

Stock Code: 603605

Stock Abbreviation: Proya

Bond Code: 113634

Bond Abbreviation : Proya Convertible Bond



Proya Cosmetics Co., Ltd.
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 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 meeting of the Board of Directors.**
- III. Pan-China Certified Public Accountants (Special General Partnership) has issued a standard unqualified audit report to the Company.**
- IV. HOU Juncheng, chairman of the Company, and WANG Li, CFO of the Company and Head of Accounting Department, represent and warrant that the financial report in the Annual Report is authentic, accurate and complete.**

V. The profit distribution plan or capital reserve capitalization plan for the Reporting Period approved by the Board of Directors

Based on the total share capital as of the record date on which equity distribution is implemented, the Company proposes to distribute to all shareholders registered a cash dividend of RMB8.7 (tax inclusive) per 10 shares, and convert the capital reserve into share capital in the proportion of 4 shares for every 10 shares held, but give no bonus shares. Based on the total share capital of 283,519,469 shares on December 31, 2022, it is estimated that the cash dividend to be distributed will amount to RMB246,661,938.03 (tax inclusive) and a total of 113,407,788 shares will be converted.

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

VI. Disclosure of risks involved in forward-looking statements

Applicable Not applicable

Any future plan, development strategy and other descriptions contained in the forward-looking statements herein shall not be deemed as the Company's substantial commitments to investors. Investors should note that investment involves risks.

VII. Whether there is any non-operating capital occupation by a controlling shareholder and other related parties

No

VIII. Whether there is any external guarantee provided in violation of specified decision-making procedures

No

IX. Whether the majority of the directors are unable to warrant the authenticity, accuracy and completeness of the Annual Report disclosed by the Company

No

X. Major risk tips

The Company has described the existing risks in details in this Report. Refer to "(IV) Possible risks", "VI. Discussion and Analysis of the Company's Future Development", "Section III Management Discussion and Analysis".

XI. Other

Applicable Not applicable

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Documents	Financial statements signed and sealed by the Legal Representative, CFO of the Company, and person in charge of Accounting Department
Available for	Original copy of the audit report stamped by the accounting firm and signed and sealed by certified public accountants.
Inspection	Original copies of all documents and announcements of the Company disclosed during the Reporting Period in newspapers designated by China Securities Regulatory Commission.

Section I Definitions

I. Definitions

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

Definition		
Proya Cosmetics, this Company, or the Company	refers to	Proya Cosmetics Co., Ltd.
Huzhou Branch	refers to	Huzhou Branch of Proya Cosmetics Co., Ltd., a branch of the Company
Shanghai Branch	refers to	Shanghai Branch of Proya Cosmetics Co., Ltd., a branch of the Company
Proya Trade	refers to	Hangzhou Proya Trade Co., Ltd., a wholly-owned subsidiary of the Company
Korea Hanna	refers to	Hanna Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Anya (Huzhou)	refers to	Anya (Huzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of Korea Hanna
Yueqing Laiya	refers to	Yueqing Laiya Trading Co., Ltd., a wholly-owned subsidiary of the Company
Huzhou UZERO	refers to	Huzhou UZERO Trading Co., Ltd., a wholly-owned subsidiary of the Company
Mijing Siyu (Hangzhou)	refers to	Mijing Siyu (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Meiligu	refers to	Zhejiang Meiligu Electronic Commerce Co., Ltd., a wholly-owned subsidiary of the Company
Chuangdai Electronics	refers to	Huzhou Chuangdai E-commerce Co., Ltd., a wholly-owned subsidiary of Meiligu
Hangzhou Boxin	refers to	Hangzhou Boxin Trading Co., Ltd., a wholly-owned subsidiary of Meiligu
Hapsode (Hangzhou)	refers to	Hapsode (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Korea Hapsode	refers to	Hapsode Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Huzhou Hapsode	refers to	Huzhou Hapsode Trading Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Danyang Hapsode	refers to	Danyang Hapsode Cosmetics Trading Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Proya Commercial	refers to	Hangzhou Proya Commercial Management Co., Ltd., a wholly-owned subsidiary of the Company
Tiedingxian	refers to	Hangzhou Tiedingxian Catering Management Co., Ltd., a holding subsidiary of Proya Commercial
Tielexin Aini	refers to	Hangzhou Tielexin Aini Catering Management Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Xiake Bar	refers to	Hangzhou Xiake Bar Catering Management Co., Ltd., a wholly-owned subsidiary of Proya Commercial

Luxiaotie	refers to	Hangzhou Luxiaotie Fitness Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Donghai Wangchao	refers to	Hangzhou Donghai Wangchao Catering Management Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Hong Kong Keshi	refers to	Hong Kong Keshi Trading Co., Ltd., a holding subsidiary of the Company
Hongkong Xinghuo	refers to	Hongkong Xinghuo Industry Limited, a wholly-owned subsidiary of the Company
Hong Kong Zhongwen	refers to	Hong Kong Zhongwen Electronic Commerce Co., Limited, a wholly-owned subsidiary of Hongkong Xinghuo
Hong Kong Xuchen	refers to	Hong Kong Xuchen Trading Limited, a wholly-owned subsidiary of Hongkong Xinghuo
Proya Luxembourg	refers to	Proya Europe SARL, a wholly-owned subsidiary of Hongkong Xinghuo
Shanghai Zhongwen	refers to	Shanghai Zhongwen Electronic Commerce Co., Ltd., a wholly-owned subsidiary of the Company
Huzhou Niuke	refers to	Huzhou Niuke Technology Co., Ltd., a holding subsidiary of the Company
Hangzhou Wanyan	refers to	Hangzhou Wanyan Culture Media Co., Ltd., a wholly-owned subsidiary of Huzhou Niuke
Hong Kong Wanyan	refers to	Hong Kong Wanyan Electronic Commerce Co., Limited, a wholly-owned subsidiary of Huzhou Niuke
Huzhou Younimi	refers to	Huzhou Younimi Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Korea Younimi	refers to	Korea Younimi Cosmetics Co., Ltd., a holding subsidiary of the Company
Ningbo TIMAGE	refers to	Ningbo TIMAGE Cosmetics Co., Ltd., a holding subsidiary of the Company
Hangzhou TIMAGE	refers to	Hangzhou TIMAGE Cosmetics Co., Ltd., a wholly-owned subsidiary of Ningbo TIMAGE
Ningbo Keshi	refers to	Ningbo Keshi Trading Limited, a holding subsidiary of the Company
Zhejiang Beute	refers to	Zhejiang Beute Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Ningbo Proya	refers to	Ningbo Proya Enterprise Consulting Management Co., Ltd., a wholly-owned subsidiary of the Company
Zhejiang Qingya	refers to	Zhejiang Qingya Culture Art Communication Co., Ltd., a holding subsidiary of the Company
Boya (Hong Kong)	refers to	Boya (Hong Kong) Investment Management Co., Limited, a wholly-owned subsidiary of the Company
Japan OR	refers to	O&R Co., Ltd., a holding subsidiary of Boya (Hong Kong)
Ningbo Tanguy	refers to	Ningbo Tanguy Trading Co., Ltd., a wholly-owned subsidiary of Japan OR
Hangzhou Weiluo	refers to	Hangzhou Weiluo Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company

Hangzhou Yizhuo	refers to	Hangzhou Yizhuo Culture Media Co., Ltd., a wholly-owned subsidiary of the Company
Hangzhou Oumisi	refers to	Hangzhou Oumisi Trading Co., Ltd., a wholly-owned subsidiary of the Company
Guangzhou Qianxi	refers to	Guangzhou Qianxi Network Technology Co., Ltd., a wholly-owned subsidiary of the Company
Proya (Hainan)	refers to	Proya (Hainan) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Singuladerm (Hangzhou)	refers to	Shenggelan (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Xuzhou Laibo	refers to	Xuzhou Laibo Information Technology Co., Ltd., a wholly-owned subsidiary of the Company
Proya (Zhejiang)	refers to	Proya (Zhejiang) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shanghai Stock Exchange
Pan-China	refers to	Pan-China Certified Public Accountants (Special General Partnership)
CSC	refers to	China Securities Co., Ltd.
Company Law	refers to	Company Law of the People's Republic of China
Securities Law	refers to	Securities Law of the People's Republic of China
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
Reporting Period	refers to	January 1, 2022 to December 31, 2022

Section II Company Profile and Key Financial Indicators

I. Company Information

Chinese name of the Company	Proya Cosmetics Co., Ltd.
Short name of the Company in Chinese	珀莱雅
English name of the Company	Proya Cosmetics Co., Ltd.
Abbreviation of English name of the Company	Proya
Legal representative of the company	HOU Juncheng

II. Contact Details

	Board Secretary	Securities Affairs Representative
Name	WANG Li	WANG Xiaoyan
Mailing 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. General Information

Registered address	No. 588, Xixi Road, Liuxia Street, Xihu District, Hangzhou City, Zhejiang Province
Historical changes in the Company's registered address	For details, please refer to the <i>Announcement on Amending the Articles of Association and Applying for Changing Business Registration</i> (No.2019-008) disclosed by the Company on the designated 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 registered office address	310023
Company website	http://www.proya-group.com
Email	proyazq@proya.com

IV. Information Disclosure and Place for Obtaining the Report

Media for the Company's information disclosure	<i>Shanghai Securities News, Securities Times</i>
CSRC's designated website for the Company's Annual Report disclosure	http://www.sse.com.cn
The Company's Annual Report may be obtained at	Board of Director's Office, Proya Building, No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province

V. Stock Information

Stock Information				
Stock class	Stock exchange	Stock abbreviation	Stock code	Stock abbreviation before changes
A share	Shanghai Stock Exchange	Proya	603605	None

VI. Other Relevant Information

Auditor of the Company (domestic)	Name	Pan-China Certified Public Accountants (Special General Partnership)
	Office address	Block B, China Resources Building, No. 1366, Qianjiang Road, Jianggan District, Hangzhou
	Name of the signing accountant	YIN Zhibin, WANG Xiaokang
Sponsor performing continuous supervisory duty during the Reporting	Name	China Securities Co., Ltd.
	Office address	Room 2203, North Tower, Shanghai Securities Building, No. 528, Pudong South Road, Shanghai
	Names of the sponsor's signing representatives	GE Liang, WANG Zhan
	Period of continuous	January 4, 2022 - December 31, 2023

Period	supervision	
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VII. Major Accounting Data and Financial Indicators for the Past Three Years

(I) Major Accounting Data

Unit: Yuan Currency: RMB

Major accounting data	2022	2021	Year-on-year change (%)	2020
Operating revenue	6,385,451,424.00	4,633,150,538.43	37.82	3,752,386,849.02
Net profit attributable to shareholders of the listed company	817,400,223.93	576,119,025.56	41.88	476,009,298.41
Net profit attributable to shareholders of the listed company net of non-recurring profit or loss	788,513,237.01	568,092,480.38	38.80	469,935,904.22
Net cash flow from operating activities	1,111,136,117.23	829,670,943.82	33.92	331,550,109.14
	As of the end of 2022	As of the end of 2021	Year-on-year change (%)	As of the end of 2020
Net assets attributable to shareholders of the listed company	3,524,488,659.96	2,876,975,835.98	22.51	2,391,535,435.94
Total assets	5,778,071,824.19	4,633,049,783.03	24.71	3,636,882,185.29

(II) Key Financial Indicators

Key financial indicators	2022	2021	Year-on-year change (%)	2020
Basic earnings per share (RMB/share)	2.90	2.87	1.05	2.37
Diluted earnings per share (RMB/share)	2.87	2.81	2.14	2.37
Basic earnings per share net of non-recurring profit and loss (RMB/share)	2.80	2.83	-1.06	2.34
Weighted average ROE (%)	25.95	22.25	Up by 3.70 percentage points	21.82
Weighted average ROE net of non-recurring profit and loss (%)	25.03	21.94	Up by 3.09 percentage points	21.54

Explanation on the Company's major accounting data and financial indicators for the recent three years as

of the end of the Reporting Period

Applicable Not applicable

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

(I) Difference in net profit and net assets attributable to shareholders of the listed company in the financial report disclosed in accordance with International accounting standards and Chinese accounting standards

Applicable Not applicable

(II) Differences in net profit and net assets attributable to shareholders of the listed company in the financial report disclosed in accordance with International accounting standards and Chinese accounting standards

Applicable Not applicable

(III) Description of differences between international and Chinese accounting standards:

Applicable Not applicable

IX. Major Financial Data for 2022 by Quarter

Unit: Yuan Currency: RMB

	Q1 (January - March)	Q2 (April - June)	Q3 (July - September)	Q4 (October - December)
Operating revenue	1,254,357,336.99	1,371,585,907.30	1,336,130,787.67	2,423,377,392.04
Net profit attributable to shareholders of the listed company	158,420,986.20	138,518,529.34	198,375,641.64	322,085,066.75
Net profit attributable to shareholders of the listed company net of non-recurring profit and loss	146,724,879.18	134,172,539.35	196,100,724.25	311,515,094.23
Net cash flow from operating activities	342,107,055.69	371,675,074.69	58,091,203.29	339,262,783.56

Description of differences between quarterly data and disclosed regular report data

Applicable Not applicable

X. Non-recurring Profit and Loss Items and Amounts

Applicable Not applicable

Unit: Yuan Currency: RMB

Non-recurring profit and loss item	Amount for 2022	Note (if applicable)	Amount for 2021	Amount for 2020
Gain or loss on disposal of non-current assets	60,155.60		-112,183.24	150,560.30
Unauthorized approval, no formal				

Non-recurring profit and loss item	Amount for 2022	Note (if applicable)	Amount for 2021	Amount for 2020
approval, or occasional tax refund or reduction				
Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the Company's business operations and gained at a fixed amount or quantity according to national standards)	38,463,732.07		15,448,962.01	12,198,410.18
Capital occupation fees charged to the non-financial enterprises and included in profit or loss for the current period				
Gains when the investment cost of acquiring a subsidiary, an associate and a joint venture is less than the fair value of the identifiable net assets of the invested entity				
Gains or losses from exchange of non-monetary assets				
Gains or losses from entrusting others with investment or asset management				
Asset impairment provision accrued for force majeure such as natural disasters				
Gains or losses from debt restructuring				
Enterprise restructuring fees, such as staffing expenses and integration fees				
Profit and loss of the part exceeding fair value generated from transaction with unreasonable transaction price				
Current net gains or losses of subsidiaries established by business combination involving enterprises under common control from the beginning of the period to the combination date				
Gains or losses on contingencies that have no relation with the normal operation of the Company				
Gains or losses from change in fair value by held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative				2,266,301.37

Non-recurring profit and loss item	Amount for 2022	Note (if applicable)	Amount for 2021	Amount for 2020
financial liabilities and other debt investments, excluding the effective hedging businesses related with normal operations of the Company				
Reversal of provision for impairment of receivables and contract assets individually tested for impairment	2,782,350.76			
Gains or losses from outward entrusted loaning				
Gains or losses from changes in the fair values of Investment real estate that are subsequently measured using the fair value model				
Impact of a one-time adjustment on current profit and loss according to the requirements of tax and accounting laws and regulations				
Custody fees of entrusted operation				
Other non-operating revenue and expenses besides the above items	-2,926,959.81		-3,078,442.83	-6,810,805.57
Other items that conform to the definition of non-recurring profit or loss				
Less: Effect of income tax	3,689,885.55		1,917,310.27	1,042,102.64
Effect of minority equity (after tax)	5,802,406.15		2,314,480.49	688,969.45
Total	28,886,986.92		8,026,545.18	6,073,394.19

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

Applicable Not applicable

XI. Items Measured at Fair Value

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Ending balance	Current change	Amount of impact on the current profit
Receivable financing	3,242,000.00		-3,242,000.00	0.00
Other equity	56,402,400.00	146,402,400.00	90,000,000.00	0.00

instrument investments				
Total	59,644,400.00	146,402,400.00	86,758,000.00	0.00

XII. Other

Applicable Not applicable

Section III Management Discussion and Analysis**I. Business Discussion and Analysis**

1. Year-on-year growth in operating revenue

RMB6.385 billion operating revenue, up by 37.82% YOY

including RMB6.362 billion prime operating revenue, up by 37.69% YOY

RMB23 million non-operating revenue

Prime operating revenue:**(1) By channel**

Channel		Amount (RMB100 million)	Change in 2022 over the previous year YOY (%)	Change in 2021 over the previous year YOY (%)	Change in 2020 over the previous year YOY (%)	Proportion of 2022 (%)	Proportion of 2021 (%)	Proportion of 2020 (%)
Online	Direct sales	44.78	59.79	76.16	79.63	70.40	60.66	42.45
	Distribution	13.10	16.79	8.56	34.36	20.58	24.27	27.56
	Subtotal	57.88	47.50	49.54	58.59	90.98	84.93	70.01
Offline	Household chemicals	4.43	-11.96	-40.52	-19.28	6.96	10.88	22.56
	Others	1.31	-32.32	-30.50	-32.81	2.06	4.19	7.43
	Subtotal	5.74	-17.62	-38.03	-23.12	9.02	15.07	29.99
Total		63.62	37.69	23.28	20.26	100.00	100.00	100.00

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

(2) By brand

Brand		Amount (RMB100 million)	Change in 2022 over the previous year YOY (%)	Change in 2021 over the previous year YOY (%)	Change in 2020 over the previous year YOY (%)	Proportion of 2022 (%)	Proportion of 2021 (%)	Proportion of 2020 (%)
Self- owned brands	Proya	52.64	37.46	28.25	12.43	82.74	82.87	79.66
	TIMAGE	5.72	132.04	103.48	-	8.99	5.33	-
	OR	1.26	509.93	-	-	1.98	-	-
	Hapsode	1.87	188.27	-	-	2.94	-	-

	Other brands	1.63	-60.11	-5.96	36.91	2.57	8.85	11.59
	Subtotal	63.12	40.74	26.63	19.11	99.22	97.05	94.48
Agency brands	Cross-border agency brands	0.50	-63.01	-34.04	44.09	0.78	2.95	5.52
Total		63.62	37.69	23.28	20.26	100.00	100.00	100.00

Note: The proportion of sales of each brand is the proportion of its sales in the prime operating revenue; The data of OR and Hapsode is incorporated into that of other brands in 2021 and therefore, but is separately listed in 2022 and thereafter.

