.40	80,026.85		19,604.31		171,518.94
Total	27,429,937.50	63,474,565.18		11,935,523.49		78,968,979.19

(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 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 book value 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	2,245,392.52	3,425,429.44
Input VAT to be deducted	36,177,028.74	39,013,811.93
Advance payment of taxes	6,172,006.65	11,095,721.02
Total	44,594,427.91	53,534,962.39

Other description:

None

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

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 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)	3,074,758.68			-5,814.02						3,068,944.66	
Subtotal	3,074,758.68			-5,814.02						3,068,944.66	
II. Affiliated enterprises											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,789,460.66			-111,660.67						2,677,799.99	
Metis Info Tech (Guangzhou) Co., Ltd.	6,575,008.81			-183,945.02						6,391,063.79	
Jiaxing Woyong Investment Partnership (Limited Partnership)	72,681,733.38	14,185,427.27		-2,103,426.11						84,763,734.54	

Zhuhai Healthlong Biotechnology Co., Ltd.	79.41 3,882.37			-982,064.32				26,080,616.06		52,351,201.9 9	40,751,084 .65
Beijing Xiushi Culture Development Co., Ltd.	5,424,692.37			-271,405.90						5,153,286.47	
Subtotal	166.8 84.77 7.59	14,185,427.27		-3,652,502.02				26,080,616.06		151,337,086. 78	40,751,084 .65
Total	169.9 59.53 6.27	14,185,427.27		-3,658,316.04				26,080,616.06		154,406,031. 44	40,751,084 .65

Other description

None

18. Investments in other equity instruments**(1). Description of investment 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
Hangzhou Golong Holdings Co. Ltd.	90,000,000.00	
Total	146,402,400.00	56,402,400.00

(2). Description of non-transactional equity instrument investments Applicable √ Not applicable

Other description:

 Applicable √ Not applicable**19. Other non-current financial assets** Applicable √ Not applicable**20. Investment property**

Measurement mode of investment real estate

(1). Investment real estate adopting cost measurement model

Unit: Yuan Currency: RMB

Item	Building and construction	Land use rights	Construction in progress	Total
I. Original book value				
1. Opening balance	77,820,579.40			77,820,579.40
2. Amount increased in the current period	17,825.04			17,825.04
(1) Outsourcing	17,825.04			17,825.04
(2) Transfer-in of inventory\fixed assets\construction in process				
(3) Increase in enterprise merger				
3. Amount decreased in the current period				
(1) Disposal				
(2) Others transferred out				
4. Closing balance	77,838,404.44			77,838,404.44
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	7,498,711.40			7,498,711.40

2. Amount increased in the current period	1,556,226.95			1,556,226.95
(1) Provision or amortization	1,556,226.95			1,556,226.95
3. Amount decreased in the current period				
(1) Disposal				
(2) Others transferred out				
4. Closing balance	9,054,938.35			9,054,938.35
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 period	68,783,466.09			68,783,466.09
2. Carrying amount at the beginning of period	70,321,868.00			70,321,868.00

(2). Real estate held for investment 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	563,214,939.96	558,981,209.20
Disposal of fixed assets		
Total	563,214,939.96	558,981,209.20

Other description:

None

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

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Property and buildings	Dedicated equipment	Means of transportation	General equipment	Total
I. Original book value:					
1. Opening balance	539,801,215.99	196,651,852.38	19,877,806.90	74,636,230.21	830,967,105.48
2. Amount increased in the current period	2,221,307.82	23,590,019.37	61,592.92	2,212,823.12	28,085,743.23
(1) Purchase	1,637,595.52	3,923,198.36	61,592.92	1,549,807.44	7,172,194.24
(2) Transfer from construction in progress	583,712.30	19,666,821.01		663,015.68	20,913,548.99
(3) Increase in enterprise merger					
3. Amount decreased in the current period					
(1) Disposal or scrapping					
4. Closing balance	542,022,523.81	220,241,871.75	19,939,399.82	76,849,053.33	859,052,848.71
II. Accumulated depreciation					
1. Opening balance	107,920,939.15	117,135,329.26	14,033,797.27	32,895,830.60	271,985,896.28
2. Amount increased in the current period	10,384,121.05	8,501,317.09	1,384,562.52	3,582,011.81	23,852,012.47
(1) Provision	10,384,121.05	8,501,317.09	1,384,562.52	3,582,011.81	23,852,012.47
3. Amount decreased in the current period					
(1) Disposal or scrapping					
4. Closing balance	118,305,060.20	125,636,646.35	15,418,359.79	36,477,842.41	295,837,908.75
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 period	423,717,463.61	94,605,225.40	4,521,040.03	40,371,210.92	563,214,939.96

2. Carrying amount at the beginning of period	431,880,276.84	79,516,523.12	5,844,009.63	41,740,399.61	558,981,209.20
---	----------------	---------------	--------------	---------------	----------------

(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	155,648,709.93	108,678,896.27
Project goods and material		
Total	155,648,709.93	108,678,896.27

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)	90,406,350.83		90,406,350.83	55,292,163.04		55,292,163.04

Makeup Factory	26,640,273.70		26,640,273.70	26,447,530.33		26,447,530.33
Longwu R&D Center Construction Project	17,823,944.67		17,823,944.67	7,157,088.81		7,157,088.81
Decoration engineering	5,823,245.11		5,823,245.11	5,374,335.45		5,374,335.45
Information System Upgrade Project	2,142,599.44		2,142,599.44	641,190.64		641,190.64
Other sporadic projects	12,812,296.18		12,812,296.18	13,766,588.00		13,766,588.00
Total	155,648,709.93		155,648,709.93	108,678,896.27		108,678,896.27

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

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Budget	Initial balance	Amount increased in the current period	Amount transferred to fixed assets in 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	55,292,163.04	46,367,192.01			101,659,355.05	24.39	24.39	8,014,032.24	7,097,784.84	4.57	Raised funds and owned funds
Makeup Factory	RMB66.11 million	26,447,530.33	192,743.37			26,640,273.70	90.99	97.62				Self-owned capital
Longwu R&D Center Construction Project	RMB128.6113 million	7,157,088.81	10,475,396.88			17,632,485.69	13.71	13.71	4,604,813.21	4,078,343.14	4.57	Raised funds and owned funds
Information System Upgrade Project	RMB112.395 million	641,190.64	1,897,635.22			2,538,825.86	2.26	2.26	2,142,599.44	1,897,635.22	4.57	Raised funds and owned funds
Total	RMB723.8996 million	89,537,972.82	58,932,967.48			148,470,940.30	/	/	14,761,444.89	13,073,763.20	/	/

(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

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

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Land use rights	Software	Patent right	Non-patented technology	Customer resources	Trademark right	Total
I. Original book value							
1. Opening balance	472,400,130.10	23,546,496.96	446,367.92	563,293.07	12,833,684.00	137,131.75	509,927,103.80
2. Amount increased in the current period			93,627.44			39,897,000.00	39,990,627.44
(1) Purchase			93,627.44			39,897,000.00	39,990,627.44
(2) Internal R&D							
(3) Increased in business mergers							
3. Amount decreased in the current period							
(1) Disposal							
4. Closing balance	472,400,130.10	23,546,496.96	539,995.36	563,293.07	12,833,684.00	40,034,131.75	549,917,731.24
II. Accumulated amortization							
1. Opening balance	80,337,918.89	19,671,238.01	423,582.17	533,063.88	11,764,210.33	51,966.23	112,781,979.51
2. Amount increased in the current period	6,071,109.61	917,512.95	6,490.40	13,030.32	1,069,473.67	343,243.48	8,420,860.43
(1) Provision	6,071,109.61	917,512.95	6,490.40	13,030.32	1,069,473.67	343,243.48	8,420,860.43
3. Amount decreased in the current period							
(1) Disposal							
4. Closing balance	86,409,028.50	20,588,750.96	430,072.57	546,094.20	12,833,684.00	395,209.71	121,202,839.94