(3) By category

Category	Amount (RMB100 million)	Change in 2022 over the previous year YOY (%)	Change in 2021 over the previous year YOY (%)	Change in 2020 over the previous year YOY (%)	Proportion of 2022 (%)	Proportion of 2021 (%)	Proportion of 2020 (%)
Skincare (including cleansing)	54.84	38.56	22.70	11.38	86.20	86.10	86.50
Make-up cosmetics	7.52	21.70	32.97	181.91	11.82	13.38	12.41
Body & hair	1.26	509.93	-	-	1.98	-	-
Others	0.00	-100.00	-41.05	0.47	0.00	0.52	1.09
Total	63.62	37.69	23.28	20.26	100.00	100.00	100.00

Note: The " Body & hair " category is included in the "Skincare (including cleansing)" category before 2021, and is separately listed after 2022.

2. YOY growth in net profit

RMB817 million net profit attributable to shareholders of the listed company, up by 41.88% YOY

RMB789 million net profit attributable to shareholders of the listed company net of non-recurring profit and loss, up by 38.80% YOY

Indicator	2022	2021	2020	Notes
1. Net profit margin	13.02%	12.02%	12.04%	Mainly due to the increased gross profit margin.
2. Gross profit margin	69.70%	66.46%	63.55%	Mainly due to: 1. Increased percentage of online direct sales; 2. Hero product strategy;
3. Sales expense ratio.	43.63%	42.98%	39.90%	Mainly due to: 1. Incubation of new brands (such as TIMAGE and OR); 2. Reshaping of brands (such as Hapsode) and increased

				spending in image promotion.
Of which: image promotion fee rate	37.90%	36.12%	32.68%	
4. Administrative expense ratio	5.13%	5.12%	5.44%	
5. R&D expense ratio	2.00%	1.65%	1.92%	Mainly due to: 1. The R&D expense was increased by 67.15% YOY (an absolute increase of RMB51.43 million); 2. The parent company's R&D expense ratio was 4.31% in 2022 (compared with 3.55% for the same period last year).
6. Accounts receivable turnover rate (time/year)	53.04	21.88	15.53	Mainly due to: 1. Year-on-year growth in operating revenue in 2022 2. Decreased average balance of accounts receivable.
7. Accounts receivable turnover days (days)	6.79	16.45	23.18	
8. Inventory turnover rate (time/year)	3.46	3.39	3.50	
9. Inventory turnover days (days)	103.91	106.19	102.86	

II. The Company's Industry Situation during the Reporting Period

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 the *Industrial Classification for National Economic Activities* (GB/T 4754-2017), the Company falls under the manufacturing of daily chemical products (C268) and further under the manufacturing of cosmetics (C2682).

According to statistics from the National Bureau of Statistics, in 2022, the total retail sales of consumer goods reached RMB43,973.3 billion, down by 0.2% YOY; the total retail sales of cosmetics reached RMB393.6 billion, down by 4.5% YOY (covering consumer goods above designated units).

III. The Company's Business Operations during the Reporting Period

(I) Main business

The Company seeks to build 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, INSBABA, UZERO and Anya. The Company's own brands have covered fields such as popular skincare, make-up, body & hair, and high-efficiency skincare:

1. Popular exquisite skincare

(1) Proya, focusing on technology skincare, designed for young white-collar female customers, priced at RMB200 to RMB500, sold both online and offline.

(2) Hapsode, customized for young skin, especially for college students and other young female customers, priced at RMB50 to RMB150, sold mainly online.

2. Make-up

TIMAGE, a professional make-up brand with a new Chinese style, priced at RMB150 to RMB300, sold online.

3. Body & hair

Off&Relax, developed and made in Japan, focusing on scalp care, priced at RMB150 to RMB200, sold mainly online.

4. High-efficiency skincare

CORRECTORS, a high-efficiency skincare brand, priced at RMB260 to RMB600, sold online.

(II) Business models

1. Sales models

Mainly online sales, supplemented by offline sales.

Online sales are mainly operated through direct sales and distribution. Direct sales are mainly carried out on platforms such as Tmall, TikTok, JD, Kwai, and Pinduoduo. Distribution platforms include Taobao, JD, and Vipshop.

Offline sales are mainly operated through dealers. Channels include cosmetics franchise stores, supermarkets, and single-item 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 while make-up products are both self-produced and OEM-produced. The Company has self-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 has maintained R&D cooperation with front-end research institutions and high-quality raw material suppliers including the Institute of Microbiology, Chinese Academy of Sciences, Zhejiang University of Technology, BASF China, Ashland China, Royal DSM Shanghai, LIPOTRUE S.L., and Shenzhen Siyomicro Bio-tech.

IV. Analysis of Core Competitiveness during the Reporting Period

Applicable Not applicable

The Company's core competitiveness is mainly embodied by:

The Company adheres to the guidance of the 6*N strategy and puts it into practice amid the rapidly changing market; consolidates and deepens the refined operation management system highlighting "R&D, products, contents, operation"; constructs a self-driven organization featuring "culture-strategy-mechanism-talents".

With a keen insight into consumers' needs, the Company keeps sharpening the strengths of hero products, as well as building and improving the matrix of core hero products based on R&D and relying on quick response and organizational capabilities.

The Company has built a self-driven and agile organization to serve brands in the second echelon that have taken shape as well as brands under incubation. By building our own MCN team and content

marketing team, the Company strengthens the internally circular ecosystem and connects Proya brands with the external ecosystem.

V. Main Operations during the Reporting Period

1. New product strategy

Proya:

During the Reporting Period, Proya continued to deepen the "Hero Product Strategy"; primarily expanded and upgraded the categories and efficacy of Elastic Brightening Youth Essence, Ruby Essence, and Advanced Original product families; launched Advanced Original Face Cream, Advanced Original Face Mask, and other new products; upgraded the Elastic Brightening Youth Activating Eye Cream, the Deep Ocean Energy Wrinkless and Firming Moisture Cream, and the Advanced Original Essence to version 2.0, which further solidified the mindset of the three product families; continued to explore high-end product categories by launching the Inaugurating Nourishing Face Oil. These products give consumers more options and better product experiences.

In 2022, Proya ranked 1st in the essence category, 4th in the mask category, 4th in the eye cream category, and 9th in the face cream category on Tmall.

TIMAGE:

During the Reporting Period, TIMAGE further completed the deployment of facial make-up product lines, and strengthened the impression of a "professional make-up artist" for consumers. Based on the facial make-up category, TIMAGE created two segments of "Contour Line" and "Base Make-up". In addition to contour, highlighter, and primer, TIMAGE created another six categories including liquid foundation, concealer, and setting spray. The large base make-up category was supplemented while maintaining advantages in contour lines, so that the base make-up category could establish a wider presence.

In 2022, the "tri-colored contour palette" and "dual-colored highlighter palette" of TIMAGE maintained their advantages in the highlighter category, led the growth for the brand aggressively, improved product penetration, and brought a large number of new customers to the brand. The tri-colored contour palette ranked 1st in the highlighter category on Tmall. The dual-colored highlighter palette ranked 2nd in the highlighter category on Tmall. The face primer ranked 1st in the sun block/primer category on Tmall. The newly-launched tri-colored concealer palette ranked 1st in the concealer category on Tmall. The newly-launched setting spray ranked top 10 in the setting spray category on Tmall.

Off&Relax (OR):

During the Reporting Period, the Company continued to optimize the product structure and facilitated the construction of a scalp health care system for the brand.

Making scalp health a focus for the brand penetrating the market, OR solves users' pain points by rapidly building two flagship products "Off&Relax Hot Spring Water SPA Shampoo" and "Off&Relax Hot Spring Water Hair Mask". Based on the existing market environment and the characteristics of Japanese brands, OR sorts out product selling points, provides various scalp and hair care products for high-net-value consumers, who care user experience of cleansing and care products, to satisfy the demands of different consumers.

Hapsode:

During the Reporting Period, Hapsode focused on building two cleansing products: Amino Acid Crystal and Multiple Acids Purely Cleansing Mud Musk. Cleansing products allow the Company to rapidly reach

young consumers with oily skin. Also, Hapsode completes the brand and category portfolio by launching highly-effective skin cleansing products such as the "Ultra Soothing Facial Mask " and the "Oil Control Balanced Serum", builds up a pyramid-typed product system for oily skin, and gradually improves consumers' recognition of Hapsode as "an expert for the care of oily skin".

2. New marketing strategy

Proya:

During the Reporting Period, the Proya brand continuously built its brand around the "spirit of discovery", focused on socially important issues such as gender equality, mental health and intimate relationships, and created and communicated brand content on issues related to young people's growth and the target audience for long-lasting effects. The Company carried out brand marketing events as follows:

- (1) "Next Stop, Decisive Turn" in January: Proya delivered the hope for the new year with poems and gave the audience a beautiful wish for good luck by organizing a subway poetry exhibition.
- (2) "Gender is Not the Borderline, Prejudice is" on Women's Day in March: Aiming at gender equality once again, Proya invited the female soccer WANG Shuang and the Nanxing Hexingtang Lion Dance Team to shoot a documentary. Efforts were made to unite with seven brands to continuously strive for "a gender equal world" with concrete actions.
- (3) "Visible Only to Moms" on Mother's Day in May: Proya told the stories of "mothers", who are one of the target consumer groups of the brand, to all family members, and invited experts of different fields to participate in topic discussions. Differentiated from the "Thank You Mother" topic in the same period, the event drummed up more discussions about the "division of household labor and responsibilities".
- (4) "Dare to love, dare not to love" on the Chinese Valentine's Day in August: Proya worked with FUJIFILM and photographers to discuss with consumers the form of self presentation in love in the way of pictures and texts. Meanwhile, the Company proposed the brand technology mindset of "A Scientific Choice for Skin" while working with the original content platform Zhihu to seek the answer to the question "what is the best scientific choice for skin", and better help consumers understand the knowledge of scientific skin care so they can choose products more wisely.
- (5) "The Smallest Thing Is Important" in September: Proya advocated for school bullying victims, held the attention to the signs of campus bullying that seem "insignificant", and called on the public to realize the "multi-faced look" of campus bullying, so as to light up the road ahead for those growing amidst bullies.
- (6) World Mental Health Day in October: Proya continued on the "Echo Project" brand marketing campaign, paid sustaining attention to the mental health of young people, and output the brand attitude of Proya. Joining hands with Beijing New Sunshine Charity Foundation, Douban, Owspace, Fangsuo Commune, The Mind, Xiaoyuzhou Podcast APP, and xinli001.com, Proya presented everyone the multiple possibilities of "emotional outlets".
- (7) Pop-up series at 9 stores in 8 cities across China in November: By understanding the youngsters' "Coffee & Alcohol Pop Up" mindset, Proya effectively integrated its hero products into a popular lifestyle of young people, delivering a young brand image by catering to a lifestyle that better suits young consumers.

TIMAGE:

During the Reporting Period, TIMAGE comprehensively deepened the brand recognition of "Chinese make-up, original beauty" and had a dialog with Chinese female consumers with its unique professionalism and aesthetics. By means of cross-border marketing, brand responsibility and care, and brand values delivery, TIMAGE carried out the following marketing events:

(1) "Unfiltered You" on Women's Day in March: Photographers were invited to output the opinions of "original beauty", speak out for the brand, and interpret the concept of original beauty as female artists. Starting from the insight into "filters", the event presents the brand concept and aesthetic tonality of original beauty.

(2) "Witness the Original Beauty" in April: TIMAGE worked with Hippocampus, a professional photography organization, to provide ID photo make-up of "original beauty". Hippocampus set up special make-up tables at its 180 stores. Large-screen advertisements were launched in 5 major cities and online topics were promoted to most searched hashtags to encourage consumers to share their changes in the make-up before taking an ID photo over the years.

(3) "Life is Beautiful" in June: TIMAGE collaborated with the One Way Street Library to start topics. Many art workers, music critics, directors, writers, and screenwriters sent articles and photos of their experiences to share and output positive content. TIMAGE also produced peripheral sachets and gave them to consumers for free.

(4) "Origin at the Beginning of Autumn" in August: TIMAGE produced a video with three female content KOLs to present the life attitude that "It is Never too Late to Do" and encourage everyone to find more possibilities in life.

(5) "You Are Beautiful in Every Single Way" in October: TIMAGE released the first high-quality brand promotion film to set the latest visual identity of the brand, complete the full-chain communication loop from "original beauty" to "Chinese make-up", and showcase the brand tonality of TIMAGE as well as its attitude toward women's intrinsic growth.

(6) "See Your Beauty" in December: By producing thank-you letters and peripheral gifts, TIMAGE interacted with fans to express its gratitude for the support of fans.

3. New channel strategy

Proya:

Online:

(1) Tmall flagship store

During the Reporting Period, the Company continued to consolidate the hero product matrix strategy and created super-hero products throughout the Internet. Combining factors of consumers, goods, and venues, the Company deeply maintains the members and regular customers of stores, improves their possibilities of repurchase and per customer transaction, increases the penetration into populations and high-value users in tier 1 and tier 2 cities; heightens the ranking in core categories and draws the attention of consumers; values the operation of self live-streaming and improves the proportion of self live-streaming. During the "6.18" and "11.11" shopping festivals in 2022, the gross merchandise volume (GMV) of Proya Flagship Store ranked 5th on Tmall Beauty and 1st among all Chinese products. In 2022, the GMV of Proya Flagship Store ranked 4th on Tmall Beauty and 1st among all Chinese products.

(2) TikTok

During the Reporting Period, the Company strengthened self live-streaming and multi-matrix account operation: increased the consumer maintenance efficiency while stepping up the maintenance of members and fans; optimized the product structure, and dramatically increased the proportion of hero products and the per customer transaction of stores. During the "6.18" and "11.11" shopping festivals in 2022, Proya ranked 1st both on TikTok Beauty and among all Chinese products. In 2022, Proya ranked 3rd on TikTok Beauty and 1st among all Chinese products.

(3) JD

During the Reporting Period, the Company deeply implemented the hero product strategy and further improved the sales proportion of hero products through efficient operation; improved the experience of members, attracted new high-value customers, and increased the repurchase ratio to have a better insight into the population and lock target consumers; optimized the quality of advertisement content, expanded advertisement channels, and operated various channels in a more refined manner. During the "6.18" and "11.11" shopping festivals in 2022, Proya ranked 1st both on JD Beauty and among all Chinese products. In 2022, Proya ranked 10th on JD Beauty, and ranked 1st among all Chinese products.

Offline:

(1) Household chemicals: Corresponding rating systems are matched for strongly influential areas and weekly influential areas of the brand to manage outlets in an targeted and differentiated manner. The business logic is now driven by "dynamic sales" instead of "channel policies", so as to optimize bad inventory in channels, ensure maximum benefits for retailers, and keep close eyes on the fund, inventory, and benefits of retailers.

(2) Supermarkets: The brand power enables the department store channel to improve existing counters, upgrade the image, and enhance the efficiency. The "Coffee & Alcohol Pop Up" initiative is held through brand marketing campaigns at 9 stores in 8 cities including Hangzhou, Shenzhen, Ningbo, Suzhou, Wenzhou, and Xi'an, so as to reach young target customers, strengthen the communication with the young population, and promote the strategic cooperation between the brand and key systems. Also, the cooperation with supermarkets is shrunk strategically.

4. New organizational strategy

(1) Organization: The Company continuously improves the organizational structure, opens up the brand planning mode that connects both the upper level and the lower level, builds a management mode integrating a product and delivery capability-focused "middle platform" and an "agile front", continues to deepen the application of digital technologies, and promotes the incubation and growth of new businesses through the empowerment of platforms and digitalization.

(2) Talents: The Company continuously promotes the talent supply chain mechanism for young and international talents based on business needs, steps up the introduction of talents for research, development, and information application, accurately and rapidly identifies, and efficiently utilizes talents, and gradually builds a dynamic, competent and self-driven talent team through the combination of training and practices. Through the dual-channel management, the Company improves the talent density, facilitates talent development, and builds a talent echelon.

(3) Mechanism: The Company deepens a performance culture featuring high investment, high performance and high returns, improves a performance management system emphasizing targets, process and results; flexible utilizes the diversified incentive system covering short-term (quarterly performance and project incentives), middle-term (annual performance dividends) and long-term (equity incentives and partners) incentives. Also, the Company deepens the application of the project system, builds up a three-level project management system consisting of the Company, business divisions, and departments, and puts efforts on the end-to-end value chain and internal control projects to continuously hone the organization capability.

5. New R&D strategy

During the Reporting Period, the Company took the R&D Innovation Center and the International Academy of Sciences as the engine for innovation; improved the R&D of all key stages from raw material to finished products, including fundamental research, formula development, physical and chemical

analysis, raw material and product efficacy evaluation, etc. The Company continues to push the construction of the International Academy of Sciences to conduct the research of skin texture, design active substances, and verify their efficacy. The R&D Innovation Center continues to focus on researching and developing new skin care and make-up products. Now the Shanghai R&D Center is under construction and the Japan R&D Center is under preparation.

(1) Patents: During the Reporting Period, the Company newly applied for 21 national invention patents, 7 utility model patents, and 23 design patents, totaling 51 new patents applied for; obtained 15 nationally licensed invention patents and 17 design patents, totaling 32 patents obtained. As of the end of the Reporting Period, the Company had 107 nationally licensed invention patents, 19 utility model patents, and 99 design patents, totaling 225 patents obtained.

(2) Standard releasing: During the Reporting Period, the Company participated the drafting of two newly released group standards, namely the TZHCA 017-2022 *Hair Growth and Rest Period Quantity Ratio Test Method* and the T/ZHCA 019-2022 *Cosmetics Anti-dandruff Efficacy Test Method*. As of the end of the Reporting Period, the Company had led or participated in the development of 14 national standards, 3 industry standards, and 14 group standards.

(3) Achievements and awards: During the Reporting Period, the Company was granted the following honorable titles, including the Hangzhou "Kunpeng" Enterprise, One of the Top Ten Enterprise in China's Light Industry and Cosmetics Industry, One of the Top 100 Enterprises in Hangzhou Manufacturing Industry, Third Prize in National Commercial Technology Advancement Award, Top Ten Make-up Brands of Zhejiang in 2021. At the IFSCC International Cosmetic Science Conference, the Company presented a number of its scientific achievements.