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 period	385,991,101.60	2,957,746.00	109,922.79	17,198.87		39,638,922.04	428,714,891.30
2. Carrying amount at the beginning of period	392,062,211.21	3,875,258.95	22,785.75	30,229.19	1,069,473.67	85,165.52	397,145,124.29

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 cost

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	28,035,222.52	3,123,871.55	6,893,598.57		24,265,495.50
Endorsement fee	1,297,168.97		1,297,168.97		
Garage use fee	192,950.56		96,474.96		96,475.60

Software service fee	231,132.06		99,056.59		132,075.47
Total	29,756,474.11	3,123,871.55	8,386,299.09		24,494,046.57

Other description:

None

30. Deferred income tax assets/deferred income tax liabilities

(1). Deferred income 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	29,534,841.23	6,558,438.08	51,427,566.52	11,315,875.56
Deductible loss	4,398,260.74	1,099,565.19	24,661,711.36	6,165,427.84
Provisions for bad debts of accounts receivable	6,889,318.52	1,721,495.34	12,133,125.37	3,033,245.75
Provision for obsolete inventory	56,568,027.23	8,807,093.71	13,851,297.64	2,192,173.55
Impact of share-based payments			64,709,836.24	13,951,922.23
Government subsidies related to assets	5,376,718.33	806,507.75	6,416,263.33	962,439.50
Anticipated return losses	2,989,355.63	747,338.91	4,699,734.32	1,174,933.59
Total	105,756,521.68	19,740,438.97	177,899,534.78	38,796,018.02

(2). Deferred income 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 creditors' investment				

Changes in the fair value of other investments in equity instrument				
One-time deduction for depreciation of fixed assets	50,122,385.52	7,523,121.46	56,019,830.45	8,408,158.81
Total	50,122,385.52	7,523,121.46	56,019,830.45	8,408,158.81

(3). Deferred income tax assets or liabilities listed in net amount after offset

Applicable Not applicable

(4). Details of unrecognized deferred income tax assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	91,454,919.85	86,680,894.07
Deductible loss	232,291,889.02	328,350,840.97
Total	323,746,808.87	415,031,735.04

(5). The deductible loss of unrecognized deferred income tax assets will expire in the following years

Applicable Not applicable

Unit: Yuan Currency: RMB

Year	Closing balance	Opening balance	Remarks
2022	4,961,006.16	36,720,246.07	
2023	28,495,760.10	54,275,434.81	
2024	89,202,557.01	92,977,432.81	
2025	57,083,884.31	80,408,649.72	
2026	40,944,474.93	63,969,077.56	
2027	11,604,206.51		
Total	232,291,889.02	328,350,840.97	/

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						
Prepaid for long-term asset purchase funds				39,897,000.00		39,897,000.00
Other long-term assets	4,621,667.82		4,621,667.82	4,270,303.56		4,270,303.56
Total	4,621,667.82		4,621,667.82	44,167,303.56		44,167,303.56

Other description:

None

32. Short-term bank 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	200,251,506.85	200,251,506.85
Total	200,251,506.85	200,251,506.85

Classification of short-term borrowings

None

(2). Overdue and outstanding short-term borrowings

Applicable Not applicable

Other description:

Applicable Not applicable

33. Trading financial liabilities

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	52,985,397.00	79,156,771.40
Total	52,985,397.00	79,156,771.40

The total amount of outstanding bills payable due at the end of this period is RMB0.00.

36. Accounts payable**(1). List by account payable**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Payment for goods	543,588,809.58	309,697,429.86
Expenses payable	193,768,991.53	84,316,536.83
Payment for engineering equipment	20,859,715.80	10,012,274.47
Total	758,217,516.91	404,026,241.16

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

Applicable Not applicable

Other description:

Applicable Not applicable

37. Accounts received in advance**(1). List by advance accounts**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Rents receivable in advance	94,226.63	173,769.85
Total	94,226.63	173,769.85

(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	92,571,980.97	82,548,148.92
Unused membership credits	11,665,619.24	8,603,836.40
Total	104,237,600.21	91,151,985.32

(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 pay 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	78,069,805.10	272,786,621.93	251,612,825.54	99,243,601.49
II. Post-employment benefits - defined contribution plans	579,244.62	11,418,644.54	11,364,443.04	633,446.12
III. Dismissal Benefit				
IV. Other benefits due within one year				
Total	78,649,049.72	284,205,266.47	262,977,268.58	99,877,047.61

(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	77,170,134.07	250,027,917.30	228,791,855.31	98,406,196.06
II. Welfare expenses of employees	6,691.56	8,993,967.79	8,993,967.79	6,691.56
III. Social insurance premium	518,125.19	7,374,799.70	7,419,425.30	473,499.59
Incl.: Medical insurance premium	484,798.88	7,019,291.45	7,050,679.90	453,410.43
Industrial injury	13,009.69	300,349.84	303,779.89	9,579.64

insurance premium				
Maternity insurance premium	20,316.62	55,158.41	64,965.51	10,509.52
IV. Housing provident fund	374,854.28	5,715,701.25	5,733,341.25	357,214.28
V. Trade union fund and staff education fund		674,235.89	674,235.89	
VI. Short-term compensated absences				
VII. Short-term profit sharing plan				
Total	78,069,805.10	272,786,621.93	251,612,825.54	99,243,601.49

(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	555,518.72	11,041,457.44	10,984,089.51	612,886.65
2. Unemployment insurance expense	23,725.90	377,187.10	380,353.53	20,559.47
3. Enterprise annuity payment				
Total	579,244.62	11,418,644.54	11,364,443.04	633,446.12

Other description:

□ Applicable √ Not applicable

40. Tax payable

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value added tax ("VAT")	31,801,241.06	23,812,907.23
Consumption tax		3,547.12
Business tax		
Enterprise income tax	26,522,512.21	63,190,175.54
Personal income tax	3,742,305.74	1,481,039.09
Urban maintenance and construction tax	3,977,559.56	4,705,718.03
Property tax	2,050,058.69	2,133,274.27
Surtax for education expenses	1,832,989.69	2,598,933.67
Surcharge for local education	1,221,993.13	1,732,622.45
Stamp tax	146,137.63	175,861.55
Disabled security fund	16,632.72	14,175.52

Land use tax	44,922.50	44,922.50
Total	71,356,352.93	99,893,176.97

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	61,385,996.69	62,162,153.55
Total	61,385,996.69	62,162,153.55

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	53,269,535.34	52,827,845.96
Restricted stock repurchase obligations		5,628,128.21
Others	8,116,461.35	3,706,179.38
Total	61,385,996.69	62,162,153.55

(2). Significant other payables with an aging of more than one year Applicable Not applicable

Other description:

 Applicable Not applicable**42. Holding liabilities for sale** Applicable Not applicable

43. Non-current liabilities due within one year

Applicable Not applicable

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	10,407,936.05	9,521,415.32
Total	10,407,936.05	9,521,415.32

Changes in short-term bonds payable:

Applicable Not applicable

Other description:

Applicable Not applicable

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

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	711,060,173.61	695,586,778.80
Total	711,060,173.61	695,586,778.80

(2). Increase and decrease of bonds payable: (excluding other financial instruments such as preferred 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	Conversion in the current period	Repayment in the current period	Closing balance
Proya Convertible Corporate Bond	100.00	December 08, 2021	6 years	751,713,000.00	695,586,778.80		1,117,774.42	14,668,620.39	313,000.00		711,060,173.61
Total	/	/	/	751,713,000.00	695,586,778.80		1,117,774.42	14,668,620.39	313,000.00		711,060,173.61

(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 dates are anniversaries of the date of initial offering of convertible bonds. The Company will, no later than five trading days after the interests payment day 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 unconverted 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, 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-dividend 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-dividend 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 up.

As at 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 of convertible corporate bonds was adjusted to RMB139.37 per share from RMB195.98 per share, which took effect since May 30 2022 (the ex-dividend date).