(4) Strategic cooperation: During the Reporting Period, the Company deepened the strategic cooperation with existing partners, and performed strategic cooperation with Zhejiang Peptides Biotech Co., Ltd.

6. New supply chain guarantee

(1) Procurement and planning:

During the Reporting Period, the Company's supply chain system integrated the data and information from various information platforms and timely calculated the demand for raw materials based on the demand at the terminal while synchronizing inventory of suppliers, procurement cycle, and logistic information. In the end, these information is accurately and agilely transmitted to all departments through the supply chain information platform to reach a balance between terminal sales and productivity and provide a back-end support for promotions on 6.18 and 11.11.

The Company has organized multiple training sessions for suppliers in terms of sustainable development, actively adopts sustainable packaging, and achieves remarkable effect in reducing plastics, using environmentally-friendly materials, and minimizing packaging.

(2) Production:

Based on market sales and needs, the Company makes productivity arrangement in advance, adheres to lean manufacturing, and keeps improving production efficiency by using automated, intelligent, and digital technologies. During the Reporting Period, the Company expanded some workshops, added multiple production lines, and enhanced productivity to meet the demands during the 6.18 and 11.11 shopping festivals. In addition, the Company further strengthened the full-process quality management and risk management, regularly held communication meetings of quality experiences for consumers, received market feedback as soon as possible, and implemented project-specific management and closed-loop tracking.

During the Reporting Period, the Company completed the "Massive Safety Training For A Million Employees" program, allowing all employees to master and grasp laws and regulations related to safe

production, enhance their awareness safe production hazards, and improve the safety emergency response capability. The Huzhou Factory installed the independent fire control and management platform of the provincial fire and rescue corps to systematically manage the fire control work. The Company upgraded and renovated the fire-fighting system to control the whole process of smoke exhaust.

(3) Logistics:

During the Reporting Period, the Company continued to improve the logistics management system and initiated the installation of the automated three-dimensional warehouse equipment. The Company was rated as the winner of the "China Logistics Industry Golden Ant Award 2021 and 2022" by the organizing committee of the LET-a CeMAT ASIA

(I) Analysis of main business

1. Analysis of changes in accounts in the Income Statement and the Cash Flow Statement

Unit: Yuan Currency: RMB

Account	Amount for the current period	Amount for the same period last year	Change ratio (%)
Operating revenue	6,385,451,424.00	4,633,150,538.43	37.82
Operating cost	1,934,850,203.65	1,554,155,646.61	24.50
Selling expenses	2,785,837,352.95	1,991,534,076.73	39.88
General and administrative expenses	327,296,749.37	236,988,519.23	38.11
Financial expenses	-40,996,523.01	-7,484,395.13	447.76
Research and development expenses	128,009,104.49	76,583,650.83	67.15
Net cash flow from operating activities	1,111,136,117.23	829,670,943.82	33.92
Net cash flow from investing activities	-298,215,550.57	-341,823,618.60	Not applicable
Net cash flow from financing activities	-65,251,320.73	489,615,295.96	-113.33

Cause for change in operating revenue: mainly due to increased online sales.

Cause for change in operating cost: mainly due to increased operating costs resulting from the increase of operating revenue.

Cause for change in sales expenses: In 2022, sales expenses amounted to RMB2.786 billion, accounting for 43.63% of the operating revenue (compared with 42.98% for the same period last year). Selling expenses increased by RMB794 million or 39.88% YOY, mainly due to an increase of RMB746 million or 44.60% YOY in the image promotion expenses in the current period (used for the incubation of new brands such as TIMAGE, OR, and brand re-shaping).

Cause for change in general and administrative expenses: In 2022, administrative expenses amounted to RMB327 million, accounting for 5.13% of the operating revenue (compared with 5.12% for the same period last year). General and administrative expenses increased by RMB90.31 million or 38.11% YOY, mainly due to increased equity incentive expense for restricted shares, employee compensation, and service fees.

Cause for change in financial expenses: The general impact of interest income and foreign exchange gains and losses reduced financial expenses by RMB33.51 million.

Cause for change in R&D expenses: In 2022, R&D expenses amounted to RMB128.01 million, an increase of RMB51.43 million YOY, accounting for 2.00% of the operating revenue (compared with 1.65% for the same period last year). In 2022, the parent company's R&D expense ratio was 4.31% (compared with 3.55% for the same period last year).

Cause for change in net cash flow from operating activities: 1. mainly due to the YOY increase in the operating revenue and the increase in cash received from commodity sales; 2. increased payment for goods; 3. increased image promotion fees.

Cause for change in net cash flow from investment activities: a YOY increase of RMB44million, mainly due to decreased cash flow from investment activities caused by the disposal of the 52% equity of Shanghai Healthlong Biochemical Technology Co., Ltd in the previous period. The event is not recognized in the current period.

Causes for change in net cash flow from financing activities: a YOY decrease of RMB555 million, mainly due to that (1) the cash received from absorbing investment (equity incentive expense for restricted shares) is increased by RMB165 million; (2) the cash received from reclaiming borrowings is decreased by RMB647 million (RMB747million of fund raised in the previous period by issuing the "Proya Convertible Bond"); (3) the cash paid related to financing activities is increased by RMB43 million; (4) the cash paid to distribute dividends, profits, or repay interest is increased by RMB28 million.

A detailed description of major changes in the Company's activities, profit composition or sources of profit during the current period

Applicable Not applicable

2. Revenue and cost analysis

Applicable Not applicable

For details, see the analysis in "1. Analysis of changes in accounts in the Income Statement and the Cash Flow Statement", "(I) Analysis of main business", "V. Main Operations during the Reporting Period", "Section III Management Discussion and Analysis" of this report.

(1). Main business activities by industry, product, region and sales model

Unit: Yuan Currency: RMB

Main business activities by industry						
Industry	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Household chemicals industry	6,361,763,550.69	1,916,352,535.29	69.88	37.69	24.03	Up by 3.32 percentage points
Main business activities by product						
Product	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Skincare	5,483,643,868.53	1,616,998,071.19	70.51	38.56	29.68	Up by 2.02

(including cleansing)						percentage points
Make-up cosmetics	752,460,286.08	251,667,006.25	66.55	21.70	-4.46	Up by 9.16 percentage points
Body & hair	125,659,396.08	47,687,457.85	62.05	509.93	365.92	Up by 11.73 percentage points
Others	0.00	0.00	-	-100.00	-100.00	
Total	6,361,763,550.69	1,916,352,535.29	69.88	37.69	24.03	Up by 3.32 percentage points
Main business activities by region						
Region	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Northeast China	16,501,625.98	6,052,777.83	63.32	-25.21	-25.27	Up by 0.03 percentage points
North China	69,783,559.44	26,385,241.51	62.19	9.94	-6.42	Up by 6.61 percentage points
East China	712,780,874.13	298,564,036.15	58.11	4.34	-12.84	Up by 8.26 percentage points
South China	44,924,050.01	18,046,419.43	59.83	-41.91	-45.33	Up by 2.51 percentage points
Central China	149,971,246.18	61,852,910.54	58.76	-15.39	-11.34	Decreased by 1.88 percentage points
Northwest China	35,070,252.17	11,689,484.54	66.67	-34.60	-35.02	Up by 0.22 percentage points
Southwest China	79,218,140.12	29,907,969.48	62.25	-11.65	-14.12	Up by 1.09 percentage points
Hong Kong and overseas	66,959,765.22	28,775,729.85	57.03	73.16	-17.26	Up by 46.97 percentage points
Others (e-commerce)	5,186,554,037.44	1,435,077,965.96	72.33	51.87	47.06	Up by 0.90 percentage points

Total	6,361,763,550.69	1,916,352,535.29	69.88	37.69	24.03	Up by 3.32 percentage points
Main business activities by sales model						
Sales model	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Online	5,788,034,421.87	1,684,190,321.43	70.90	47.50	35.26	Up by 2.63 percentage points
Offline	573,729,128.82	232,162,213.86	59.53	-17.62	-22.60	Up by 2.60 percentage points
Total	6,361,763,550.69	1,916,352,535.29	69.88	37.69	24.03	Up by 3.32 percentage points

Description of main business activities by industry, product, region and sales model

(1) Description of growth in household chemicals: The growth in prime operating revenue this year was mainly due to RMB5.788 billion online sales (accounting for 90.98% of the prime operating revenue), an increase of RMB1.864 billion or 47.50% YOY.

(2) Description of growth in make-up cosmetics: mainly due to RMB572 million sales of TIMAGE that falls under the make-up cosmetics category during the Reporting Period, an increase of RMB326million or 132.04% YOY.

(3) Description of growth in body and hair: mainly due to RMB126 million sales of OR that falls under the Body & hair category during the Reporting Period, an increase of RMB105 million or 509.93% YOY.

(4) Description of growth in others: No income of other categories is reported this year, mainly due to that the Company no longer operated the cross-border brand agency business.

(5) Description by region: The sales of other regions declined, except e-commerce, Hong Kong and overseas, East China, and North China, mainly due to a YOY fall in offline sales.

(2). Analysis table of production and sales

√ Applicable □ Not applicable

Major products	Unit	Production	Sales	Inventory	Change in production YOY (%)	Change in sales YOY (%)	Change in inventory YOY (%)
Household chemicals	Piece	314,064,556	276,025,390	90,180,032	42.44	27.66	72.95

Description of production and sales

The quantities in the above table include self-produced and OEM products, excluding the quantity of products produced through cross-border brand agency.

(3). Performance of major purchase contracts and major sales contracts

□ Applicable √ Not applicable

(4). Cost statement analysis

Unit: RMB

Statement by industry							
Industry	Cost composition	Amount for the current period	Proportion % in total cost for the current period (%)	Amount for the same period last year	Proportion % in total cost for the current period (%)	YOY change ratio (%)	Description
Household chemicals industry	Raw materials	1,268,693,580.45	66.20	976,123,853.77	63.18	29.97	
	Labor and manufacturing cost	107,432,847.50	5.61	81,119,950.03	5.25	32.44	
	Outsourcing	302,956,467.34	15.81	316,528,909.08	20.49	-4.29	
	Freight	237,269,640.00	12.38	171,325,756.44	11.09	38.49	
	Subtotal	1,916,352,535.29	100.00	1,545,098,469.32	100.00	24.03	
Statement by product							
Product	Cost composition	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period last year	Proportion in total cost for the same period last year (%)	YOY change ratio (%)	Description
Skincare (including cleansing)	Raw materials	1,228,433,567.23	75.97	914,082,589.13	73.31	34.39	
	Labor and manufacturing cost	101,753,659.87	6.29	74,591,026.00	5.98	36.42	
	Outsourcing	92,297,157.26	5.71	113,127,555.81	9.07	-18.41	
	Freight	194,513,686.83	12.03	145,076,420.66	11.64	34.08	
	Subtotal	1,616,998,071.19	100.00	1,246,877,591.60	100.00	29.68	
Make-up cosmetics	Raw materials	40,084,933.46	15.93	62,041,264.64	23.55	-35.39	
	Labor and manufacturing	5,679,187.63	2.26	6,528,924.03	2.48	-13.01	

	cost						
	Outsourcing	174,194,228.29	69.21	170,978,877.92	64.91	1.88	
	Freight	31,708,656.87	12.60	23,869,561.68	9.06	32.84	
	Subtotal	251,667,006.25	100.00	263,418,628.27	100.00	-4.46	
Body & hair	Raw materials	175,079.76	0.37	-	-	-	
	Labor and manufacturing cost	-	0.00	-	-	-	
	Outsourcing	36,465,081.79	76.46	8,307,839.73	81.17	338.92	
	Freight	11,047,296.30	23.17	1,927,244.65	18.83	473.22	
	Subtotal	47,687,457.85	100.00	10,235,084.38	100.00	365.92	
Others	Raw materials	-	-	-	-	-	
	Labor and manufacturing cost	-	-	-	-	-	
	Outsourcing	-	-	24,114,635.62	98.16	-100.00	
	Freight	-	-	452,529.45	1.84	-100.00	
	Subtotal	-	-	24,567,165.07	100.00	-100.00	

Other explanations

None

(5). Changes in consolidation due to changes in the equity of major subsidiaries during the Reporting Period

Applicable Not applicable

For details, see "VIII. Changes in the Consolidation Scope", "Section X Financial Report".

(6). Significant changes or adjustments to the Company's business activities, products or services during the Reporting Period

Applicable Not applicable

(7). Major sales customers and major suppliers

A. The Company's major customers

Applicable Not applicable

The sales of top five customers amounted to RMB798.31 million, accounting for 12.55% of the total annual sales; the sales of related parties of such top five customers amounted to RMB0, accounting for 0.00% of the total annual sales.

Circumstances where a single customer contributed to more than 50% of the total sales, top 5 customers included a new customer, or the Company relied heavily on a small number of customers during the Reporting Period

Applicable Not applicable

B. The Company's major suppliers

Applicable Not applicable

The purchase amount of top 5 suppliers amounted to RMB393.25million, accounting for 20.57% of the total annual purchase amount; the purchase amount of related parties of such top 5 suppliers amounted to RMB0, accounting for 0.00% of the total annual purchase amount.

Circumstances where a single supplier accounted for more than 50% of the total procurement, top 5 suppliers included a new supplier, and the Company relied heavily on a small number of suppliers during the Reporting Period

Applicable Not applicable

Other explanations

None

3. Expenses

Applicable Not applicable

Unit: RMB

Expense item	2022	2021	Change for the current period	Growth rate (%)
Selling expenses	2,785,837,352.95	1,991,534,076.73	794,303,276.22	39.88
General and administrative expenses	327,296,749.37	236,988,519.23	90,308,230.14	38.11
Research and development expenses	128,009,104.49	76,583,650.83	51,425,453.66	67.15
Financial expenses	-40,996,523.01	-7,484,395.13	-33,512,127.88	Not applicable

4. R&D investment**(1). Statement of R&D investment**

Applicable Not applicable

Unit: RMB

Expensed R&D investment for the current period	128,009,104.49
Capitalized R&D investment for the current period	0.00
Total R&D investment	128,009,104.49
Total R&D investment in operating revenue (%)	2.00
Capitalization of R&D investment (%)	0.00

(2). Statement of R&D personnel

Applicable Not applicable

Number of R&D personnel	229
Percentage of R&D personnel (%)	7.21
Educational background structure	
Educational level	Number of persons
PhD	4
Master	69
Bachelor	123
Associate	31
High school and below	2
Age structure	
Age range	Number of persons
Under 30 (exclusive)	100
30-40 (incl. 30 and excl. 40)	106
40-50 (incl. 40 and excl. 50)	21
50-60 (incl. 50 and excl. 60)	1
60 and above	1

(3). Description

Applicable Not applicable

(4). Cause for significant changes in the composition of R&D personnel and the impact on the future development of the Company

Applicable Not applicable

5. Cash flow

Applicable Not applicable

Unit: RMB

Item	Amount for the current period	Amount for the same period last year	Growth rate (%)	Description
Net cash flow from operating activities	1,111,136,117.23	829,670,943.82	33.92	Mainly due to: 1. YOY increase in the operating revenue and the increase in cash received from commodity sales; 2. Increased payment for goods; 3. Increased payment for image promotion fees.
Net cash flow from investing activities	-298,215,550.57	-341,823,618.60	Not applicable	Mainly due to the disposal of the 52% equity of Shanghai Healthlong Biochemical Technology Co., Ltd. in the

				previous period. The event is not recognized in the current period.
Net cash flow from financing activities	-65,251,320.73	489,615,295.96	-113.33	Mainly due to: 1. The cash received from absorbing investment (equity incentive expense for restricted shares) is increased by RMB165 million; 2. The cash received from reclaiming borrowings is decreased by RMB647million (RMB747million of fund raised for the previous period by issuing the "Proya Convertible Bond"); 3. The cash paid related to financing activities is increased by RMB43 million; 4. The cash paid to distribute dividends, profits, or repay interest is increased by RMB28 million.
Cash received from the sale of goods and the rendering of services	7,088,465,997.21	5,130,176,845.31	38.17	Mainly due to the increased operating revenue.
Other cash received related to operating activities	99,500,140.40	54,614,521.56	82.19	Mainly due to the increased bank interest and government subsidies received in the current period.
Cash paid for goods purchased and services received	2,241,842,834.78	1,616,390,215.85	38.69	Mainly due to the expanded sales scale and the increased payment relating to production.
Payments of various types of taxes	660,096,624.31	432,668,333.55	52.56	Mainly due to the expanded sales scale and the improved profitability of the Company.
Other cash paid related to operating activities	2,616,308,090.91	1,864,985,801.02	40.29	Mainly due to the expanded sales scale and the increased payment for image promotion expenses.

Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,751,463.96	47,622.98	7,777.42	Mainly due to the increased cash receipts from disposals of fixed assets in the current period
Cash paid for investments	131,003,609.10	70,029,200.00	87.07	Mainly due to the new equity investment of RMB90 million to Hangzhou Gaolang Holdings Co., Ltd. in the current period.
Other cash paid related to investing activities		77,739,374.88	-100.00	Mainly due to the disposal of equity in Shanghai Healthlong Biochemical Technology Co., Ltd. and payment of other cash RMB64.25 million for investment activities in the previous period. The event is not recognized for the current period.
Cash received from capital contributions	165,676,000.00	700,000.00	23,568.00	Mainly due to the receipt of payment for the equity incentive expense for restricted shares from employees in the current period.
Cash received from borrowings	300,000,000.00	946,996,018.87	-68.32	Mainly due to the issuance of "Proya Convertible Bond" in the previous period for RMB747 million. This event is not recognized in the current period.
Other cash paid related to financing activities	48,263,571.88	4,835,393.12	898.13	Mainly due to the payment for acquisition of minority equity in Ningbo TIMAGE Cosmetics Co., Ltd. in the current period.