During the period, there were 3,130 shares converted from convertible corporate bonds, the share capital increased by RMB2,208.00, capital reserves (equity premium) increased by RMB302,521.21, and other equity instruments reduced by RMB21,217.44.

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

Basic information of other financial instruments such as preferred stocks and perpetual bonds issued at the end of the period

Applicable Not applicable

Statement of changes in financial instruments such as preferred stocks and perpetual bonds issued 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

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	10,812,084.88	6,818,443.69	Estimated future potential return losses
Others			
Total	10,812,084.88	6,818,443.69	/

Other particulars, including the particulars on 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 grant	6,416,263.33		1,039,545.00	5,376,718.33	Funded by the Government
Total	6,416,263.33		1,039,545.00	5,376,718.33	/

Items involving government subsidies:

Applicable Not applicable

Unit: Yuan Currency: RMB

Liability item	Opening balance	Amount of new subsidies in current period	Amount included in non-operating revenue of the current period	Amount included in other income in current period	Other changes	Closing balance	Asset-related/income-related
Grants for modified cosmetic technology	6,416,263.33			1,039,545.00		5,376,718.33	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 Consolidated Financial Accounts”, “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 conversion from capital reserve Share conversion	Others	Subtotal	
Total shares	201,009,966			80,403,986	2,208	80,406,194	281,416,160

Other description:

Shares converted from capital reserve increased by 80,403,986 shares, which decided at the fifth meeting of the third session of the board of directors of the Company held in 2022 and 2021 Annual General Meeting, based on the total share capital of 201,009,966 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 RMB80,403,986.

Other shares increased by 2,208 shares, which was the conversion of convertible corporate bonds of the Company in the period. For the details on the convertible bonds, please see the particulars contained in “46. Bonds Payable”, “VII. Notes to the Consolidated Financial Accounts”, “Section X Financial Report”.

54. Other equity instruments**(1) Basic information of other financial instruments such as preferred stocks and perpetual bonds issued at the end of the period**

Applicable Not applicable

(2) Statement of changes in financial instruments such as preferred stocks and perpetual bonds issued 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 corporate	7,517,130	50,956,622.11			3,130	21,217.44	7,514,000	50,935,404.67

bonds								
Total	7,517,130	50,956,622.11			3,130	21,217.44	7,514,000	50,935,404.67

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

For the details on the convertible corporate bonds of the Company issued in the period, please see the particulars contained in “46. Bonds Payable”, “VII. Notes to the Consolidated Financial Accounts”, “Section X Financial Report”.

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)	799,674,532.76	10,822,025.82	125,277,272.12	685,219,286.46
Other capital reserves	34,597,672.90		12,843,603.44	21,754,069.46
Total	834,272,205.66	10,822,025.82	138,120,875.56	706,973,355.92

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

The increase of RMB10,822,025.82 in capital premium (share premium) of the current period includes:

1) RMB10,519,504.61, involving the released part of restricted shares issued under the equity incentive plan, for which other capital reserve recognized during the waiting period is transferred to share premium; 2) RMB302,521.21, involving the convertible corporate bonds of the Company issued in the period. For the details, please see the particulars contained in “46. Bonds Payable”, “VII. Notes to the Consolidated Financial Accounts”, “Section X Financial Report”.

The decrease of RMB125,277,272.12 in capital premium (share premium) of the current period includes:

1) RMB80,403,986.00, involving the capital reserve capitalization. For the details, please see the particulars contained in “53. Share Capital”, “VII. Notes to the Consolidated Financial Accounts”, “Section X Financial Report”; 2) RMB44,873,286.12, involving the difference between the payment made for acquiring minority shares of the subsidiaries, Ningbo Timage Cosmetics Co., Ltd., and the identifiable share of net assets of the subsidiaries, as calculated at the newly-increased shareholding ratio, for which the capital reserve is written down by RMB44,873,286.12.

The decrease of RMB12,843,603.44 in other capital reserves of the current period includes: 1) RMB10,519,504.61, involving the released portion of restricted shares issued under the equity incentive plan, for which other capital reserves recognized during the waiting period are transferred to equity premium; 2) RMB2,324,098.83, involving the adjustment of capital reserves for the difference between the actual pre-tax deductible amount of the released portion and the recognized amount of previous years.

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	5,628,128.21		5,628,128.21	0.00
Total	5,628,128.21		5,628,128.21	0.00

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

The decrease of RMB5,628,128.21 in the current period involves the Company's release of 347,201 restricted shares according to the *Proposal on the Satisfaction of Conditions for Releasing the Sales Restrictions for the Third Release Period of the Restricted Shares Granted for the First Time and Reserved Grant under the 2018 Restricted Share Incentive Plan* deliberated and approved at the 4th meeting of the Third session of board of directors of the Company held on January 12, 2022, with the grant price after distributed cash dividends are deducted being RMB16.21 per share.

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 will not be subsequently reclassified into profit and loss								
Including: Re-measure the variation amount of defined benefit plan								
Other comprehensive income that can't be reversed through profit and loss under equity method								
Changes in the fair value of other investments in equity								

instrument								
Changes in fair value of enterprise's own credit risk								
II. Other comprehensive income that will be reclassified into profit or loss	-1,247,674.10	-249,117.09				-249,117.09		-1,496,791.19
Including: other comprehensive income that can be converted into gains and losses under the equity method								
Changes in the fair value of other creditors' investment								
The amount of financial assets reclassified into other comprehensive income								
Credit impairment provision for other credits investment								
Cash flow hedge reserve								
Difference from translation of financial statements in foreign currency	-1,247,674.10	-249,117.09				-249,117.09		-1,496,791.19
Total other comprehensive income	-1,247,674.10	-249,117.09				-249,117.09		-1,496,791.19

Other explanations, including the adjustment of the effective part of cash flow hedging gains and losses 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	100,634,780.00			100,634,780.00
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				

Total	100,634,780.00			100,634,780.00
-------	----------------	--	--	----------------

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

None

60. Undistributed profit

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Last year
Undistributed profit at the end of last period before adjustment	1,696,978,064.52	1,265,671,865.63
Total undistributed profit at the beginning of the adjustment period (+ for increase, - for decrease)		
Un-appropriated earnings at the beginning of period after adjustment	1,696,978,064.52	1,265,671,865.63
Plus: net profit attributable to the owner of the parent company in the current period	296,939,515.54	576,119,025.56
Less: withdrawal of statutory surplus reserve		
Withdrawal of any surplus reserves		
Withdrawal of general risk provision		
Dividends payable on common stock	172,868,570.76	144,804,186.00
Common stock dividends converted to share capital		
Other decreases		8,640.67
Undistributed profit at the end of the period	1,821,049,009.30	1,696,978,064.52

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 income and operating cost

(1). Information of operating income 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	2,615,919,115.33	830,689,997.38	1,911,280,464.91	690,938,535.18
Other	10,024,128.96	6,344,746.42	6,438,032.69	4,619,754.01

business				
Total	2,625,943,244.29	837,034,743.80	1,917,718,497.60	695,558,289.19

(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:

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	2,624,582,336.26	1,915,899,293.37
Income recognized within a period of time	1,360,908.03	1,819,204.23
Subtotal	2,625,943,244.29	1,917,718,497.60

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	10,616.45	56,425.63
Business tax		
Urban maintenance and construction tax	12,367,541.47	7,913,902.31
Education surcharge	6,098,531.01	3,977,896.25
Resource tax		
Property tax	2,020,782.23	4,052,644.03
Land use tax		
Vehicle and vessel use tax	4,170.40	2,670.00
Stamp tax	861,783.14	634,586.22
Surcharge for local education	4,065,687.34	2,651,930.83
Total	25,429,112.04	19,290,055.27

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	914,789,856.38	651,005,247.16
Employee remuneration	176,935,767.31	127,270,225.97
Travel expenses	5,239,809.36	6,519,683.82
Conference fees	1,369,251.43	5,684,285.16
Office allowances	11,157,885.89	14,176,924.87
Survey consulting fees	3,284,713.25	513,801.62
Others	4,144,367.00	2,034,463.16
Total	1,116,921,650.63	807,204,631.76

Other description:

None

64. 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	71,686,202.20	64,177,881.74
Share-based payments		2,262,118.91
Expenses for depreciation, amortization and leases	21,559,690.88	22,632,216.20
Office allowance and business entertainment expenses	24,577,036.46	16,334,487.33
Consultation and intermediary fees	5,676,074.62	4,861,065.35
Travel expense and conference fees	1,708,872.35	996,613.03
Others	1,932,278.31	4,926,790.49
Total	127,140,154.83	116,191,173.05

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	30,174,033.12	20,466,648.49
Outsourced R&D expense	21,504,716.33	8,826,262.44
Expenses for depreciation, amortization and	1,820,592.19	1,053,552.11

leases		
Direct input cost	6,836,001.15	785,036.60
Others	731,351.28	239,844.82
Total	61,066,694.07	31,371,344.46

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 expenses	6,535,131.18	5,082,866.57
Interest income	-24,330,282.91	-11,723,066.05
Handling fees	286,819.54	406,429.79
Exchange gains and losses	2,703,555.21	4,369,640.90
Total	-14,804,776.98	-1,864,128.79

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	20,440,098.37	9,370,319.81
Refund of handling fees	523,373.72	467,054.66
VAT input tax addition and reduction	-335,500.59	322,433.43
Total	20,627,971.50	10,159,807.90

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 Consolidated Financial Accounts”, “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
Return on long-term equity investments measured by the equity method	-3,658,316.04	-2,375,106.70
Investment income from disposal of long-term equity investment		-3,546.24
Investment income of tradable financial		

assets 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 tradable financial asset		
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	-3,658,316.04	-2,378,652.94

Other description:

None

69. Net exposure hedging income

Applicable Not applicable

70. Income from the change in fair value

Applicable Not applicable

71. Credit impairment loss

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	813,881.14	3,785,095.76
Bad debt loss on other receivables	61,670.91	-829,303.17
Impairment losses of creditors' investment		
Other impairment losses of creditors' investment		
Bad debt loss on long-term receivables		
Loss from impairment of contract assets		
Total	875,552.05	2,955,792.59

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	-63,474,565.18	-8,625,168.59
III. Impairment loss of long-term equity investment	-26,080,616.06	
IV. Impairment loss of investment real estate		
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	-89,555,181.24	-8,625,168.59

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		-1,416.28
Total		-1,416.28

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 grant			
Revenue from fines and liquidated damages	50,000.00	54,435.00	50,000.00
Others	258,882.06	60,008.12	258,882.06
Total	308,882.06	114,443.12	308,882.06

Government subsidies included in current profits and losses

 Applicable Not applicable

Other description:

 Applicable Not applicable**75. Non-operating expenditure**√ 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	34,600.00		34,600.00
Others	516,181.27	60,174.49	516,181.27
Total	550,781.27	60,174.49	550,781.27

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	85,324,305.00	46,005,920.10
Deferred income tax expense	7,323,122.04	-2,523,649.52
Total	92,647,427.04	43,482,270.58

(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	401,203,792.96
Income tax expense calculated at statutory/applicable tax rate	100,300,948.24
Influence of different tax rates applied to subsidiaries	-34,909,268.35
Influence of adjusting income tax in previous periods	26,907,736.41
Influence of non-taxable income	
Influence of non-deductible costs, expenses and losses	5,002,567.47
Influence of deductible loss of unrecognized deferred income tax assets in previous period	-30,183,999.10
Influence of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in this period	25,736,010.77
Additional deductions for R&D expenditures	-7,529,690.43
Income tax expenses	85,324,305.00

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 Consolidated Financial Accounts”, “Section X Financial Report”.

78. Items in cash flow statement

(1). Other cash receipts 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	24,233,809.41	11,723,066.05
Government grant	19,400,553.37	2,840,774.81
Receivables, payables and others	20,707,779.37	27,195,817.12
Total	64,342,142.15	41,759,657.98

Explanation on other cash received related to business 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
Image promotion expense	816,333,343.00	629,544,186.17
Other expenses paid in cash	153,061,024.73	165,528,596.63
Receivables, payables and others	24,745,797.67	49,745,240.01
Total	994,140,165.40	844,818,022.81

Explanation on other cash paid related to business activities:

None

(3). Other cash receipts relating to investing activities

Applicable Not applicable

(4). Other cash paid related to investment activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Net cash amount from disposal of subsidiaries		61,087,857.19
Total		61,087,857.19

Other cash paid related to investment activities:

None

(5). Other cash received related to financing activities

Applicable Not applicable

(6). Other cash payments related to financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Amount for acquisition of minority equity	45,000,000.00	486,631.52
Total	45,000,000.00	486,631.52

Other cash payments 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 for the current period	Amount of the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	308,556,365.92	208,649,493.39
Add: provision for impairment of assets	89,555,181.24	8,625,168.59
Credit impairment loss	-875,552.05	-2,955,792.59
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	25,408,239.42	23,362,185.03
Amortization of right to use assets		
Amortization of intangible assets	8,420,860.43	8,723,991.87
Amortization of long-term unamortized expenses	8,386,299.09	16,417,226.16
Losses on disposal of fixed assets, intangible assets and other long-term assets (“-” for income)		1,416.28
Loss on retirement of fixed assets (“-” for income)		
Losses on changes in fair value (“-” for income)		
Financial expenses (“-” for income)	6,535,131.18	5,082,866.57
Investment loss (“-” for income)	3,658,316.04	2,378,652.94
Decrease in deferred income tax assets (“-” for increase)	7,323,122.04	-1,790,877.02
Increase in deferred income tax	-885,037.35	-732,772.50

liabilities (“-” for decrease)		
Decrease in inventory (“-” for increase)	-138,821,424.14	94,250,565.71
Decrease of operating receivable items (“-” for increase)	42,008,373.99	49,348,525.29
Increase in operational payables (“-” for decrease)	354,512,254.57	-145,185,070.90
Others		
Net cash flow from operating activities	713,782,130.38	266,175,578.82
2. Major investment 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	2,694,296,764.69	1,228,370,225.03
Less: Opening balance of cash	2,378,334,768.09	1,401,850,754.88
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	315,961,996.60	-173,480,529.85

(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

(4) Composition of cash and cash equivalents

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash	2,694,296,764.69	2,378,334,768.09
Including: cash in vault	19,280.21	22,348.23
Bank deposits that can be used for payment at any time	2,645,536,194.46	2,338,747,508.20
Other monetary fund that can be used for payment at any time	48,741,290.02	39,564,911.66
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	2,694,296,764.69	2,378,334,768.09
Including: Cash and cash equivalents with restricted use by the parent company or a subsidiary of the group		

Other description:

Applicable Not applicable

Supplementary information to cash flow statement

Time point	Balance of monetary capital	Cash and cash equivalents	Difference	Causes of difference
June 30, 2022	2,699,953,453.09	2,694,296,764.69	5,656,688.40	RMB306,688.40 fixed-term deposit margin for transformers, RMB5,000,000.00 Pinduoduo deposit, and RMB350,000.00 Tmall and Alipay deposits.
December 31, 2021	2,391,048,249.81	2,378,334,768.09	12,713,481.72	RMB293,481.72 fixed-term deposit margin for transformers, RMB7,000,000.00 L/C deposit, RMB70,000.00 ETC vehicle deposit, RMB5,000,000.00 Pinduoduo deposit, and RMB350,000.00 Tmall and Alipay deposits.