(II) Description on significant changes in profit 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	Amount as of the end of the current period	in total assets (%)	Amount as of the end of the previous period	in total assets (%)	YOY change ratio (%)	Description
Cash and cash equivalents	3,161,003,085.05	54.71	2,391,048,249.81	51.61	32.20	Mainly due to increased cash inflows from operating activities in the current period.
Receivable financing			3,242,000.00	0.07	-100.00	Mainly due to the reduced balance of bank acceptance bills as of the end of the current period.
Prepayments	91,483,523.15	1.58	58,406,647.11	1.26	56.63	Mainly due to the increased prepayment for image promotion expenses as of the end of the current period.
Inventories	669,051,326.73	11.58	447,938,758.29	9.67	49.36	Mainly due to the increased stock quantity for 1Q2023 arising from the expanded sales scope of the Company.
Other equity instrument investments	146,402,400.00	2.53	56,402,400.00	1.22	159.57	Mainly due to the new equity investment of RMB90 million to Hangzhou Gaolang Holdings Co., Ltd. in the current period.
Construction in progress	207,378,935.86	3.59	108,678,896.27	2.35	90.82	Mainly due to the additional investment in the Huzhou Expansion Production Base Construction Project (Phase I) and the

Item	Amount as of the end of the current period	in total assets (%)	Amount as of the end of the previous period	in total assets (%)	YOY change ratio (%)	Description
						Longwu R&D Center Construction Project.
Right-of-use assets	6,410,634.25	0.11			Not applicable	Mainly due to the addition of an office site and the signing of lease contracts in the current period.
Long-term prepaid expenses	19,142,604.46	0.33	29,756,474.11	0.64	-35.67	Mainly due to the amortization of renovation costs.
Other non-current assets	5,554,726.06	0.10	44,167,303.56	0.95	-87.42	Mainly due to that the trademark amount of RMB39.90 million (SINGULADERM) in the beginning balance is transferred to intangible assets since the trademark transfer registration is completed in the current period.
Contract liabilities	174,602,833.91	3.02	91,151,985.32	1.97	91.55	Mainly due to the increase of the number of members and the point conversion rate.
Employee compensation payable	124,938,749.36	2.16	78,649,049.72	1.70	58.86	Mainly due to the increased benefits payable to employees at the end of the period because of the expanded operation scale and continuous staffing adjustment in the current period.
Taxes	152,918,87	2.65	99,893,176.9	2.16	53.08	Mainly due to the

Item	Amount as of the end of the current period	in total assets (%)	Amount as of the end of the previous period	in total assets (%)	YOY change ratio (%)	Description
payable	1.45		7			expanded sales scale and the improved profitability of the Company.
Other payables	216,392,183.41	3.75	62,162,153.55	1.34	248.11	Mainly due to increased restricted stock repurchase obligations at the end of the period.
Non-current liabilities due within one year	2,549,452.14	0.04			Not applicable	Mainly due to the transfer of lease liabilities due within one year.
Lease liabilities	3,718,119.41	0.06			Not applicable	Mainly due to the addition of an office site and the signing of lease contracts in the current period.
Estimated liabilities	59,282,928.68	1.03	10,812,084.88	0.23	448.30	Mainly due to the adjustment of offline channels, the intensified adjustment of the department store channel, the optimization of household chemicals outlets, and the shrinking of the supermarket channel.
Deferred income tax liabilities	19,019,431.67	0.33	8,408,158.81	0.18	126.20	Mainly due to the increased deferred income tax liabilities accrued for one-time depreciation of fixed assets.
Share capital	283,519,469.00	4.91	201,009,966.00	4.34	41.05	Mainly due to that the Company

Item	Amount as of the end of the current period	in total assets (%)	Amount as of the end of the previous period	in total assets (%)	YOY change ratio (%)	Description
						implemented the plan for the capitalization of capital reserves and the 2022 restricted share incentive plan.
Treasury stock	164,976,000.00	2.86	5,628,128.21	0.12	2,831.28	Mainly due to that the Company implemented the 2022 restricted share incentive plan, recognized liabilities for repurchase obligations and included them in the treasury stock.
Other comprehensive income	-1,918,603.07	-0.03	-1,247,674.10	-0.03	Not applicable	Mainly due to the changes in translation difference of financial statements denominated in foreign currencies.
Surplus reserve	141,759,734.50	2.45	100,634,780.00	2.17	40.87	Mainly due to the withdrawal of statutory surplus reserve according to the net profit of the parent company. The statutory surplus reserve does not need to be withdrawn if the cumulative amount reaches fifty percent or more of the registered capital.
Retained profits	2,300,384,763.19	39.81	1,696,978,064.52	36.63	35.56	Mainly due to increased net profit

Item	Amount as of the end of the current period	in total assets (%)	Amount as of the end of the previous period	in total assets (%)	YOY change ratio (%)	Description
						in the current period.

Other explanations

None

2. Overseas assets

Applicable Not applicable

(1) Scale of assets

Including RMB216.10million of overseas assets, accounting for 3.74% of the total assets.

(2) Description of a high percentage of overseas assets

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Item	Ending book value	Cause for restrictions
Cash and cash equivalents	35,670,000.00	Including transformer deposit, Pinduoduo deposit, L/C deposit, Tmall deposit, and Alipay deposit, etc.
Total	35,670,000.00	

4. Other explanations

Applicable Not applicable

(IV) Analysis of industry operational information

Applicable Not applicable

Refer to the "Analysis of chemical operational information" below

Analysis of chemical operational information**1 Basic industry information****(1). Industry policies and changes**

Applicable Not applicable

(2). Major sub-industries and industrial status of the Company

Applicable Not applicable

See the description in "(I) Industry pattern and trends", "VI. Discussion and Analysis of the Company's Future Development", "Section III Management Discussion and Analysis".

Industrial status of the Company:

According to comprehensive industry data analysis, the Company has gained some market share in the domestic cosmetics market.

2 Products and production**(1). Major business models**

Applicable Not applicable

See the description of business models in "III. Business Activities Carried out by the Company during the Reporting Period", "Section III Management Discussion and Analysis".

Adjusted business models during the Reporting Period

Applicable Not applicable

(2). Major products

Applicable Not applicable

Products	Sub-industry	Major upstream raw materials	Major downstream application areas	Major price influencing factors
Skincare (including cleansing)	Skincare	Humectant, active substance, grease wax, emulsifier, surfactant, essence, packaging	Skincare, cleansing	Personal income, skin type, lifestyle habits, brand preference
Make-up cosmetics	Make-up	Grease wax, emulsifier, toner, essence, packaging	Make-up, beauty, contour	Personal income, living habits, brand preference
Body & hair	Body & hair	Surfactant, humectant, essence, packaging	Body & hair	Personal income, skin type, lifestyle habits, brand preference

(3). R&D innovation

Applicable Not applicable

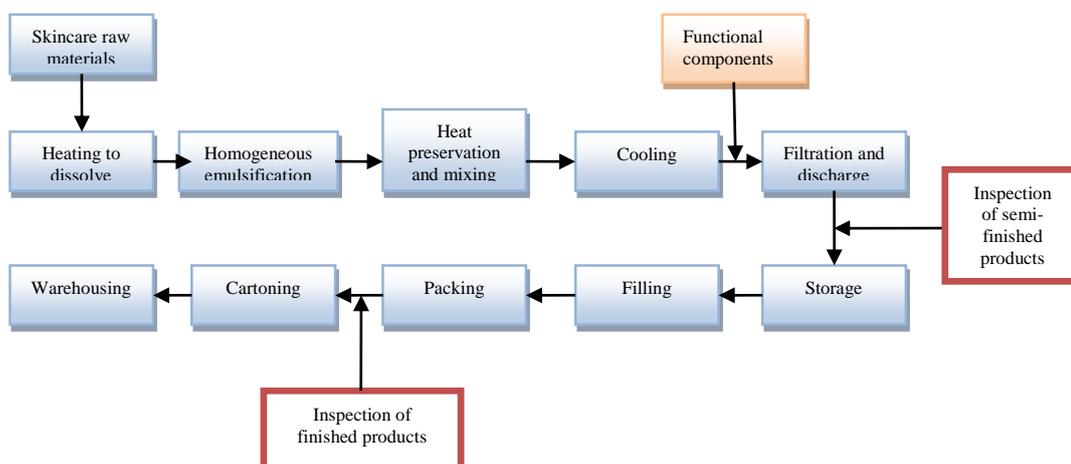
See "5. New R&D strategy", "V. Main Operations during the Reporting Period", "Section III Management Discussion and Analysis".

(4). Production technologies and process

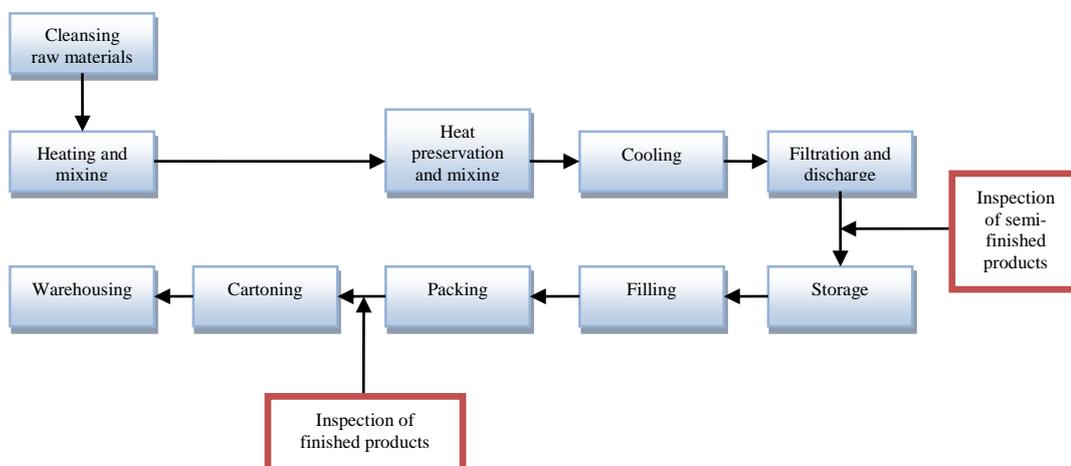
√ Applicable □ Not applicable

The Company's products are mainly divided into skincare (including cleansing) and make-up cosmetics. Their production processes are shown as follows:

1. Production process of skincare cosmetics

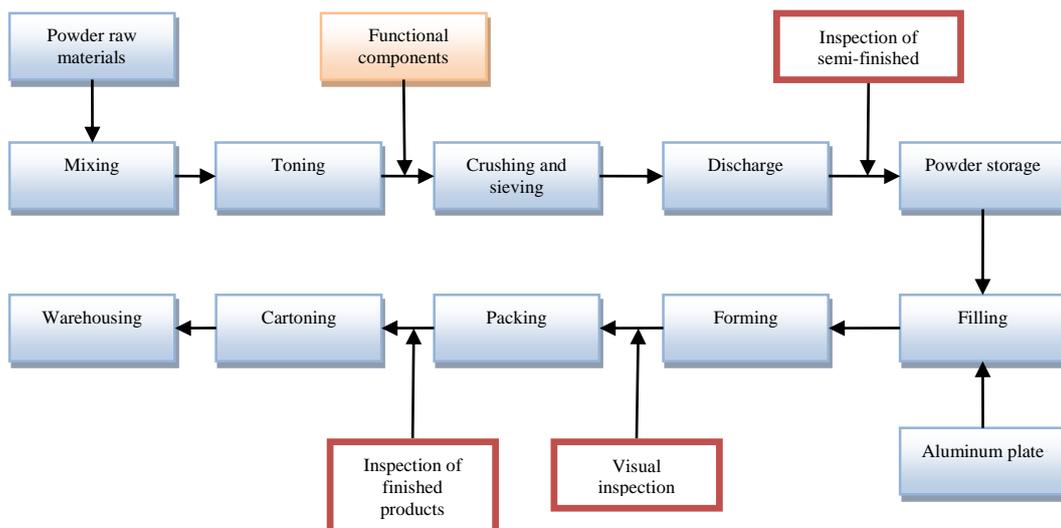


2. Production process of cleansing cosmetics

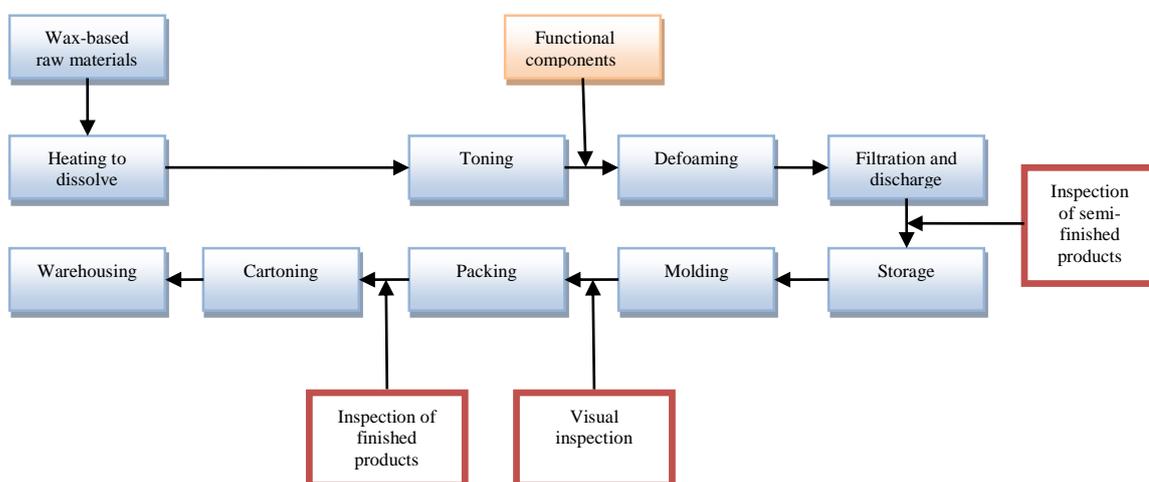


3. Production process of make-up cosmetics

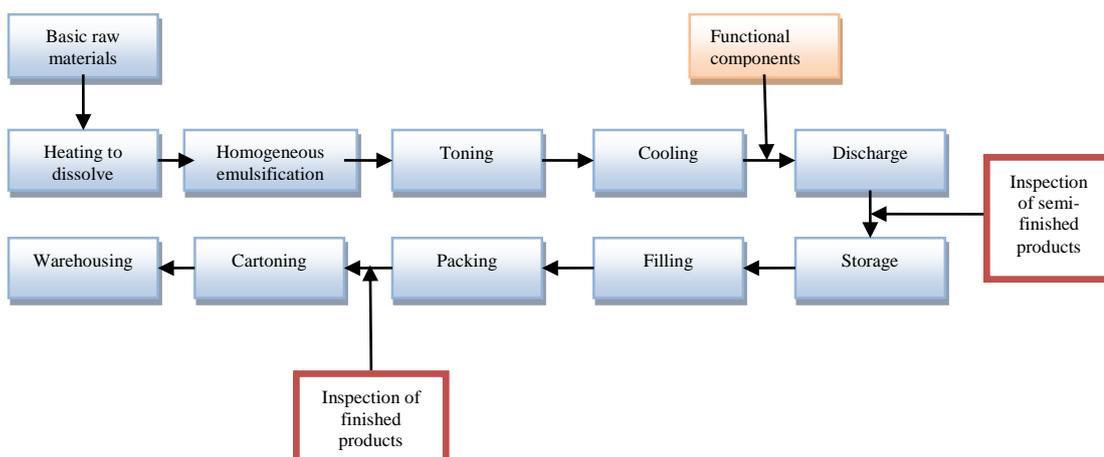
(1) Cosmetic powder blocks:



(2) Lipstick cosmetics



(3) Eyelashes and eyeliners



(5). Production capacity and operation status

√ Applicable □ Not applicable

Unit: RMB '0,000 Currency: RMB

Main plant or project	Designed capacity	Capacity utilization ratio (%)	Capacity under construction	Amount of investment in capacity under construction	Estimated time of completion of capacity under construction
Huzhou Skincare Factory	300million pcs	86.67	101.18 million pcs	16,801.64	December 2024
Huzhou Cosmetics Factory	40 million pcs	25.06			

Change in production capacity

Applicable Not applicable

Adjustment of product line and optimization of capacity structure

Applicable Not applicable

Unexpected shutdown

Applicable Not applicable

3 Procurement of raw materials**(1). Basic information on major raw materials**

Applicable Not applicable

Major raw materials	Purchase model	Settlement method	YOY price change ratio (%)	Purchase quantity	Consumption
Packaging materials	Mainly by competitive procurement, except for some strategic suppliers	Settle within the payment period as agreed	-14.77	About 1,560 million pieces	About 1,510 million pieces
Raw material_humectant	Mainly by competitive procurement, while establishing long-term strategic cooperation with advantageous suppliers	Settle within the payment period as agreed	5.31	About 2,052 tons	About 1,953 tons
Raw material_active	Mainly by price inquiry and	Settle within the	42.15	About 754 tons	About 720 tons

substance	comparison, while performing diversified cultivation of suppliers with a single source of supply	payment period as agreed			
Raw material_grease wax	Mainly by competitive procurement, while establishing long-term strategic cooperation with advantageous suppliers	Settle within the payment period as agreed	24.62	About 850 tons	About 810 tons
Raw material_emulsifier	Mainly by competitive procurement, while cooperating with industry-leading suppliers on some raw materials	Settle within the payment period as agreed	31.46	About 160 tons	About 150 tons
Raw material_sunscreen	Mainly by competitive procurement, while establishing long-term strategic cooperation with advantageous suppliers	Settle within the payment period as agreed	2.89	About 102 tons	About 92 tons

Impact of changes in the prices of major raw materials on the Company's operating costs: Rising prices of raw materials increase operating costs.

(2). Basic information on major sources of energy

√ Applicable □ Not applicable

Major energy	Purchase model	Settlement method	YOY price change ratio (%)	Purchase quantity	Consumption
Water	Fixed agreement with the local water company	Prepayment and monthly settlement or payment on demand according to the local requirements	0.00	201,279 tons	201,279 tons
Electricity	Fixed agreement with the local power supply company	Prepayment and monthly settlement or payment on demand according to the local requirements	0.00	11.76 million kwh	11.76 million kwh
Gas	Fixed agreement with the local gas supply company	Prepayment and monthly settlement or payment on demand according to the local requirements	38.67	368,936 cbm	368,936 cbm

Impact of changes in the prices of major energy on the Company's operating costs: The price of gas is increased by 38.67%, resulting in a slight increase in operating cost since the consumption of gas only takes up a small part in the energy structure.