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

Explanation on the names of "other" items for adjusting the closing balance of last year and adjustment amounts:

Applicable Not applicable

81. Assets with limited ownership or use rights

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Book value as of the end of the period	Cause for restrictions
Monetary capital	5,656,688.40	Including transformer deposit, Tmall deposit and Alipay deposit

Notes receivable		
Inventory		
Fixed assets		
Intangible assets		
Total	5,656,688.40	/

Other description:

None

82. Foreign currency monetary items

(1). Foreign currency monetary items

Applicable Not applicable

Unit: RMB

Item	Closing foreign currency balance	Converted exchange rate	Converted RMB at the end of period balance
Monetary capital	-	-	57,788,421.17
Including: USD	1,461,417.51	6.7114	9,808,157.48
EUR	2,575,972.75	7.0084	18,053,447.42
HKD	16,336,384.85	0.8552	13,970,876.32
KRW	2,899,541,120.81	0.0052	15,077,613.83
JPY	146,319,650.00	0.0049	716,966.29
SF	22,953.36	7.0299	161,359.83
Accounts receivable	-	-	5,901,539.89
Including: EUR	225,216.98	7.0084	1,578,410.68
HKD	2,532,982.81	0.8552	2,166,181.57
KRW	396,021,722.83	0.0052	2,059,312.96
JPY	19,920,276.00	0.0049	97,609.35
Long-term borrowing	-	-	
Including: USD			
EUR			
HKD			
Other receivables	-	-	21,240,327.49
Including: EUR	2,955,596.08	7.0084	20,713,999.57
HKD	300,000.00	0.8552	256,560.00
USD	31,578.67	6.7114	211,937.09
KRW	499,000.00	0.0052	2,594.80
JPY	11,272,659.25	0.0049	55,236.03
Accounts payable	-	-	6,616,020.03
Including: EUR	876,165.02	7.0084	6,140,514.93
HKD	46,500.00	0.8552	39,766.34
KRW	46,376,921.75	0.0052	239,093.27
JPY	40,020,655.40	0.0049	196,645.49
Other payables	-	-	374,959.11

Including: HKD	437,972.65	0.8552	374,554.21
JPY	82,633.00	0.0049	404.90

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., Hanna Cosmetics Co., Ltd. and Korea Younimi 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. Japan OR. 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 subsidies

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Reported items	Amount included in current profits and losses
Asset-related government subsidies	1,039,545.00	Other incomes	1,039,545.00
Benefit-related government subsidies	19,400,553.37	Other incomes	19,400,553.37

2. Return of government subsidies

Applicable Not applicable

Other description

1) Government subsidies related to assets

Item	Initial deferred income	New subsidy in the current period	Amortization in the current period	Closing deferred income	Amortization in the current period Reported items	Notes

Item	Initial deferred income	New subsidy in the current period	Amortization in the current period	Closing deferred income	Amortization in the current period Reported items	Notes
Grants for modified cosmetic technology	6,416,263.33		1,039,545.00	5,376,718.33	Other incomes	
Subtotal	6,416,263.33		1,039,545.00	5,376,718.33		

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 technical a 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 and Huzhou Economy and Information Bureau, the technical transformation subsidy of RMB2,350,000.00 was paid by Huzhou Finance 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 Development and Reform Commission of Wuxing District, Huzhou and the Finance Bureau of Wuxing District, a 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 and Huzhou Economy and Information Bureau, the technical transformation subsidy of RMB1,379,500.00 was paid by Huzhou Finance 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 and Development, Reform and Economic Information Technology Commission of Wuxing District, the special subsidy fund for demonstration intelligent workshop 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.

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

Item	Amount	Reported items	Notes
Financial subsidies for the development of SMEs	9,325,700.00	Other incomes	Paid by the Finance Bureau of Daixi Town, Wuxing District, Huzhou

support fund for industry	5,740,000.00	Other incomes	Paid by the Finance Bureau of Ningbo Meishan Free Trade Port
Bonus of kicking off the work	2,062,638.00	Other incomes	Paid by the Finance Bureau of Daixi Town, Wuxing District, Huzhou
Special incentive subsidy fund for innovation and application of supply chain	600,000.00	Other incomes	According to the <i>Letter on Proposing the Appropriation of Municipal Special Incentive Subsidy Fund for Innovation and Application of Supply Chain in 2021</i> issued by the Huzhou Commerce Bureau, it was paid by the Huzhou Finance Bureau
2022 Special Funds (Fifth Batch) for Science and Technology Development in Hangzhou	200,000.00	Other incomes	According to the <i>Notice on Issuing Special Funds (Fifth Batch) for Science and Technology Development in Hangzhou in 2022</i> issued by Hangzhou Finance and Hangzhou Science and Technology Bureau, it was paid by the Xihu District Science and Technology Bureau of Hangzhou
Subsidy for supporting service business to promote development	200,000.00	Other incomes	According to the <i>Rules for Implementation of Policy on Supporting Service Business to Promote Development</i> (WFGJF [2022] No. 6) issued by Development, Reform and Economic Information Technology Bureau of Wuxing District, Huzhou and the Finance Bureau of Wuxing District, Huzhou, it was paid by the Development, Reform and Economic Information Technology Bureau of Wuxing District, Huzhou
Position stability subsidy and special fund for municipal patents in	1,272,215.37	Other incomes	They were paid by the Wuxing District Human Resources and Social Security

Hangzhou			Bureau of Huzhou City, the Hangzhou Employment Management Service Center, and the Xihu District Administration for Market Regulation of Hangzhou, etc.
Subtotal	19,400,553.37		

The amount of government subsidies included in the current profits and losses in the current period is RMB20,440,098.37.

85. Others

Applicable Not applicable

VIII. Change of Combination Scope

1. Business combination not under common control

Applicable Not applicable

2. Business combination under common control

Applicable Not applicable

3. Counter 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

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 subsidiaries, etc.) and the specific information:

Applicable Not applicable

Increase of consolidation scope

Company name	Equity acquisition method	Time point of equity acquisition	Amount of contribution	Contribution ratio
Xuzhou Laibo Information Technology Co., Ltd.	New subsidiaries	January 2022		100.00%
Hangzhou Timage Cosmetics Co., Ltd.	New subsidiaries	March 2022	1,000,000.00	100.00%
Proya(Zhejiang) Cosmetics Co., Ltd.	New subsidiaries	May 2022		100.00%

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	Shareholding 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
Hong Kong Keshi Trading Limited	Hong Kong	Hong Kong	Wholesale and retail	52.00		Establishment
Ningbo Keshi Trading Limited	Ningbo	Ningbo	Wholesale and retail	52.00		Establishment
Ningbo Timage Cosmetics Co., Ltd.	Ningbo	Ningbo	Wholesale and retail	71.36		Establishment
Huzhou Younimi Cosmetics Co., Ltd.	Huzhou	Huzhou	Wholesale and retail	51.00		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 Percentage (%)	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	13,051,241.34		8,186,640.20

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

Applicable Not applicable

Other description:

Applicable Not applicable

(3). Major 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.	144,529,435.60	255,329.58	144,784,765.18	120,285,164.93		120,285,164.93	83,031,785.97	94,867.22	83,126,653.19	94,774,666.19		94,774,666.19

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.	234,672,214.61	40,846,250.55	40,846,250.55	24,728,583.15	116,044,099.29	-8,463,875.97	-8,463,875.97	-2,465,779.00

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

(1). Explanation on changes in the share of owners' equity in subsidiaries on equity

Applicable Not applicable

Name of subsidiary	Time of change	Shareholding ratio before change	Shareholding ratio after change
Ningbo Timage Cosmetics Co., Ltd.	March 2022	61.36%	71.36%

(2). The impact of transactions on minority shareholders' equity and the equity attributable to the parent company

Applicable Not applicable

Unit: Yuan Currency: RMB

	Ningbo Timage Cosmetics Co., Ltd.
Purchase cost/disposal consideration	
- Cash	45,000,000.00
- Fair value of non-cash assets	
Total purchase cost/disposal consideration	45,000,000.00
Less: The net asset share of a subsidiary calculated according to the proportion of the equity acquired/disposed of	126,713.88
Difference	44,873,286.12
Including: adjustment of capital reserves	44,873,286.12
Adjusted surplus reserve	
Undistributed profits after adjustment	