(3). Countermeasures for risks of fluctuations in the prices of raw materials

Major financial products such as derivatives

Applicable Not applicable

(4). Basic information on other methods adopted such as staged reserves

Applicable Not applicable

4 Product sales

(1). Basic information on the Company's primary business activities by sub-industry

Applicable Not applicable

Unit: RMB '0,000 Currency: RMB

Sub-industry	Operating revenue	Operating cost	Gross profit	Change in operating	Change in operating	Change in gross profit	Gross profit margin for products in

			margin (%)	revenue YOY (%)	cost YOY (%)	margin YOY (%)	the same industry and field
Skincare (including cleansing)	548,364.39	161,699.81	70.51	38.56	29.68	2.02	No public information available
Make-up cosmetics	75,246.03	25,166.70	66.55	21.70	-4.46	9.16	No public information available
Body & hair	12,565.94	4,768.74	62.05	509.93	365.92	11.73	No public information available
Others	0.00	0.00	-	-100.00	-100.00	-	No public information available

(2). Basic information on the Company's primary business activities by sales channel

Applicable Not applicable

Unit: RMB '0,000 Currency: RMB

Sales channel	Operating revenue	Change in operating revenue YOY (%)
Online	578,803.44	47.50
Offline	57,372.91	-17.62

Statement of accounting policies

Applicable Not applicable

5 Environmental protection and safety

(1). Basic information on major work safety accidents of the Company during the Reporting Period

Applicable Not applicable

(2). Major environmental violations

Applicable Not applicable

(V) Analysis of investment**Overall analysis of external equity investments**√ Applicable Not applicable

Item	Ending amount			Beginning amount		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Other equity instrument investments	146,402,400.00		146,402,400.00	56,402,400.00		56,402,400.00
Investment in joint ventures	3,068,948.16		3,068,948.16	3,074,758.68		3,074,758.68
Investment in associates	216,906,642.52	81,442,213.22	135,464,429.30	181,555,246.18	14,670,468.59	166,884,777.59
Total	366,377,990.68	81,442,213.22	284,935,777.46	241,032,404.86	14,670,468.59	226,361,936.27

For details, see the description in "17. Long-term equity investments" and "18. Other equity instrument investments", "VII. Notes to the Items in Consolidated Financial Statements", "Section X Financial Report" of this report.

1. Significant equity investments Applicable Not applicable**2. Significant non-equity investments** Applicable Not applicable**3. Financial assets measured at fair value**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Asset category	Beginning amount	Profit and loss from changes in fair value	Accumulated change in fair	Impairment accrued for the current period	Amount of purchase for	Amount of sale/redemption	Other changes	Ending amount
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		for the current period	value included in equities		the current period	for the current period		
Other	56,402,400.00				90,000,000.00			146,402,400.00
Total	56,402,400.00				90,000,000.00			146,402,400.00

For details, refer to the particulars contained in "18. Description of other equity instrument investments" in "VII. Notes to the Items of Consolidated Financial Statements", of "Section X Financial Report" of this report

Description of securities investment

Applicable Not applicable

Description of private equity investment

Applicable Not applicable

Description of derivatives investment

Applicable Not applicable

4. Progress of major asset restructuring and integration during the Reporting Period

Applicable Not applicable

(VI) Sale of major assets and equity

Applicable Not applicable

(VII) Analysis of major holding companies

Applicable Not applicable

Unit: RMB'0,000

Major subsidiary	Nature of business	Major products and services	Registered capital	Total assets	Net assets	Net profit	Holding or shareholding
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Cosmetics sales	Cosmetics	1,000.00	62,360.91	25,376.57	8,238.00	Holding
Hangzhou Proya Trade Co., Ltd.	Cosmetics sales	Cosmetics	5,000.00	27,637.31	5,554.91	- 5,333.47	Holding

(VIII) Structured entities controlled by the Company

Applicable Not applicable

VI. Discussion and Analysis of the Company's Future Development**(I) Industry pattern and trends**

Applicable Not applicable

According to statistics from the National Bureau of Statistics, in 2022, the total retail sales of consumer goods reached RMB43,973.3 billion, down by 0.2% YOY; the total retail sales of cosmetics reached RMB393.6 billion, down by 4.5% YOY (covering consumer goods above designated units).

(II) Development strategy of the Company

Applicable Not applicable

Winning Now Winning Later, "6*N" strategy, enhanced core competence, and enriched brand matrix. "6" represents new consumption, new marketing, new organization, new mechanism, new technology, new intelligent manufacturing; "N" represents N brands created

- (1) New consumption: Innovative services to meet more consumer needs and consumer value;
- (2) New marketing: Digital marketing, fine omni-channel operation, and accurate and advanced consumer insight. Focus on future marketing possibilities in new areas and make preparations;
- (3) New organization: An efficient organization that is flat, platform-based, self-driven and collaborative;
- (4) New mechanism: A flexible, diversified, business-oriented incentive mechanism to be established;

(5) New technology: The focus on basic scientific research and the actions taken to establish the presence of new raw materials and new R&D technologies, develop more R&D partners and resources in different fields to form a global R&D landscape, provide technological guarantee for targeted product enhancement, and create a sustainable and unique R&D technological competitiveness; measures taken to further improve the intelligent operation management system and carry out targeted transformation toward digital intelligence and informatization to improve operational refinement and management efficiency in business and organization and achieve process transparency and accurate decision-making;

(6) New intelligent manufacturing: Creation of an agile and flexible supply chain to serve the hero product matrix and the application of the digital management system to improve production quality, strengthen the supply chain supervision, and guarantee product quality.

- The core connotation of "6*N" is to enable or incubate different brands that meet different needs of different consumers based on the above six capabilities.

While Proya, as the main brand, maintains rapid and steady development, the Company creates, replicates, enables and incubates different brands to meet the different needs of different consumers based on the successful experience and core competence, enlarges the customer base, extends the demand coverage of the life cycle of customers, gradually builds and improves the multi-brand matrix, and achieves long-term sustainable growth.

(III) Business plan

√ Applicable □ Not applicable

I. Construction of a multi-category and multi-brand matrix

1 Skincare products - Proya, Hapsode

Proya:

(1) Brand: Better establish the brand awareness of "A Scientific Choice for Skin" by more scientific product portfolios, better and more delicate product experiences, and the output of the reasonable concept of skincare, thus taking the brand to a new level. Maintain outstanding products as the core driver of the brand, and make satisfactory services and experiences consumers' reason for choice. Dig deeper into the brand's insistence on products and belief in scientific formula, communicate with consumers in an all-around manner, deliver needed products and great experiences to consumers, and make Proya a leader in the era of "home-made products".

(2) Product: Better upgrade the product in formula, efficacy, design, and use experiences around the core mid-end product line, consolidate the status of hero products; better divide the needs of users with different skin types, reserve richer and more detailed efficacy and categories, and expand the coverage to more consumers to satisfy their needs for skin care.

(3) Marketing: 1) In 2023, Proya will keep carving the brand by taking "exploration and discovery" as the core, continuously express our opinions in gender equality, family responsibility, intimate relationships, young people's growth, mental health, and other socially important issues, so as to expand the impact of brand long-termism beyond brand incidents. 2) Based on the brand identity of the year, Proya will build its own online public welfare platform to carry long-term public welfare actions and content under the brand's core projects and extend care of the brand.

(4) Channel:

1) Tmall: Strengthen the hero product matrix of the three major families to build multiple super-hero products, penetrate into the market of the essence category as the core of the brand, enhance the penetration of face cream, face mask, facial care kits, and other core categories, further improve the proportion of high-value users, better refine the operation, improve services, and lift the brand mindset.

2) TikTok: Strengthen the universal operation of TikTok, open multiple hero product matrix accounts to achieve integrated operation of brand recommendation and purchase, improve the overall operation efficiency, establish presence in the shelf e-commerce on TikTok, better work with high-quality KOLs, and achieve diversified and healthy brand development in TikTok.

3) JD: Continuously deepen population-based operation, off-site brand marketing, and in-depth platform cooperation to realize resonance inside and outside the site; change to user-based operation for the membership section with the focus on improving service level and user experiences and maintaining user loyalty; continuously strengthen the refined operation of all traffic channels.

4) Offline: Household chemicals: Continuously deepen the outlet structure; adjust the structure of channel products and primarily aim at the direction of basic moisturizing and anti-aging products; beef up the digitalization capability to empower offline sales, improve product turnover rate, and raise the satisfaction of channel customers. Department stores: Focus on influential business district and large department store groups, explore the new "online+offline" sales mode, and increase the repurchase rate and per customer transaction.

Hapsode:

(1) Brand: Continuously consolidate the strategy of hero cleansing products, take the existing advantage in the oil remover category, expand the customer base of Hapsode, and increase brand penetration in the young population.

(2) Product: Complete the layout of the full cleansing product line based on Hapsode's pyramid-typed product system for oily skin. Keep improving the product efficacy of oil control in 2023 as the core competitiveness of an oily skin care brand; create the product combo for oily and sensitive skin for the soothing product line around the Ultra Soothing Facial Mask and the Ultra Soothing Serum.

(3) Marketing: Keep focusing on college students as the core target consumers and carry out serial brand events to deliver Hapsode's young and dynamic brand image.

(4) Channel: Focus on TikTok and Tmall and put more efforts on self live-streaming.

2. Make-up - TIMAGE

(1) Brand: Focus on building a professional brand of "Chinese make-up" around the brand core of "Chinese make-up, original beauty" to deliver "original beauty" experiences to consumers. Consolidate brand professionalism with marketing content, improve brand services by seeing through the target customer group, and enhance the brand's sense of value by innovating in brand peripherals and gifts.

(2) Product: Further expand the "Contour Line" advantages and keep increasing the brand penetration. Continue to establish presence in the large make-up base category, reserve sub-categories such as liquid foundation, cream foundation, cushion, and powder & pact, complete the make-up base mindset, and create a "professional" brand image.

(3) Marketing: Carry out content marketing around new product launch, festival topics, and IP cooperation.

(4) Channel: Focus on Tmall and TikTok.

3. Body&Hair - Off&Relax (OR):

(1) Brand: Establish the brand image of a scalp health expert from Japan, stabilize the product strength, and strengthen the core brand efficacy as "a scalp health solution", allowing core consumers to recognize the brand values of OR.

(2) Product: Further bring together international R&D capabilities and complete the global supply chain system. Rely on Japan's leading fundamental research and technological development advantages to erect

a technological barrier and offer consumers a complete scalp health solution. Make further presence in the scalp solution market, upgrade hair masks, hair care essence oil, and other hair care products, and create a new flagship product line.

(3) Marketing: Output the brand personality and accumulate brand assets by communicating OR's brand trait as a "professional scalp health care expert". Launch product marketing based on the core mindset of a top Japanese brand and a scalp health expert, allow consumers to better understand the conditions of their scalp, and help them build up the basic scalp health knowledge base; continue with the "tiny but beautiful" brand marketing, advocate a lifestyle from scalp health to mental and physical health, penetrate into the core population, and enhance the brand likability among target consumers.

(4) Channel: Focus on Tmall (Tmall Global, Tmall Flagship Store) and TikTok in the Chinese Mainland; make more breakthroughs in physical stores in Japan while increasing the online traffic.

II. R&D construction

In 2023, the Company will keep adopting the internationalization strategy, complete and upgrade the research and development system, introduce high-level and cross-discipline talents with a global vision covering chemistry, chemical engineering, pharmacology, dermatology, statistics, and computational biology; establish research and development laboratories at home and abroad based on R&D advantages in all regions across the globe. While completing the system of consumer and technology insight, technology development, raw material development, formula, product development, and efficacy evaluation, the Company also strengthens strategic partnerships with globally-leading research institutions specializing in biotechnologies, life sciences, cytology, and dermatology.

(1) Fundamental research: Continue to plan for the development pipeline of new technologies and new raw materials, and develop advanced enabling technologies in computational biology, genomics, and proteomics.

(2) Applied research: Guided by market demand, develop skin care and make-up products of various levels with obvious efficacy, great skin feel and favorable costs, and complete the technological layout for future iterations of all hero products.

(3) Clinical research: Continue with the clinical research and verification of products, explore new methods to verify the efficacy of raw materials and products, and develop new efficacy testing methods by using advanced instruments and statistics.

(IV) Possible risks

Applicable Not applicable

1. Industry competition risks

(1) The Company's brand strategy and channel strategy fail to come up to expectations due to intensified competition from various brands in the industry;

(2) The control of digital and precise delivery costs fails to come up to expectations due to intensified competition in marketing and ads delivery.

2. Project incubation risks

(1) New brand incubation risk: Performance fails to come up to expectations despite big investment in marketing;

(2) New category cultivation risk: Performance fails to come up to expectations due to different operation modes for different categories and the incompetent team.

3. Impact of the uncertainties of the international situation on the supply chain**(V) Other**

Applicable Not applicable

VII. Circumstances Where the Company Fails to Disclose Due to Non-applicability or Special Reasons Such as State Secrets and Trade Secrets and Statement of Reasons

Applicable Not applicable

Section IV Corporate Governance**I. Description of Corporate Governance**

Applicable Not applicable

During the Reporting Period, the Company continuously improved its standard operation and corporate governance structure based on the actual situation pursuant to applicable laws and regulations, including the *Company Law*, the *Securities Law*, the *Listing Rules of the Shanghai Stock Exchange* and the *Code of Corporate Governance of Listed Companies* as well as the *Articles of Association*. The Company has set up the general meeting of shareholders, Board of Directors, Board of Supervisors and special committees under the Board of Directors as required and developed corresponding rules of procedure. Such rules define the duties, powers, procedures and obligations of organizations at all levels in terms of decision-making, supervision and implementation. They form a scientific and effective governance structure featuring clear rights and responsibilities, mutual checks and balances, and mutual coordination. During the Reporting Period, the Company consciously fulfilled the obligation for information disclosure, managed investor relationships, and promoted the Company to continuously improve its standard operation. The corporate governance status complies with the requirements of the normative documents on the governance of listed companies issued by the CSRC.

Whether there are significant differences between the Company's corporate governance and the requirements of laws, administrative regulations and CSRC's regulations on the governance of listed companies; if so, explain the reasons.

Applicable Not applicable

II. Specific measures taken by the Company's controlling shareholders and actual controllers to ensure the Company's independence in assets, personnel, finance, organization and business activities as well as solutions, work progress and subsequent work plans taken due to influence on the Company's independence

Applicable Not applicable

Circumstances where any controlling shareholders, actual controllers and other entities under their control engage in the same or similar business activities, as well as the impact of horizontal competition or major changes in horizontal competition on the Company, resolutions taken, progress and follow-up resolutions

Applicable Not applicable

III. Meetings of the General Meeting of Shareholders during the Reporting Period

Session	Date	Reference	Date of release	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 approved proposals including the <i>Company's Annual Report 2021 and its Summary</i> , and the <i>Plan for Annual Profit Distribution and Capitalization of Capital Reserves for 2021</i> . For details, see the <i>Announcement on Resolutions of the 2021 Annual General Meeting of Shareholders</i> (No.: 2022-027) released on the SSE website on May 13, 2022 (http://www.sse.com.cn) and relevant media.
1st Extraordinary General Meeting of Shareholders in 2022	July 25, 2022	Announcement No. 2022-041 on SSE website (www.sse.com.cn)	July 26, 2022	The meeting approved proposals including the <i>Proposal on 2022 Restricted Share Incentive Plan of the Company (Draft) and Its Summary</i> , and the <i>Proposal on Formulating the Assessment Management Method for the 2022 Restricted Share Incentive Plan</i> . For details, see the <i>Announcement on Resolutions of the 2022 First Extraordinary General Meeting of Shareholders</i> (No.: 2022-041) released on the SSE website on July 26, 2022 (http://www.sse.com.cn) and relevant media.

Request of preferred shareholders with restored voting rights for convening an extraordinary general meeting

Applicable Not applicable

Description of the General Meeting of Shareholders

Applicable Not applicable

IV. Directors, Supervisors and Senior Management**(I) Changes in shareholding and remuneration of current and resigned directors, supervisors and senior management during the Reporting Period**

√ Applicable □ Not applicable

Unit: share

Name	Position (Note)	Gender	Age	Term start date	Term end date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shares during the year	Cause for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB'0,000)	Any remuneration from the Company's related parties
HOU Juncheng	Chairman of the Board of Directors	Male	59	7/30/2015	9/8/2024	69,764,815	97,670,741	27,905,926	Shares converted from capital reserve	162.94	No
FANG Yuyou	Director, General Manager	Male	54	7/30/2015	9/8/2024	36,347,843	45,772,470	9,424,627	Shares converted from capital reserve and shares reduced for personal capital need	162.94	No
HOU Yameng	Director	Male	35	9/9/2021	9/8/2024	0	0	0		48.06	No
HOU Yameng	Deputy General	Male	35	9/15/2021	9/8/2024	0	0	0		0.00	No

	Manager										
MA Dongming	Independent Director	Male	53	5/13/2021	9/8/2024	0	0	0		15.00	No
GE Weijun	Independent Director	Male	48	9/9/2021	9/8/2024	0	0	0		15.00	No
HOU Luting	Supervisor	Female	34	5/2/2018	9/8/2024	0	0	0		22.28	No
FANG Qin	Supervisor	Female	33	5/8/2018	9/8/2024	0	0	0		32.02	No
HU Lina	Supervisor	Female	35	9/9/2021	9/8/2024	0	0	0		17.19	No
JIN Yanhua	Deputy General Manager	Male	61	4/16/2018	9/14/2024	54,981	216,973	161,992	Shares converted from capital reserve and grant of 2022 restricted stock incentive	70.79	No
WANG Li	CFO	Female	45	9/3/2018	9/14/2024	32,322	225,251	192,929	Shares converted from capital reserve and grant of 2022 restricted stock incentive	120.17	No

WANG Li	Deputy General Manager, Secretary of the Board of Directors	Female	45	9/15/2021	9/14/2024	0	0	0		0.00	No
Total	/	/	/	/	/	106,199,961	143,885,435	37,685,474	/	666.40	/

Notes:

The total pre-tax remuneration received by the above directors, supervisors and the senior management from the Company during the Reporting Period is the total pre-tax remuneration during their term of office in the Reporting Period.

Name	Working experience
HOU Juncheng	He once worked in Yiwu Liaoyuan Daily Chemical Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd., and Hangzhou Proya Holding Co., Ltd. Since 2007, he has been working in the Company and its predecessor. From September 2007, he has served as Executive Director of the Company. From August 2012, he has served as Chairman of the Company and its predecessor. As of the end of the Reporting Period, he concurrently served as Executive Director and General Manager of Proya Trade, Executive Director of Meiligu, Executive Director of Chuangdai Electronics, Executive Director of Yueqing Laiya, Inside Director and Representative Director of Korea Hanna, Executive Director and General Manager of Hapsode (Hangzhou), Executive Director and General Manager of Huzhou Hapsode, Executive Director and General Manager of Danyang Hapsode, Executive Director and General Manager of Mijing Siyu (Hangzhou), Executive Director and General Manager of Huzhou Younimi, Executive Director of Proya (Hainan), Executive Director of Proya (Zhejiang), Chairman and General Manager of Hangzhou Kunyi Industrial Co., Ltd., Chairman of CBIC, Executive Director and General Manager of Huzhou Beauty Town Technology Incubation Park Co., Ltd., Director of Xinjiang Huanyu New Silk Road Investment Development Co., Ltd., Director of Yongxinou (Ningbo) International Trading Co., Ltd., and Executive Director of Zhejiang Zhujin Enterprise Management Co., Ltd.
FANG Yuyou	He once worked in Shijiazhuang Liaoyuan Cosmetics Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd., and Hangzhou Proya Holdings Co., Ltd. Since 2007, he has been working in the Company and its predecessor. Since August 2012, he has served as Director and General Manager of the Company and its predecessor. As of the end of the Reporting Period, he concurrently served as General Manager of Meiligu, General Manager of Yueqing Laiya, Inside Director of Korea Hanna, Director of Hongkong Xinghuo, Executive Director and General Manager of Hangzhou Fangxiake Investment Co., Ltd., Director of Hangzhou Kunyi Industrial Co., Ltd., Director of Hangzhou Tairentang Biotechnology Co., Ltd., Supervisor of Zhejiang Boweihui Grapevine Technology Co., Ltd., and Director of Jiangsu Lenong Weimei Agricultural Technology Development Co., Ltd.

HOU Yameng	He once worked in the E-commerce Department of Proya Cosmetics Co., Ltd., and has served as Director and Deputy General Manager of the Company since September 2021. As of the end of the Reporting Period, he concurrently served as Executive Director and General Manager of Hainan Mengya Enterprise Consulting Co., Ltd. and Executive Director and General Manager of Hangzhou TIMAGE.
MA Dongming	He used to be Deputy Director and Director of CSRC Zhejiang Branch, Director of the Commissioner's Office of CSRC Shanghai Branch, and Deputy General Manager and Secretary of the Board of Directors of Yongan Futures Co., Ltd. Since May 2021, he has served as Independent Director of the Company. As of the end of the Reporting Period, he concurrently served as Independent Director of Transwarp Technology (Shanghai) Co., Ltd., Independent Director of Zhejiang Shuangyuan Technology Co., Ltd., and Independent Director of Merit Interactive Co., Ltd.
GE Weijun	He once worked in Zhejiang Xingyun Law Firm and Xingyun Law Firm Shanghai Branch. From February 2006 to December 2021, he served as Professor, Doctoral Supervisor, and Legal Adviser of Shanghai University of Finance and Economics. Since January 2022, he has served as a full-time teacher (professor) at the Law School of Fudan University. Since September 2021, he has served as Independent Director of the Company. He also serves as Arbitrator at the China International Economic and Trade Arbitration Commission, Arbitrator at the Shanghai International Economic and Trade Arbitration Commission, Arbitrator at Shanghai Arbitration Commission, Arbitrator at Shenzhen Court of International Arbitration, Executive Officer of the China Commercial Law Society, Vice President of the Commercial Research Branch of the Shanghai Judicial Think Tank, Vice President of the Commercial Law Research Association of the Shanghai Law Society, Vice President of the Cultural Law Research Association of the Shanghai Law Society, Independent Director of Shanghai Huace Navigation Technology Ltd., Independent Director of Changzhou ECTEK Automotive Electronics System Co., Ltd., Independent Director of Hangzhou EZVIZ Network Co., Ltd. and Independent Director of Zheshang Development Group Co., Ltd.
HOU Luting	From July 2013 to January 2014, she served as an expatriate financial specialist at Zhonghui Accounting Firm. From February 2014 to June 2017, she served as a packaging material procurement specialist at the Purchasing Department of the Company. From June 2017 to April 2019, she served as a raw material procurement specialist at the Purchasing Department of the Company. From April 2019 to March 2021, she served as a raw material evaluation engineer. From March 2021 to December 2022, she served as a deputy price review manager. From December 2022 to present, she has served as a price review manager. Since May 2018, she has served as Supervisor of the Company.
FANG Qin	From November 2008 to January 2018, she served as Director of the Planning Department of the Company and its predecessor. From January 2018 to July 2022, she served as Planning Strategy Manager of the Company. Since July 2022, she has served as Senior Planning Strategy Manager of the Company. Since May 2018, she has served as Supervisor of the Company.
HU Lina	She once worked in Pan-China Certified Public Accountants (Special General Partnership), and has served as Strategy Supervisor at the Company since 2013, and has served as Supervisor of the Company since September 2021.
JIN Yanhua	He once worked in Zhejiang Sanmen Fertilizer Factory, Zhejiang InBev Yandangshan Beer Co., Ltd., Zhejiang InBev Jinhua Beer Co., Ltd.,

	<p>Hangzhou Proya Cosmetics Co., Ltd., and Hangzhou Proya Holding Co., Ltd. From 2007 to August 2012, he served as General Manager of the Huzhou Factory under the Company and its predecessor. Since August 2012, he has served as General Manager of the Company's Supply Chain Management Center; since April 2018, he has served as Deputy General Manager of the Company. As of the end of the Reporting Period, he concurrently served as Executive Director of Hanya (Huzhou), Executive Director of Huzhou UZERO, Manager of Chuangdai Electronics, Executive Director and General Manager of Proya Commercial, Executive Director and General Manager of Huzhou Niuke, Executive Director and General Manager of Hangzhou Wanyan, Executive Director and General Manager of Zhejiang Beute, Executive Director of Shanghai Zhongwen, Executive Director and General Manager of Ningbo Proya, Chairman of Ningbo Keshi, Chairman of Ningbo TIMAGE, Director of Hong Kong Keshi, Director of Hong Kong Wanyan, Director of Hong Kong Zhongwen, Executive Director of Zhejiang Qingya, Executive Director of Luxiaotie, Executive Director and General Manager of Hangzhou Yizhuo, Executive Director and General Manager of Hangzhou Weiluo, Executive Director and General Manager of Hangzhou Oumisi, Director of Japan OR, Executive Director and General Manager of Guangzhou Qianxi, Director of Ningbo Xiyou Interactive Entertainment Culture Media Co., Ltd., General Manager of Proya (Hainan), Director of Korea Hapsode, Executive Director and General Manager of Xuzhou Laibo, Executive Director and General Manager of Shenggelan (Hangzhou), Chairman and General Manager of Ningbo Tangyu, Manager of Proya (Zhejiang), Executive Director and General Manager of Hangzhou Boxin, Executive Director and General Manager of Huzhou Keyan Trading Co., Ltd.</p>
WANG Li	<p>She once served as CFO of Guangzhou Yingtai Digital Power Technology Co., Ltd., Financial Representative of US CELLSTAR (Phonestar), Financial Manager of Shanghai Ruili Sports Co., Ltd., Financial Director of Vgrass Fashion Co., Ltd., Financial Director of Zhuoshang Clothing (Hangzhou) Co., Ltd., and Financial Director of Jiangsu Sunport Power Corp., Ltd. Since April 2023, she has served as Independent Director of Zhejiang Wazam New Materials Co., Ltd. She is currently Deputy General Manager, Secretary of the Board of Directors, and CFO of Proya Cosmetics Co., Ltd.</p>

Other explanations

Applicable Not applicable

(II) Positions of current and resigned directors, supervisors and senior management during the Reporting Period

1. Positions held in shareholder entities

√ Applicable □ Not applicable

Name of employee	Name of shareholder entity	Position held in shareholder entity	Term start date	Term end date
JIN Yanhua	Peixian Deyi Network Technology Partnership (Limited Partnership)	Executive Partner	August 2019	February 2022
Description of position held in shareholder entities	None			

Notes: Peixian Deyi Network Technology Partnership (Limited Partnership) was deregistered in February 2022.

2. Positions held in other entities

√ Applicable □ Not applicable

Name of employee	Name of another entity	Position held in shareholder entity	Term start date	Term end date
HOU Juncheng	Proya Trade	Executive Director and General Manager	June 2011	
	Meiligu	Executive Director	November 2012	
	Chuangdai Electronics	Executive Director	December 2016	
	Yueqing Laiya	Executive Director	September 2015	
	Korea Hanna	Inside Director and Representative Director	November 2011	
	Hapsode (Hangzhou)	Executive Director and General Manager	February 2018	
	Huzhou Hapsode	Executive Director and General Manager	May 2016	
	Danyang Hapsode	Executive Director and General Manager	December 2016	
	Mijing Siyu (Hangzhou)	Executive Director and General Manager	February 2018	
	Huzhou Younimi	Chairman of the Board of Directors	March 2019	November 2022
	Huzhou Younimi	Executive Director and General Manager	November 2022	
	Proya (Hainan)	Executive Director	January 2021	
	Proya (Zhejiang)	Executive Director	May 2022	
	Hangzhou Kunyi	Chairman and General	April 2014	

Name of employee	Name of another entity	Position held in shareholder entity	Term start date	Term end date
	Industrial Co., Ltd.	Manager		
	Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Chairman of the Board of Directors	December 2018	
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Executive Director and General Manager	January 2019	
	Xinjiang Huanyu New Silk Road Investment Development Co., Ltd.	Director	March 2021	
	Yongxinou (Ningbo) International Trading Co., Ltd.	Director	May 2022	
	Zhejiang Zhujin Enterprise Management Co., Ltd.	Executive Director	September 2022	
FANG Yuyou	Meiligu	General Manager	November 2012	
	Yueqing Laiya	General Manager	September 2015	
	Korea Hanna	Inside Director	November 2011	
	Hongkong Xinghuo	Director	March 2019	
	Huzhou Younimi	Director	March 2019	November 2022
	Hangzhou Fangxiake Investment Co., Ltd.	Executive Director and General Manager	May 2018	
	Hangzhou Kunyi Industrial Co., Ltd.	Director	April 2014	
	Hangzhou Tairentang Biotechnology Co., Ltd.	Director	December 2014	
	Zhejiang Boweihui Grapevine Technology Co., Ltd.	Supervisor	November 2021	
	Jiangsu Lenong Weimei Agricultural Technology Development Co., Ltd.	Director	May 2022	
HOU Yameng	Hangzhou Yishan Design Co., Ltd.	Supervisor	September 2017	January 2022
	Hainan Mengya Enterprise Consulting Co., Ltd.	Executive Director and General Manager	November 2021	
	Hangzhou TIMAGE	Executive Director and	March 2022	

Name of employee	Name of another entity	Position held in shareholder entity	Term start date	Term end date
		General Manager		
MA Dongming	Particle Culture Technology Group (Hangzhou) Co., Ltd.	Independent Director	October 2020	March 2022
	Transwarp Technology (Shanghai) Co., Ltd.	Independent Director	December 2020	
	Zhejiang Shuangyuan Science & Technology Development Co., Ltd.	Independent Director	December 2020	
	Merit Interactive Co., Ltd.	Independent Director	May 2022	
GE Weijun	Wuxi Genecast Biotechnology Co., Ltd.	Independent Director	January 2020	August 2022
	Shanghai Huace Navigation Technology Ltd.	Independent Director	December 2020	
	Changzhou ECTEK Automotive Electronics System Co., Ltd.	Independent Director	September 2021	
	Hangzhou EZVIZ Network Co., Ltd.	Independent Director	March 2022	
	Zheshang Development Group Co., Ltd.	Independent Director	May 2022	
JIN Yanhua	Anya (Huzhou)	Executive Director	December 2016	
	Huzhou UZERO	Executive Director	January 2018	
	Chuangdai Electronics	Manager	February 2018	
	Proya Commercial	Executive Director and General Manager	September 2018	
	Huzhou Niuke	Executive Director and General Manager	December 2018	
	Hangzhou Wanyan	Executive Director and General Manager	January 2019	
	Zhejiang Beute	Executive Director and General Manager	March 2019	
	Shanghai Zhongwen	Chairman of the Board of Directors	April 2019	
	Ningbo Proya	Executive Director and General Manager	December 2019	
	Ningbo Keshi	Director	September 2019	
	Ningbo TIMAGE	Director	July 2019	
Peixian Deyi Network	Executive Partner	August 2019	February 2022	

Name of employee	Name of another entity	Position held in shareholder entity	Term start date	Term end date
	Technology Partnership (Limited Partnership)			
	Hong Kong Keshi	Director	March 2019	
	Hong Kong Wanyan	Director	October 2019	
	Hong Kong Zhongwen	Director	July 2019	
	Zhejiang Qingya	Executive Director	May 2020	
	Luxiaotie	Executive Director	August 2020	
	Hangzhou Yizhuo	Executive Director and General Manager	July 2020	
	Hangzhou Weiluo	Executive Director and General Manager	July 2020	
	Hangzhou Oumisi	Executive Director and General Manager	August 2020	
	Japan OR	Director	August 2020	
	Guangzhou Qianxi	Executive Director and General Manager	October 2020	
	Ningbo Xiyou Interactive Entertainment Culture Media Co., Ltd.	Director	September 2020	
	Proya (Hainan)	General Manager	January 2021	
	Korea Hapsode	Director of the Company	June 2021	
	Xuzhou Laibo	Executive Director and General Manager	January 2022	
	Huzhou Boyun	Executive Director and General Manager	September 2020	August 2022
	Xuzhou Proya Information Technology Co., Ltd.	Executive Director and General Manager	January 2021	July 2022
	Singuladerm (Hangzhou)	Executive Director and General Manager	October 2021	
	Ningbo Tangyu	Chairman and General Manager	October 2021	
	Proya (Zhejiang)	Manager	May 2022	
	Hangzhou Boxin	Executive Director and General Manager	December 2022	
	Huzhou Keyan Trading Co., Ltd.	Executive Director and General Manager	March 2023	
WANG Li	Zhejiang Wazam New Materials Co., Ltd.	Independent Director	April 2023	
Description of position held in	None			

Name of employee	Name of another entity	Position held in shareholder entity	Term start date	Term end date
other entities				

(III) Remuneration of directors, supervisors and senior management

Applicable Not applicable

Decision-making procedures for remuneration of directors, supervisors and senior management	The remuneration of directors and supervisors of the Company shall be approved by the Remuneration and Appraisal Committee, the Board of Directors and the Board of Supervisors respectively. Then, the remuneration plan shall be submitted to the general meeting of shareholders for deliberation. The remuneration of senior management shall be deliberated by the Remuneration and Appraisal Committee and the Board of Directors.
Basis for determination of remuneration of directors, supervisors and senior management	The annual remuneration of the Company's directors, supervisors and senior management shall be paid based on basic pay and performance appraisal results.
Actual payment of remuneration of directors, supervisors and senior management	Paid.
Total remuneration actually received by all directors, supervisors and senior management as of the end of the Reporting Period	During the Reporting Period, the Company's directors, supervisors and senior management actually received a total remuneration of RMB6.6640 million from the Company (including current and resigned supervisors and senior management during the Reporting Period).

(IV) Changes in the Company's directors, supervisors and senior management

Applicable Not applicable

(V) Description of punishments by the CSRC in the past three years

Applicable Not applicable

(VI) Other

Applicable Not applicable

V. Meetings of the Board of Directors held during the Reporting Period

Session	Date	Resolution
4th meeting of the third session of Board of Directors	January 12, 2022	The meeting approved proposals including the <i>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</i> , the <i>Proposal on the</i>

		<i>Use of Raised Funds to Replace Self-raised Funds Already Invested in Fundraising Projects, and the Proposal on Using Some Idle Raised Fund for Cash Management.</i> For details, see the <i>Announcement on Resolutions of the 4th Meeting of the Third Session of Board of Directors</i> (No.: 2022-002) disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on January 13, 2022.
5th meeting of the third session of Board of Directors	April 20, 2022	The meeting approved proposals including the <i>Company's Annual Report 2021 and its Summary</i> , the <i>Company's ESG Report 2021</i> , and the <i>Company's Plan for Profit Distribution and Capitalization of Capital Reserves for 2021</i> . For details, see the <i>Announcement on Resolutions of the 5th Meeting of the Third Session of Board of Directors</i> (No.: 2022-014) disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on April 22, 2022.
6th meeting of the third session of Board of Directors	July 8, 2022	The meeting approved proposals including the <i>Proposal on 2022 Restricted Share Incentive Plan of the Company (Draft) and Its Summary</i> , and the <i>Proposal on Formulating the Assessment Management Method for the 2022 Restricted Share Incentive Plan</i> . For details, see the <i>Announcement on Resolutions of the 6th Meeting of the Third Session of Board of Directors</i> (No.: 2022-033) released on the SSE website on July 9, 2022 (http://www.sse.com.cn) and relevant media.
7th meeting of the third session of Board of Directors	July 25, 2022	The meeting approved the <i>Proposal on the Granting of Restricted Shares to Incentive Recipients</i> . For details, see the <i>Announcement on Granting of Restricted Shares to Incentive Recipients</i> (No.: 2022-044) released on the SSE website on July 26, 2022 (http://www.sse.com.cn) and relevant media.
8th meeting of the third session of Board of Directors	August 24, 2022	The meeting approved proposals including the <i>Company's 2022 Semi-annual Report and its Summary</i> and the <i>2022 Special Report on the Semi-annual Storage and Actual Use of Raised Fund</i> . For details, see the <i>Announcement on Resolutions of the 8th Meeting of the Third Session of Board of Directors</i> (No.: 2022-045) disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on August 26, 2022.
9th meeting of the third session of Board of Directors	October 27, 2022	The meeting approved the <i>Company's 2022 Third Quarter Report</i> . For details, see the <i>2022 Third Quarter Report</i> disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on October 28, 2022.