Other description

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). Major 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 current period	Beginning balance/amount incurred in previous period
Joint ventures:		
Total book value of investment	3,068,944.66	3,301,050.94
The total of the following items calculated according to the shareholding ratio		
-Net profit	-5,814.02	-5,579.63
-Other comprehensive income		
-Total comprehensive income	-5,814.02	-5,579.63
Associates:		
Total book value of investment	155,226,385.44	183,291,583.06
The total of the following items calculated according to the shareholding ratio		
-Net profit	-3,652,502.02	-2,369,527.07
-Other comprehensive income		
-Total comprehensive income	-3,652,502.02	-2,369,527.07

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 to 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. Receivable Financing; and 8. Other Receivables”, “VII. Notes to the Consolidated Financial Accounts”, “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 its 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, 2022, there was certain credit concentration risk in the Company and 55.26% (December 31, 2021: 77.35%) 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 book value 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 balancing 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
Bank loans	200,251,506.85	207,400,000.00	207,400,000.00		
Notes payable	52,985,397.00	52,985,397.00	52,985,397.00		
Accounts payable	758,217,516.91	758,217,516.91	758,217,516.91		
Other payables	61,385,996.69	61,385,996.69	61,385,996.69		
Bonds payable	711,060,173.61	902,431,400.00	4,132,700.00	15,028,000.00	883,270,700.00
Subtotal	1,783,900,591.06	1,982,420,310.60	1,084,121,610.60	15,028,000.00	883,270,700.00

(Continued)

Item	Balance at the end of the previous year				
	Carrying amount	Undiscounted contract value	Within 1 year	1-3 years	Above 3 years
Bank loans	200,251,506.85	201,745,068.49	201,745,068.49		
Bills payable	79,156,771.40	79,156,771.40	79,156,771.40		
Accounts payable	404,026,241.16	404,026,241.16	404,026,241.16		
Other payables	62,162,153.55	62,162,153.55	62,162,153.55		
Bonds payable	695,586,778.80	902,807,313.00	2,255,139.00	11,275,695.00	889,276,479.00
Subtotal	1,441,183,451.76	1,649,897,547.60	749,345,373.60	11,275,695.00	889,276,479.00

(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 will fluctuate due to the change of foreign exchange rate. 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. Monetary Items in Foreign Currency", "VII. Notes to the Consolidated Financial Accounts", "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) Tradable financial assets				
1. Financial assets measured at fair value with changes included in current profits and losses				
(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 current profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(II) Other debt investments				

(III) Other equity instrument investments			146,402,400.00	146,402,400.00
(IV) Investment real estate				
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				
Receivables financing			8,727,916.00	8,727,916.00
Total assets consistently measured at fair value			155,130,316.00	155,130,316.00
(VI) Financial liabilities held for trading				
1. Financial liabilities measured at fair value through profit or loss				
Including: Trading bonds issued				
Derivative financial liabilities				
Others				
2. Financial liabilities designated to be measured at fair value through profit or loss				
Total liabilities continuously measured in terms of fair value				
II. Non-continuous Fair Value Measurement				
(1) Assets held for sale				
Total assets measured by non-continuous fair value				
Total liabilities not continuously measured in terms of 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 notes receivable held by the Company is determined according to their nominal amount. 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 book value 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 associated entities of the Company

See the notes for details of the significant joint ventures or associated entities 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
Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	Others
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Others
Xiongke Culture Media (Hangzhou) Co., Ltd.	Others
Metis Info Tech (Guangzhou) Co., LTD.	Others
Ningbo Weiman Cosmetics Co., Ltd.	Others
Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Others
Zhuhai Healthlong Biotechnology 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

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	Amount incurred in the previous period
Zhuhai Healthlong Biotechnology Co., Ltd.	Purchase of goods		2,456.11

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	3,485.85
Ningbo Weiman Cosmetics Co., Ltd.	Sales of goods	63.08	
Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Sales of goods	0.53	0.30
Korea Youke Co., Ltd.	Sales of goods		91.16
Shaoxing Keqiao Qingteng Culture Investment Co., Ltd.	Sales of goods		2.62
Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	Sales of goods		1.41

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 lessor:

Applicable Not applicable

The Company as the lessee:

√ Applicable □ Not applicable

Unit: '0,000 Currency: RMB

Name of lessor	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	81.76	48.40								
Shanghai Youke Brand Management Co., Ltd.	Site		23.49								

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	449.45	491.60

(8). Other related party transactions Applicable Not applicable

The Company and its subsidiaries have opened bank accounts with Zhejiang Yueqing Rural Commercial Bank Company Limited and collected the interests on deposits at the market interest rate.

(1) Deposits with related party banks

Unit: '0,000 Currency: RMB

Related parties	Details of related party transaction	Closing amount	Beginning amount
Zhejiang Yueqing Rural Commercial Bank Co., Ltd.[Note]	Bank deposits	14,666.77	14,645.33

[Note]: According to the identification rules of related party relationship, Zhejiang Yueqing Rural Commercial Bank Co., Ltd. is no longer included in the related party statistics of the Company since March 16, 2022, so the "closing amount" is the account balance as of March 15, 2022.

(2) Interests received from related parties

Unit: '0,000 Currency: RMB

Related parties	Details of related party transaction	Amount for the current period	Amount for the previous period
Zhejiang Yueqing Rural Commercial Bank Co., Ltd. [Note]	Interest income	144.49	317.84

[Note]: According to the identification rules of related party relationship, Zhejiang Yueqing Rural Commercial Bank Co., Ltd. is no longer included in the related party statistics of the Company since

March 16, 2022, so the “amount for the current period” is filled as from the beginning of 2022 to March 15, 2022, and the Company obtained deposit interest of RMB1.4449 million from Zhejiang Yueqing Rural Commercial Bank Co., Ltd.

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					
	Ningbo Weiman Cosmetics Co., Ltd.	712,816.09	35,640.80	79,007.60	3,950.38
Subtotal		712,816.09	35,640.80	79,007.60	3,950.38
Prepayments					
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	43,000.00		43,000.00	
Subtotal		43,000.00		43,000.00	
Other receivables					
	EURL PHARMATICA [Note]	17,981,236.73	17,981,236.73	19,606,379.23	19,606,379.23
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	133,568.20	133,568.20	133,568.20	121,334.10
Subtotal		18,114,804.93	18,113,604.93	19,739,947.43	19,727,713.33

[Note] The amount of EURL PHARMATICA is the consolidated statistics of EURL PHARMATICA, PARISEZHAN HK LIMITED, SARL ORTUS and S.A.S AREDIS under the control of the same person.

(2). Payable items

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related parties	Book balance at the	Book balance at the beginning
------	-----------------	---------------------	-------------------------------

		end of the period	of the period
Accounts payable			
	S.A.S AREDIS	229,996.20	236,930.48
	Ningbo Weiman Cosmetics Co., Ltd.	121,884.94	121,884.94
Subtotal		351,881.14	358,815.42

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	347,201
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	Not applicable

Other description

On July 12, 2018, according to the *Proposal on 2018 Restricted Share Incentive Plan of the Company (Draft) and Its Summary* considered and approved at the First Extraordinary General Meeting of the Company in 2018, under the Incentive Plan, the Company proposed to grant up to 1,467,200 restricted shares to incentive objects, of which 1,201,100 shares would be initially granted and 266,100 shares would be reserved. The initial grant date of the restricted shares is July 12, 2018. The incentive objects include senior management, middle-level management and backbone employees working for the Company (excluding independent directors, supervisors and shareholders or actual controllers severally or jointly holding more than 5% shares of the Company and their spouses, parents and children), 32 persons in total, and the grant price is RMB17.95 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 60 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 2017, the growth rate of operating revenue and net profit in 2018 was no less than 30.8% and 30.1%, respectively. The performance condition for the second release is that: On the basis of the operating revenue and net profit in 2017, the growth rate of operating revenue and net profit in 2019 was no less than 74.24% and 71.21%, respectively. The performance condition for the third release is that: On the basis of the operating revenue and net profit in 2017, the growth rate of operating revenue and net profit in 2020 was no less than 132.61% and 131.99%, respectively.

On July 12, 2018, the *Proposal on Initial Grant of Restricted Shares to Incentive Objects* was considered and approved at the 22nd meeting of the first session of Board of Directors of the Company, determining July 12, 2018 as the initial grant date. Some incentive objects voluntarily waived their right of subscription in practice and the number of restricted shares actually granted by the Company was 1,096,200 shares.

On December 12, 2018, the *Proposal on Grant of Reserved Part of Restricted Shares to Incentive Objects* was considered and approved at the 3rd meeting of the second session of Board of Directors of the Company, determining December 12, 2018 as the grant date of the reserved restricted shares. The incentive objects completed the subscription in practice and the number of restricted shares actually granted by the Company was 266,100 shares.

On December 30, 2019, the *Proposal on Satisfying the Conditions for Release from Sales Restrictions in the First Release Period for Initially Granted Shares and Reserved Shares Under 2018 Restricted Share Incentive Plan* deliberated and approved at the 10th meeting of the second session of Board of Directors of the Company released the 369,500 restricted shares held by the incentive objects who had satisfied the first release conditions. The circulating date of the sales was January 6, 2020.

According to the *Proposal on Repurchasing and De-registering the Granted but Unreleased Restricted Shares of the Incentive Objects Who Become Ineligible for the Incentive* deliberated and approved at the 4th meeting of the second session of Board of Directors of the Company in 2019 and the 1st Extraordinary General Meeting of the Company in 2019 and the *Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares* deliberated and approved at the 8th meeting of the second session of Board of Directors of the Company in 2019, the Company repurchased and de-registered 92,740 restricted shares and paid the repurchase price of RMB1,657,699.80, as some incentive objects left the Company or their performance did not satisfy the condition for releasing all the restricted shares.

On July 6, 2020, according to the *Proposal on Adjusting 2020 Company-level Performance Assessment Indicators Under 2018 Restricted Share Incentive Plan and Related Documents* deliberated and approved at the 2nd Extraordinary General Meeting of the Company in 2020, the Company adjusted the original three performance assessment indicators for release from sales restrictions as: On the basis of the operating revenue in 2017, the growth rate of operating revenue in 2020 was no less than 110.22%; and on the basis of the net profit in 2017, the growth rate of net profit in 2020 was no less than 131.99%. According to the *Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares* deliberated and approved at the 15th and 16th meetings of the second session of Board of Directors of the Company in 2020 and the 3rd Extraordinary General Meeting of the Company in 2020, the Company repurchased and de-registered 152,635 restricted shares and paid the repurchase price of RMB2,584,110.55 in 2020, as some incentive objects left the Company or their performance did not satisfy the condition to release all the restricted shares.

According to the *Proposal on Satisfying the Conditions for Release from Sales Restrictions in the Second Release Period for Initially Granted Shares and Reserved Shares Under 2018 Restricted Share*

Incentive Plan deliberated and approved at the 18th meeting of the second session of Board of Directors of the Company in 2021, the Company released the 293,265 restricted shares held by the incentive objects who had satisfied the second release conditions. The circulating date of the sales was January 14, 2021.

According to the *Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares* deliberated and approved by the resolution of the 20th meeting of the second session of Board of Directors of the Company in 2021 and by the resolution of the 1st Extraordinary General Meeting of the Company in 2021, the Company repurchased and de-registered 106,959 restricted shares and paid the repurchase price of RMB1,733,805.39, as some incentive objects left the Company or their performance did not satisfy the condition for releasing all the restricted shares.

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 of the Company 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.

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	52,284,430.56
Total recognized expenses of equity-settled share-based payment in the current period	

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, 2022, 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	10,960.95	2011-330502-04-01-178735
Longwu R&D Center Construction Project	21,774.45	19,450.00	9,586.41	2101-330106-04-02-307916
Information System Upgrade Project	11,239.50	9,050.00	476.06	
Additional working capital	18,000.00	12,821.30		
Total	94,766.49	75,171.30	21,023.42	

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

3. Sales return

Applicable Not applicable

4. Explanation of other events after the balance sheet date

Applicable Not applicable

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 2,100,000 restricted shares to incentive objects. The initial 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 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%:40%) over 36 months after the end of 12 months from the date when the registration of the grant is completed. 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%, 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%, 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%, respectively.

On July 25, 2022, the *Proposal on Grant of Restricted Shares to Incentive Objects* was deliberated and approved at the 7th meeting of the third session of Board of Directors of the Company, determining July 25, 2022 as the grant date. The incentive objects completed the subscription in practice and the number of restricted shares actually granted by the Company was 2,100,000.

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 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

January to June 2021

Brand	Income from main business	Costs of main business	Gross profit
Proya brand	1,487,120,837.44	508,232,715.85	978,888,121.59
Other brands	424,159,627.47	182,705,819.33	241,453,808.14
Subtotal	1,911,280,464.91	690,938,535.18	1,220,341,929.73

(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

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 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	2,757,934.25
Low value asset lease charges (except for short term lease charges)	85,154.60	297,177.58
Total	1,607,529.77	3,055,111.83
Operating lease		
(1) Lease income		
Item	Amount for the current period	Amount for the same period in the previous year
Lease income	796,423.81	1,564,096.37
(2) Assets under operating lease		
Item	Closing amount	Balance at the end of last year
Investment property	68,783,466.09	70,321,868.00
Subtotal	68,783,466.09	70,321,868.00

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	
Sub-total within 1 year	341,670,218.32
1 to 2 years	50,590,083.61
2 to 3 years	
Above 3 years	
3 to 4 years	
4 to 5 years	
Above 5 years	
Total	392,260,301.93

(2). Disclosed by classification of bad debt provisions

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 on proportion (%)		Amount	Percentage (%)	Amount	Provision on proportion (%)	
Provision for bad debts by item						108,670,171.06	23.32	80,084,373.88	73.69	28,585,797.18
Including:										
Provision by item						108,670,171.06	23.32	80,084,373.88	73.69	28,585,797.18
Provision for bad debts by portfolio	392,260,301.93	100.00	32,375,619.29	8.25	359,884,682.64	357,273,937.54	76.68	31,662,778.73	8.86	325,611,158.81
Including:										
Aging portfolio	392,260,301.93	100.00	32,375,619.29	8.25	359,884,682.64	357,273,937.54	76.68	31,662,778.73	8.86	325,611,158.81
Total	392,260,301.93	/	32,375,619.29	/	359,884,682.64	465,944,108.60	/	111,747,152.61	/	354,196,955.99

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	341,209,885.17	17,060,494.26	5.00
1-2 years	51,050,416.76	15,315,125.03	30.00
Total	392,260,301.93	32,375,619.29	8.25

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 write-back	Charge-off or write-off	Other changes	
Provision for bad debts by item	80,084,373.88	-80,084,373.88				
Provision for bad debts by portfolio	31,662,778.73	712,840.56				32,375,619.29
Total	111,747,152.61	-79,371,533.32				32,375,619.29

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 closing 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
Huzhou Hapsode Trading Co., Ltd.	104,713,697.43	26.69	5,235,684.87
Zhejiang Meiligu Electronic Commerce Co., Ltd.	93,977,092.72	23.96	4,698,854.64
Huzhou UZERO Trading Co., Ltd.	76,490,664.08	19.50	15,218,553.61
Hangzhou Proya Commercial Management Co., Ltd.	35,481,044.84	9.05	1,774,052.24
Huzhou Chuangdai E-commerce Co., Ltd.	32,548,324.91	8.30	1,627,416.25
Total	343,210,823.98	87.50	28,554,561.61