VI. Performance of Duties by Directors**(I) Directors attending meetings of the Board of Directors and general meetings of shareholders**

Director name	Independent director or not	Attendance at meetings of the Board of Directors						Attendance at general meetings of shareholders
		Number of meetings of the Board of Directors to be attended this year	Number of meetings of the Board of Directors attended in person	Number of meetings of the Board of Directors attended by communication	Number of meetings of the Board of Directors attended by proxy	Number of meetings of the Board of Directors absent from	Fail to attend two consecutive meetings of the Board of Directors or not	Number of general meetings of shareholders attended
HOU Juncheng	No	6	6	0	0	0	No	2
FANG Yuyou	No	6	6	0	0	0	No	2
HOU Yameng	No	6	6	0	0	0	No	2
MA Dongming	Yes	6	6	6	0	0	No	2
GE Weijun	Yes	6	6	6	0	0	No	2

Explanation on absence from two consecutive meetings of the Board of Directors

Applicable Not applicable

Number of meetings of the Board of Directors held during the year	6
Including: number of on-site meetings	0
Number of meetings held by communication	0
Number of meetings held both on site and by communication	6

(II) Circumstances where directors object to the Company's relevant matters

Applicable Not applicable

(III) Other

Applicable Not applicable

VII. Special Committees under the Board of Directors

Applicable Not applicable

(1). Members of special committees under the Board of Directors

Category of special committee	Name of member
Audit Committee	HOU Yameng, MA Dongming, GE Weijun
Nomination Committee	HOU Juncheng, MA Dongming, GE Weijun
Remuneration and Appraisal Committee	FANG Yuyou, MA Dongming, GE Weijun

Strategy Committee	HOU Juncheng, MA Dongming, GE Weijun
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(2). Four meetings held by the Audit Committee during the Reporting Period

Date	Description	Important comments and suggestions	Other performance of duties
April 20, 2022	The 3rd meeting of the third session of the Audit Committee was held to deliberate on and approve the <i>Company's Annual Report 2021 and its Summary</i> , the <i>Company's 2022 Q1 Report</i> , the <i>Company's Annual Financial Final Report 2021</i> , the <i>Performance Report 2021 of the Audit Committee under the Company's Board of Directors</i> , the <i>Company's Internal Control Evaluation Report 2021</i> , the <i>2021 Special Report on the Annual Storage and Actual Use of Raised Fund</i> , the <i>Company's Plan for Profit Distribution and Capitalization of Capital Reserves for 2021</i> , the <i>Proposal on Payment of Audit Fees for 2021 and Further Employment of the Accounting Firm for 2022</i> , the <i>Proposal on the Estimated Amount of Daily Related-party Transactions for 2022</i> , the <i>Proposal on the Accrual of Asset Impairment Provision for 2021</i> , the <i>Proposal on the Adjustment of the Conversion Price of "Proya Convertible Bond"</i> , and the <i>Company's Annual Internal Audit Work Report 2021</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
July 8, 2022	The 4th meeting of the third session of Audit Committee was held to deliberate on and approve the <i>Proposal on 2022 Restricted Share Incentive Plan of the Company (Draft) and Its Summary</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
August 24, 2022	The 5th meeting of the third session of Audit Committee was held to deliberate on and approve the <i>Company's 2022 Semi-annual Report and its Summary</i> , the <i>2022 Special Report on the Semi-annual Storage and Actual Use of Raised Fund</i> , and the <i>Proposal on the Adjustment of the Conversion Price of "Proya Convertible Bond"</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None

October 27, 2022	The 6th meeting of the third session of Audit Committee was held to deliberate on and approve the <i>Company's 2022 Third Quarter Report</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
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(3). Three meetings held by the Remuneration and Appraisal Committee during the Reporting Period

Date	Description	Important comments and suggestions	Other performance of duties
January 12, 2022	The 1st meeting of the third session of Remuneration and Appraisal Committee was held to deliberate on and approve the <i>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</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
April 20, 2022	The 2nd meeting of the third session of Remuneration and Appraisal Committee was held to deliberate on and approve the <i>Proposal on Confirming the Remuneration of Directors for 2021</i> and the <i>Proposal on Confirming the Remuneration of Senior Management for 2021</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
July 8, 2022	The 3rd meeting of the third session of Remuneration and Appraisal Committee was held to deliberate on and approve the <i>Proposal on 2022 Restricted Share Incentive Plan of the Company (Draft) and Its Summary</i> , the <i>Proposal on Formulating the Assessment Management Method for the 2022 Restricted Share Incentive Plan</i> , and the <i>Proposal on Verifying the List of Incentive Recipients for the 2022 Restricted Share Incentive Plan</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None

(4). One meeting held by the Strategy Committee during the Reporting Period

Date	Description	Important comments and suggestions	Other performance of duties
April 20, 2022	The 2nd meeting of the third session of Strategy Committee was held to deliberate on and approve the <i>Proposal on the Company's Strategic Business Plan 2022</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None

(5). Dissenting matters

Applicable Not applicable

VIII. Explanation on the Company's Risks Identified by the Board of Supervisors

Applicable Not applicable

The Board of Supervisors had no objection to matters supervised during the Reporting Period.

IX. Employees of the Parent Company and Major Subsidiaries as of the End of the Reporting Period**(I) Employees**

Number of current employees of the parent company	1,129
Number of current employees of major subsidiaries	2,048
Total number of employees	3,177
Number of retired employees to be supported by the parent company and major subsidiaries	4
Specialty composition	
Category	Number of employees
Production workers	276
Sales specialists	2,370
Management	302
R&D personnel	229
Total	3,177
Educational background	
Education level	Number (persons)
Bachelor and above	1,217
Associate	724
High school and below	1,236
Total	3,177

(II) Remuneration policy√ Applicable Not applicable

Value creation is the Company's basis for salary distribution. Performance is an intuitive reflection of value. By establishing a comprehensive and objective performance evaluation system, the Company combines salary distribution and performance evaluation of employees with an aim to fully guide and motivate employees to create value.

(III) Training program√ Applicable Not applicable

The Company adheres to the goal of gathering and training outstanding professionals by always considering staff learning and growth as a primary task, and continuously innovating in and optimizing training research, training topics, training forms, training implementation, training evaluation and improvement, and trainer management. In terms of the form of learning, the Company combines internal and external learning and fully improves the engagement of employees in training, thus making the training more effective.

(IV) Labor outsourcing√ Applicable Not applicable

Total man-hours for labor outsourcing	
Total remuneration paid for labor outsourcing	RMB53,644,979.66

1. Huzhou Branch and Zhejiang Beutesigned the *Service Project Contracting Agreement* with Jiangxi Puji Labor Service Co., Ltd. to outsource auxiliary services including canteen, greening, cleaning, and goods handling, loading and unloading, and packaging to the latter and pay consideration for the agreed quantities.

2. Huzhou Branch signed the *Service Project Contracting Agreement* with Yancheng Dafeng Xinxinyuan Enterprise Management Co., Ltd. to outsource services such as partial goods handling, loading and unloading, combined packaging, and mask folding to the latter, and pay consideration for the agreed quantities.

X. Profit Distribution or Capital Reserve Conversion Plan**(I) Development, implementation or adjustment of the cash dividend distribution policy**√ Applicable Not applicable

The Company held the 16th meeting of the second session of Board of Directors and the 3rd extraordinary General Meeting of Shareholders on October 12, 2020 and October 28, 2020 respectively and approved the *Proposal on the Company's Planning for Dividends to Shareholders for the Next Three Years (2020-2022)*, as detailed below:

I. Factors considered in developing the planning for dividend distribution to shareholders

To promote the long-term and sustainable development, based on a comprehensive analysis of the corporate development strategy, shareholder requirements and expectations, social capital costs, and external financing environment, the Company has solicited and listened to the requirements and expectations of shareholders, especially small and medium shareholders, fully considered the Company's current and future profitability, cash flow, development stage, project investment capital needs, and bank credit, balanced the short-term and long-term interests of shareholders, and made institutional

arrangements for profit distribution, so as to establish a sustainable and stable mechanism for dividend distribution to investors to ensure the continuity and stability of the Company's profit distribution policy.

II. Principles for planning for dividend distribution to shareholders

The Company implements a continuous and stable profit distribution policy, attaches importance to reasonable investment returns to investors while considering sustainable development, and has established a continuous and stable mechanism for returns to investors in combination with the Company's profitability and actual needs for the future development strategy. The Company shall make a profit distribution plan in accordance with the *Articles of Association*. The Company's Board of Directors, Board of Supervisors and General Meeting of Shareholders shall fully consider the opinions of independent directors, supervisors and public investors in deciding and demonstrating the profit distribution policy.

III. Planning for dividend distribution to shareholders (2020-2022)

1. The Company shall implement a continuous and stable profit distribution policy, and consider reasonable investment returns to investors as well as the Company's actual operating conditions and sustainable development for the current year in profit distribution.

2. The Company may distribute profits in the form of cash or shares or both, or other methods permitted by laws and regulations. The distribution shall not exceed the accumulated distributable profits, and shall not undermine the Company's ability to continue as a going concern. When eligible for cash dividends, the Company shall distribute profits first in cash.

When eligible for cash dividends under the Company's *Articles of Association*, the Company shall, in principle, distribute profits in cash on a yearly basis. The Company's Board of Directors may propose that the Company should distribute interim cash dividends according to the Company's profitability and capital needs. The Company shall maintain the continuity and stability of the profit distribution policy, and distribute every year at least 20% of the distributable profits achieved for the current year. The Company's Board of Directors shall propose a differentiated cash dividend policy in line with the procedure under the Company's *Articles of Association* after a comprehensive analysis of factors such as industry characteristics, development stage, its own business mode, profitability, and major spending arrangements.

3. Adjustment of the profit distribution plan and related decision-making mechanism

(1) The Company shall evaluate the implemented plan for dividend distribution to shareholders once every three years. According to applicable laws and regulations, the Company's operating conditions, and the opinions of shareholders (especially small and medium investors) and independent directors, the Company may modify its current profit distribution policy when necessary and make a new plan for dividend distribution to shareholders. Upon adjustment, the plan for dividend distribution to shareholders shall be approved by voting at the General Meeting of Shareholders.

(2) The Company's Board of Directors shall make an appropriate annual distribution plan or an interim profit distribution plan as necessary for development after fully considering the Company's profitability, cash flow, development capital needs, financing costs, and the external financing environment, and implement them upon the approval by the Company's General Meeting of Shareholders.

During the Reporting Period, the Company approved the 2021 annual profit distribution plan at the 2021 Annual General Meeting of Shareholders, whereby distributing a cash dividend of RMB8.60 (tax inclusive) for each 10 shares to all shareholders registered as of the record date on the basis of the total share capital as of the record date for dividend distribution for a total of RMB172,868,570.76 (tax inclusive). The said dividend distribution was completed on May 30, 2022.

(II) Special description of the cash dividend policy

Applicable Not applicable

Is the cash dividend policy acceptable under the Company's Articles of Association or as required by resolutions at the General Meeting of Shareholders?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are dividend distribution standard and ratio clearly defined?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are decision-making procedures and mechanisms complete?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Do independent directors fulfill their duties and play their roles diligently?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Do minority shareholders have the opportunity to fully express their opinions and demands, and are their legitimate rights and interests fully protected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

(III) Where the Company made profits and the parent company could provide positive profits available to shareholders for distribution but did not propose a cash profit distribution plan during the Reporting Period, the Company shall disclose the reasons in details and the purpose and use of undistributed profits.

Applicable Not applicable

(IV) Profit distribution and capitalization of capital reserves during the Reporting Period

Applicable Not applicable

Unit: Yuan Currency: RMB

Number of bonus shares distributed per 10 shares (shares)	0
Dividends per 10 shares (RMB) (tax included)	8.70
Conversions per 10 shares (shares)	4
Amount of cash dividends (tax included)	246,661,938.03
Net profit attributable to ordinary shareholders of the Company in the annual consolidated statement of dividends	817,400,223.93
Proportion in the net profit attributable to ordinary shareholders of the Company in the consolidated statement (%)	30.18
Amount of shares repurchased in cash included in cash dividends	0.00
Total dividend amount (tax included)	246,661,938.03
Proportion of the dividend amount in the net profit attributable to ordinary shareholders of the Company in the consolidated statement (%)	30.18

XI. The Company's Equity Incentive Plans, Employee Stock Ownership Plans or Other Employee Incentives and Their Impact

(I) Relevant incentive matters disclosed in the temporary announcement and with no progress or changes in subsequent implementation

Applicable Not applicable

Matter	Reference
Announcement on the Satisfaction of Conditions for Releasing the Sales Restrictions for the Third	SSE website, <i>Shanghai Securities News</i> , <i>Securities Times</i> on January 13, 2022

Release Period of the Restricted Shares Granted for the First Time and with Reserve under the 2018 Restricted Share Incentive Plan and Listing	
Announcement on 2022 Restricted Share Incentive Plan of the Company (Draft) and Its Summary	SSE website, <i>Shanghai Securities News</i> , <i>Securities Times</i> on July 9, 2022
Announcement on the Granting of Restricted Shares to Incentive Recipients	SSE website, <i>Shanghai Securities News</i> , <i>Securities Times</i> on July 26, 2022
Announcement on the Granting Result of the 2022 Restricted Stock Incentive Plan	SSE website, <i>Shanghai Securities News</i> , <i>Securities Times</i> on September 8, 2022

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

Equity incentives

 Applicable Not applicable

Other explanations

 Applicable Not applicable

Employee stock ownership plans

 Applicable Not applicable

Other incentives

 Applicable Not applicable**(III) Equity incentives granted to directors and senior management during the Reporting Period** Applicable Not applicable Applicable Not applicable

Unit: share

Name	Position	Number of restricted shares held at the beginning of the year	Number of newly granted restricted shares during the Reporting Period	Price of restricted shares granted (RMB)	Unlocked shares	Locked shares	Number of restricted shares held at the end of the Reporting Period	Market price as of the end of the Reporting Period (RMB)
JIN Yanhua	Deputy General Manager	54,981	140,000	78.56	76,973	140,000	216,973	36,338,638.04
WANG	Deputy	32,322	180,000	78.56	45,25	180,000	225,251	37,725,037.4

Li	General Manager, Secretary of the Board of Directors, CFO				1			8
Total	/	87,303	320,000	/	122,2 24	320,000	442,224	/

Note: The Company implemented the 2021 Equity Distribution Plan on May 30, 2022, in which the Company distributed to all shareholders a cash dividend of RMB8.60 (tax inclusive) per 10 shares based on the total share capital as of the record date on which equity distribution is implemented and issued 4 shares for every 10 shares to all shareholders through capitalization of the capital reserve. The "unlocked shares" and "number of restricted shares held at the end of the period" mentioned in the table above include the shares converted through the capitalization of the capital reserve in 2021.

(IV) Evaluation mechanism for senior management as well as the establishment and implementation of the incentive mechanism during the Reporting Period

Applicable Not applicable

During the Reporting Period, the Company's General Manager and other senior management were evaluated based on performance indicators and their annual performance remuneration was submitted by the Remuneration and Appraisal Committee to the Board of Directors for deliberation.

XII. Construction and Implementation of the Internal Control System during the Reporting Period

Applicable Not applicable

The Company has developed relevant systems including the *Internal Audit System*, the *External Guarantee Decision-making Management System*, the *Related-party Transaction Management System*, the *Raised Funds Management System*, and the *Information Disclosure Management System*, and established processes for company establishment/investment/change applications, entrusted wealth management application, and guarantee application. The Company continuously improves the internal control system and related processes, regulates the implementation of the internal control system, strengthens the supervision and inspection of internal control, and promotes the healthy and sustainable development of the Company.

Description on Material deficiencies in internal control during the Reporting Period

Applicable Not applicable

XIII. Management and Control of Subsidiaries during the Reporting Period

Applicable Not applicable

The Company has developed systems including the *External Investment and Operation Decision-making System* and the *Subsidiary Management System* to implement centralized control over subsidiaries. The Company HQ is responsible for its finance, asset operation and overall strategic planning while all subsidiaries develop their strategic plans based on the Company's overall strategic planning.

XIV. Description of the Internal Control Audit Report

Applicable Not applicable

During the Reporting Period, Pan-China Certified Public Accountants (Special General Partnership), the Company's internal control auditing firm, issued the *Internal Control Audit Report* (Tian Jian Shen [2023] No.3129), in which opinion the Company had maintained effective internal control over financial reporting in all material aspects as of December 31, 2022 pursuant to the *Basic Rules for Internal Control* and other applicable provisions.

Whether to disclose the internal control audit report: Yes

Type of opinion in the internal control audit report: standard unqualified opinion

XV. Correction of Problems Identified in the Special Campaign for Governance of Listed Companies

None

XVI. Other

Applicable Not applicable

Section V Environmental and Social Responsibility

I. Environmental Information

Whether to establish the environmental protection mechanism	Yes
Investment in environmental protection during the Reporting Period (Unit: RMB'0,000)	344.54

(I) Environmental issues of the Company and major subsidiaries included in the list of primary pollutant discharge entities announced by the environmental authority

Applicable Not applicable

(II) Environmental issues of the Company not included in the list of primary pollutant discharge entities

Applicable Not applicable

1. Administrative penalties due to environmental issues

Applicable Not applicable

2. Disclosure of other environmental information with reference to primary pollutant discharge entities

Applicable Not applicable

During the Reporting Period, the Company passed the ISO14001:2015 Environmental Management System certification (valid until February 14, 2025). The emission of greenhouse gases and discharge of industrial wastewater, air emissions, and residues mainly occur from product production.