(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 receivables		
Dividends receivable		
Other receivables	149,973,641.15	222,452,930.42
Total	149,973,641.15	222,452,930.42

Other description:

Applicable Not applicable

Interest receivables

(1). Classification of interest receivables

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	
Sub-total within 1 year	59,137,700.83
1 to 2 years	31,048,292.24
2 to 3 years	144,118,041.61
Above 3 years	178,855.47
3 to 4 years	
4 to 5 years	
Above 5 years	
Total	234,482,890.15

(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
Inter-bank lending amount	213,945,712.85	269,104,993.77
Security deposits	18,887,006.72	19,187,006.72
Reserve fund	603,500.00	416,500.00
Others	1,046,670.58	802,310.17
Total	234,482,890.15	289,510,810.66

(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 has occurred)	
Balance as at January 1, 2022	4,343,549.18	57,973,623.70	4,740,707.36	67,057,880.24
Balance as of January 1, 2022 is in the current period				

-Transferred to the second stage	-1,552,414.61	1,552,414.61		
-Transferred to the third stage		-45,927.74	45,927.74	
-Written-back to the second stage				
-Written-back to the first stage				
Accrual in the current period	165,750.47	21,893,397.92	-4,607,779.63	17,451,368.76
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, 2022	2,956,885.04	81,373,508.49	178,855.47	84,509,249.00

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

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in the current period				Closing balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts by portfolio	67,057,880.24	17,451,368.76				84,509,249.00
Total	67,057,880.24	17,451,368.76				84,509,249.00

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 (%)	Provision for bad debts Closing balance
Hong Kong Xinghuo Industry Limited	Inter-bank lending amount	147,363,554.79	[Note 1]	62.85	67,515,988.00
BOYA (Hong Kong) Investment Management Co., Limited	Inter-bank lending amount	33,640,320.00	Within 1 year	14.35	1,682,016.00
Ningbo TIMAGE Cosmetics Co., Ltd.	Inter-bank lending amount	17,223,566.72	[Note 2]	7.35	6,721,006.67
Wuxing District Daixi Town People's Government of Huzhou City	Security deposits	13,193,392.00	1-2 years	5.63	3,958,017.60
Hangzhou Xiake Bar Catering Management Co., Ltd.	Inter-bank lending amount	5,000,000.00	Within 1 year	2.13	250,000.00
Total	/	216,420,833.51	/	92.31	80,127,028.27

[Note 1] RMB10,925,527.79 in 1 year; RMB6,246,509.44 in 1-2 years; RMB130,191,517.56 in 2-3 years

[Note 2] RMB1,147,600.03 in 1 year; RMB6,246,509.44 in 1-2 years; RMB9,204,183.33 in 2-3 years

(13). Receivables involving government subsidies

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	275,269,013.03	42,500,000.00	232,769,013.03	229,119,013.03	42,500,000.00	186,619,013.03
Investments in associates and joint ventures	188,766,052.30	40,751,084.65	148,014,967.65	178,054,996.05	14,670,468.59	163,384,527.46
Total	464,035,065.33	83,251,084.65	380,783,980.68	407,174,009.08	57,170,468.59	350,003,540.49

(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.	30,772,988.32			30,772,988.32		
Hanna Cosmetics Co., Ltd.	2,094,048.00			2,094,048.00		
Zhejiang	14,956,877			14,956,877.1		

Meiligu Electronic Commerce Co., Ltd.	.14			4		
Yueqing Laiya Trading Co., Ltd.	1,000,000.00			1,000,000.00		
Hapsode (Hangzhou) Cosmetics Co., Ltd.	42,500,000.00			42,500,000.00		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.	20,308,163.00			20,308,163.00		
Shanghai Zhongwen Electronic Commerce Co., Ltd.	5,400,000.00			5,400,000.00		
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	10,185,924.00			10,185,924.00		

Industry Limited						
Ningbo TIMAGE Cosmetics Co., Ltd.	15,902,200.00	45,000,000.00		60,902,200.00		
Ningbo Keshi Trading Limited	520,000.00			520,000.00		
Zhejiang Biyouti Cosmetics Co., Ltd.	10,181,983.21			10,181,983.21		
Ningbo Proya Enterprise Consulting Management Co., Ltd.	5,353,606.05			5,353,606.05		
Hangzhou Yizhuo Culture Media Co., Ltd.	1,000,000.00			1,000,000.00		
Hangzhou Oumisi Trading Co., Ltd.	2,400,000.00	500,000.00		2,900,000.00		
Guangzhou Qianxi Network Technology Co., Ltd	1,000,000.00			1,000,000.00		
Zhejiang Qingya Culture Art Communication Co., Ltd	1,100,000.00	550,000.00		1,650,000.00		
Huzhou Poyun Electronic Commerce Co., Ltd.	1,200,000.00			1,200,000.00		
Hangzhou Weiluoke Cosmetics Co., Ltd.	500,000.00			500,000.00		
Xuzhou Proya	500,000.00			500,000.00		

Information Technology Co., Ltd.						
Singuladerm (Hangzhou) Cosmetics Co., Ltd.	500,000.00			500,000.00		
Proya (Hainan) Cosmetics Co., Ltd.		100,000.00		100,000.00		
Total	229,119,013.03	46,150,000.00		275,269,013.03		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
		Addition al investme nt	Investme nt decrease	Recognized investment gain and loss under equity method	Other comprehen sive income adjustment s	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)	3,074,758.68			-5,814.02						3,068,944.66	
Subtotal	3,074,758.68			-5,814.02						3,068,944.66	
II. Affiliated entities											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,789,460.66			-111,660.67						2,677,799.99	
Jiaxing Woyong Investment Partnership	72,681,733.38	14,185,427.27		-2,103,426.11						84,763,734.54	

(Limited Partnership)											
Zhuhai Healthlong Biotechnology Co., Ltd.	79,413,882.37			-982,064.32				26,080,616.06		52,351,201.99	40,751,084.65
Beijing Xiushi Culture Development Co., Ltd.	5,424,692.37			-271,405.90						5,153,286.47	
Subtotal	160,309,768.78	14,185,427.27		-3,468,557.00				26,080,616.06		144,946,022.99	40,751,084.65
Total	163,384,527.46	14,185,427.27		-3,474,371.02				26,080,616.06		148,014,967.65	40,751,084.65

Other description:

Applicable Not applicable

4. Operating income and operating cost**(1). Information of operating income 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	1,338,252,463.90	608,471,644.94	879,711,296.91	450,100,842.12
Other business	365,701.44	7,891,133.10	17,039,716.68	6,487,404.50
Total	1,338,618,165.34	616,362,778.04	896,751,013.59	456,588,246.62

(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:

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	1,338,554,957.83	896,634,975.79
Income recognized within a period of time	63,207.51	116,037.80
Subtotal	1,338,618,165.34	896,751,013.59

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 calculated by cost method		
Return on long-term equity investments measured by the equity method	-3,474,371.02	-2,511,473.64
Investment income from disposal of		

long-term equity investment		
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 tradable financial asset		
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	-3,474,371.02	-2,511,473.64

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		
Tax refund and reduction with ultra vires approval or without formal approval documents		
Government subsidies included in the current profit and loss (except those that are closely related to the enterprise's business and enjoy in accordance with the national unified standard quota or quantitative amount)	20,440,098.37	
Payment for possession of fund acquired 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		
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 non-operating expenses other than the above items	281,474.51	
Other profit or loss items under the definition of non-recurring profit or loss		
Less: tax impact	3,609,209.54	
Effect of minority shareholders' equity (after tax)	1,070,266.33	
Total	16,042,097.01	

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 profit and loss 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	10.10	1.06	1.04
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	9.56	1.00	0.99

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 24, 2022

Revision information

Applicable Not applicable