The wastewater produced by the Company mainly comes from domestic sewage and production wastewater and is discharged to landscape water pools or to the outside through a consolidated water pipe after being treated by the sewage treatment station. The air emissions produced mainly comes from boilers. The Company has formulated the *Sewage Treatment Management System*, the *Boiler Management System*,

and other management documents to strictly control the discharge of wastewater and air emissions. During the Reporting Period, the Company discharged wastewater and air emissions up to standards.

Main administrative measures taken during the Reporting Period include:

(1) Wastewater:

The Company installed the Multi Vision COD online automatic monitoring instrument, and monitored the COD in treated water 24 hours a day to ensure class-A sewage discharge; constructed a sewage treatment system to make sure treated sewage is highly purified and recycled; renovated environmental protection technologies in the production park:

- ① Underground pipeline CCTV detection system: Consisting of crawlers, lenses, cable reels, and a control system, the underground pipeline CCTV detection system is used to clear the blockage in the pipeline inside the park and maintain and repair the pipeline network, so as to prevent the risk of sewage leakage due to outdated pipeline and provide reliable technological support for zero sewage discharge;
- ② Perform technological transformation on the anaerobic tower of the sewage treatment station to improve the biological anaerobic effect;
- ③ Increase the capacity and efficiency of the air flotation tank of the sewage treatment station to 10 tons; improve the capability of treating gas explosion of sewage in the air flotation tank, and enhance the clean water treatment capacity on the original basis.

(2) Air emissions:

- ① Huzhou production base (skincare factory): A air emissions treatment facility for the cream production line was added to reduce the emission of dust and organic air emissions. After being use, the facility can collect 99% dust and remove 75% organic air emissions. A highly-precise volatile organic chemical (VOC) gas collection device was installed to effectively reduce unorganized gas emission;
- ② Huzhou production base (make-up factory): A Swiss-made VOC gas and dust treatment facility was added.

(3) The Company properly disposes of solid waste generated in production and operations. The Company manages solid wastes in a macroscopical manner and our factories can track the whole process data on solid wastes and prevent risks by requesting to report the amount of generated hazardous waste on the National Information System Platform for the Management of Solid Wastes and Chemicals every year, selecting hazardous waste treatment service providers through open bidding on the platform, and requesting for the treatment of hazardous wastes on the platform.

3. Reasons for non-disclosure of other environmental information

Applicable Not applicable

(III) The Company's performance in helping protect the environment, prevent pollution and fulfill environmental responsibilities

Applicable Not applicable

The emission of greenhouse gases and discharge of industrial wastewater, air emissions, and residues mainly occur from product production. Moreover, the consumption of energy, raw materials, and other resources principally occurs when products are made. Therefore, sustainable production can improve the usage efficiency of resources and energy in production processes, reduce pollutants and greenhouse gas emissions, and build a resource-saving and eco-friendly production system.

During the Reporting Period, the Company carried out a new round of audits on cleaner production in the Huzhou Production Base (skincare factory). We investigated the current situation of pollutant emissions,

energy management, and environmental protection, and also developed several cleaner production implementation programs according to the investigation results.

During the Reporting Period, the Huzhou Production Base (skincare factory) planned and implemented 14 cleaner production programs, thus achieving the following outcomes:

- (1) Reduced waste water discharge by 4,400 tons;
- (2) Reduced COD emission by 0.17 tons and ammonia nitrogen emission by 0.001 tons;
- (3) Reduced the generation of hazardous waste by 3 tons;
- (4) Reduced carbon dioxide emissions by 322.73 tons;
- (5) Saved electricity by 565.9 MWh;
- (6) Saved raw materials worth RMB108 thousand;
- (7) Saved natural gas by 3,000 Nm³;
- (8) Saved water by 4,600 m³

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

Whether to take carbon emission reduction measures	Yes
Carbon dioxide emission equivalent reduced (unit: ton)	4,255
Type of carbon emission reduction measures (such as electricity generation with clean energy, carbon reduction technologies used in production, or the development and production of new products that help reduce carbon emissions)	<ol style="list-style-type: none"> 1. Procurement of raw materials: Explain carbon reduction policies to suppliers, cooperate with them to reduce carbon emissions in the stage of procurement, and prioritize suppliers with low carbon emissions. 2. Production: <ol style="list-style-type: none"> (1) Regularly collect carbon emissions data, invite professional third parties to conduct data audits, and make improvements to correct deviations inside the Company; (2) Carry out energy-saving and technology upgrade projects to improve energy efficiency; (3) Carry out clean energy replacement and increase the proportion of clean energy use through photovoltaic power generation and the purchase of green electricity. 3. Product packaging: Carry out green packaging projects to reduce carbon emissions after packaging disposal through packaging usage reduction, packaging recycling, and other methods. 4. Transportation and logistics: Optimize the warehousing and logistics system to reduce energy consumption in the process of warehousing and logistics by rationally arranging warehouses and planning transportation routes. 5. Product usage and disposal: Publicize the concept of sustainable consumption to consumers to provide them with more sustainable choices.

Specific description

Applicable Not applicable

II. Social Responsibility**(I) Whether to independently disclose social responsibility reports, sustainable development reports, or ESG reports**√ Applicable Not applicable

For details, see the *Proya Sustainable Development & Environmental, Social, and Governance (ESG) Report 2022* disclosed by the Company on the SSE website (www.sse.com.cn) disclosed on the same day.

(II) Description of social responsibilities√ Applicable Not applicable

External donation and charity projects	Quantity/content	Description
Total investment (RMB'0,000)	143.46	Include funds and materials donated by the Company to various community philanthropy and charitable activities
Including: fund (RMB'0,000)	140.00	1. The Company donated RMB1 million to Shanghai Adream Foundation for the "One County, One Dream" charity project. 2. The Company once again paired with Liwu Village, Jiulong County, Ganzi Prefecture, Sichuan Province, and donated RMB100,000 to village school so they could buy stationery and books; 3. The Company donated RMB300 thousand to the charity project jointly operated by the Wuxing District Charity Federation of Huzhou and Proya.
Cash value of materials (RMB'0,000)	3.46	The Company donated anti-epidemic supplies to Dongyue Community, Xihu District, Hangzhou
Number of beneficiaries (person)	9,087	

Specific description

 Applicable Not applicable**III. Poverty Alleviation and Rural Revitalization Progress**√ Applicable Not applicable

Poverty alleviation and rural revitalization project	Quantity/content	Description
Total investment (RMB'0,000)	110	1. The Company donated RMB1 million to Shanghai Adream Foundation for the "One County, One Dream" charity project. 2. The Company once again paired with

		Liwu Village, Jiulong County, Ganzi Prefecture, Sichuan Province, and donated RMB100,000 to village school so they could buy stationery and books;
Including: fund (RMB'0,000)	110	
Cash value of materials (RMB'0,000)	0	
Number of beneficiaries (person)	8,085	
Form of support (such as industrial support, employment support, education support, etc.)	Education support	

Specific description

Applicable Not applicable

Section VI Important Matters

I. Fulfillment of Commitments

(I) Commitments made by the Company's actual controllers, shareholders, related parties, acquirers and the Company and other relevant parties during the Reporting Period or continuing to the Reporting Period

√ Applicable □ Not applicable

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

			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	Senior management JIN Yanhua	(1) Within 12 months from the date of the Company's IPO, they shall not transfer or authorize any other to manage their shares directly or indirectly held in the Company or have the Company repurchase such shares. (2) During their terms as the Company's 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. (3) 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	Date: April 16, 2018 Duration: April 16, 2018 to long-term	No	Yes	Not applicable	Not applicable	

			Company's 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. (4) 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	Senior management WANG Li	(1) Within 12 months from the date of the Company's IPO, they shall not transfer or authorize any other to manage their shares directly or indirectly held in the Company or have the Company repurchase such shares. (2) During their terms as the Company's 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. (3) 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	Date: September 3, 2018 Duration: September 3, 2018 to long-term	No	Yes	Not applicable	Not applicable	

			the end of the 6-month period after the Company's 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. (4) 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	Controlling shareholder and actual controller HOU Juncheng and FANG Aiqin	(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, block trading, and transfer by agreement 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 their shares in the Company are less than 5%. (4) Should they fail to perform the said intent of share reduction, they	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			must explain the cause for failing to do so in the Company's General Meeting of Shareholders and the media designated by the CSRC and publicly apologize to the Company's shareholders and public investors.					
Restrictions on sales	Shareholders FANG Yuyou and LI Xiaolin directly holding more than 5% shares in the Company	(1) If they intend to reduce shares after the lock-up period expires, they will prudently make a share reduction plan as necessary for the Company to stabilize the share price and conduct operations and capital operations as required by the CSRC and the exchange on shareholders for share reduction, whereby reducing shares gradually upon expiration of the lock-up period. (2) They must sell shares in the Company with methods including but not limited to collective trading through bidding, 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 their 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 the	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			media designated by the CSRC and publicly apologize to the Company's shareholders and public investors.					
	Other	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 cause for failing to do so in the Company's General Meeting of Shareholders and the media designated by the CSRC and publicly 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 competent regulators; if the losses are caused 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 deliberation, 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	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			senior management at the time of the Company's IPO.					
Other	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 cause 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 the commitment is not fulfilled, they will not receive shareholder dividends from the Issuer within 5 working days from the date when the said incident occurs, and they will not be able to transfer their shares until they take measures to stabilize the share price as per the said plan and achieve results.	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	
Other	The Company's directors (excluding independent directors) and senior management	When the preconditions for enabling the share price stabilization plan are met, if failing to take specific measures to stabilize the share price as per the plan to stabilize the share price, they must explain the cause 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 the commitment is not fulfilled, they will not receive remuneration and shareholder dividends (if any) from the Issuer within 5	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			working days from the date when the said incident occurs, and they will not be able to transfer their shares until they take measures to stabilize the share price as per the said plan and achieve results.					
Other	The Company	If the Company's prospectus contains 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 the illegal facts mentioned above are identified by the CSRC or the stock exchange or the judicial authority where the Company is located, the Company will actively compensate investors for direct economic losses incurred therefrom by settling with investors with respect to measurable economic losses directly incurred to investors, mediating with investors through a third party and establishing an investor compensation fund based on the principles of procedure simplification, active negotiation, compensation in advance, and effective protection of investors' interests, 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	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			Meeting of Shareholders and the media designated by the CSRC and compensate investors for the actual losses identified by the CSRC and the judicial authority.					
Other	The Issuer's controlling shareholders and actual controllers	If the Issuer's prospectus contains 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 the illegal facts mentioned above are identified by the CSRC or the stock exchange or the judicial authority where the Company is located, the Company will actively compensate investors for direct economic losses incurred therefrom by settling with investors with respect to measurable economic losses directly incurred to investors, mediating with investors through a third party and establishing an investor compensation fund based on the principles of procedure simplification, active negotiation, compensation in advance, and effective protection of investors' interests, 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 compensation measures at the	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			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 when the said commitments are violated, and their shares in the Issuer will not be transferred until they take compensation measures as per the said commitments and achieve results.					
Other	Directors, supervisors and senior management	If the Issuer's prospectus contains 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 the illegal facts mentioned above are identified by the CSRC or the stock exchange or the judicial authority where the Company is located, the Company will actively compensate investors for direct economic losses incurred therefrom by settling with investors with respect to measurable economic losses directly incurred to investors, mediating with investors through a third party and establishing an investor compensation fund based on the principles of procedure simplification, active negotiation, compensation in advance, and effective protection of investors' interests, especially small and medium investors. If found to have violated the said commitments, the Company's	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			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 when the said commitments are violated, and their shares in the Issuer will not be transferred until they take compensation measures as per the said commitments and achieve results.					
Other	The Company	In order to ensure the effective use of the proceeds from the IPO, effectively prevent the risk of diluting immediate returns and improve future returns, the Company intends to take measures including tightening operation management and internal control, accelerating the progress of fundraising projects, and strengthening the investor return mechanism, so as to improve asset quality, increase operation 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 spot returns in accordance with the implementation rules issued by the CSRC and Shanghai Stock	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			Exchange. 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 the approval by the Company's General Meeting of Shareholders.					
Other	Controlling shareholder and actual controller HOU Juncheng and FANG Aiqin	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 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 Shanghai Stock Exchange have otherwise released opinions and implementation rules on measures to fill the diluted immediate returns and relevant commitments, if the Company's relevant provisions and their commitments	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable	

			contradict such rules, they will immediately make supplementary commitments in line with such rules of the CSRC and Shanghai Stock Exchange, and actively promote the Company to issue new commitments or measures up to the requirements of the CSRC and Shanghai Stock Exchange; (3) They will fully, completely and timely perform the Company's measures to fill the diluted immediate returns and their 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 state 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 Shanghai Stock Exchange and other securities regulators as per their current rules. The said measures to fill the diluted immediate returns shall not be deemed to constitute a guarantee for the Company's future profits.					
Other	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	Date:	No	Yes	Not applicable	Not applicable	

		<p>Company's directors and senior management, promise that: (1) They will not offer benefits to other entities or individuals for free or on unfair terms, or otherwise harm the Company's interests; (2) They will strictly follow the Company's budget management by limiting their duty-related consumption to the extent required, subject to the Company's supervision, and free from waste or extravagance; (3) They will not use the Company's assets to engage in investment and consumption activities unrelated to their duties; (4) They will actively promote the improvement of the Company's compensation system to better meet the requirements for filling the diluted immediate returns; support the Company's Board of Directors or Remuneration Committee to link the development, revision, and supplementation of the Company's compensation system with the implementation of the measures to fill the diluted immediate returns; 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 Shanghai Stock Exchange have otherwise released the opinions and implementation rules on the measures to fill the diluted</p>	<p>Duration: November 15, 2017 to long-term</p>				
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		<p>immediate returns and relevant commitments, if the Company's relevant provisions and their commitments contradict such rules, they will immediately make supplementary commitments in line with such rules of the CSRC and Shanghai Stock Exchange, and actively promote the Company to issue new commitments or measures up to the requirements of the CSRC and Shanghai Stock Exchange; (6) They will fully, completely and timely perform the Company's measures to fill the diluted immediate returns and their 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 state 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 Shanghai Stock Exchange and other securities regulators as per their current rules. The said measures to fill the diluted immediate returns shall not be deemed to constitute a guarantee for the Issuer's future profits.</p>					
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	Avoiding horizontal competition	Controlling shareholder and actual controller HOU Juncheng and FANG Aiqin	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 to the Company caused by violation of the above commitments. 2. For the enterprises under their control, They will perform their obligations under such commitments by assigning agencies and personnel (including but not limited to directors and managers), and They shall be liable for the economic losses to the Company caused by violation of the above commitments. 3. From the date of signing this letter of commitment, if the Company further expands its product and business scope, the enterprises under their 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	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable
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			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., Huzhou Mogan Wangshu Cosmetics Industry Phase I Venture Capital Partnership (Limited Partnership), and companies that they invest in, engage in no cosmetics business or related upstream and downstream business. If they engage in such businesses in the future, They commit that they will withdraw their investment in those business 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 those enterprises.					
Commitments on refinancing	Other	Controlling shareholder and actual controller HOU Juncheng and FANG Aiqin	Commitments on the effective fulfillment of the Company's measures to fill the diluted immediate returns: 1. Under no circumstances will they interfere with the Company's operation and management activities or encroach on the company's interests by ultra vires; 2. From the date of the issuance of these commitments to the date of the Company's public issuance of A-share convertible corporate bonds, if the CSRC releases new	Date: April 21, 2021 Duration: April 21, 2021 to long-term	No	Yes	Not applicable	Not applicable

			regulatory rules on the measures to fill the diluted immediate returns and relevant commitments and the above-mentioned commitments can no longer satisfy the new regulatory rules, they will make supplementary commitments in line with the latest rules of the CSRC; 3. They will practically fulfill the Company's measures for filling the diluted immediate returns and their commitments regarding the measures to fill the diluted immediate returns. Where they violate those commitments, causing losses to the Company or investors, they will assume the compensation liability to the Company or investors according to law. As one of the parties responsible for the measures to fill the immediate returns, should they violate or refuse to fulfill the above commitments, they shall be subject to the punishment or relevant regulatory measures imposed on them by the securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules.					
Other	Directors, senior management	Commitments on the effective fulfillment of the Company's measures to fill the diluted immediate returns: 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	Date: April 21, 2021 Duration: April 21,	No	Yes	Not applicable	Not applicable	

		<p>duty-related consumption; 3. They will not use the Company's assets to engage in investment and consumption activities unrelated to their duties; 4. The compensation system developed by the Board of Directors and the Remuneration and Appraisal Committee will be linked to the implementation of the measures for filling the diluted immediate returns; 5. If the Company issues 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 diluted immediate returns; 6. From the date of the issuance of these commitments to the date of the Company's public issuance of A-share convertible corporate bonds, if the CSRC releases new regulatory rules on the measures to fill the diluted immediate returns and relevant commitments and the above-mentioned commitments can no longer satisfy the new regulatory rules, they will make supplementary commitments in line with the latest rules of the CSRC. As one of the parties responsible for the measures to fill the immediate returns, should they violate or refuse to fulfill the above commitments, they shall be subject to the punishment or relevant regulatory measures imposed on them by the</p>	<p>2021 to long-term</p>				
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			securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules.					
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(II) Statement of whether the Company's assets or projects fulfilled the original profit forecast and its reason where the Company had profit forecasts on assets or projects and the Reporting Period fell within the term of profit forecasts

Fulfilled Unfulfilled Not applicable

(III) Execution of the performance undertakings and their impact on the goodwill impairment testing

Applicable Not applicable

II. Non-operating Occupation of Funds by the Controlling Shareholders and Other Related Parties during the Reporting Period

Applicable Not applicable

III. Illegal Guarantee

Applicable Not applicable

IV. Explanation of the Company's Board of Directors on the "Non-standard Audit Report" from the Accounting Firm

Applicable Not applicable

V. Analysis and Explanation from the Company on the Reasons and Impact of Changes in Accounting Policies, Accounting Estimates or Correction on Significant Accounting Errors**(I) Analysis and explanation from the Company on the reasons and impact of changes in accounting policies or accounting estimates**

Applicable Not applicable

For details, see the description in "44. Changes in significant accounting policies and accounting estimates", "V. Significant Accounting Policies and Accounting Estimates", "Section X Financial Report".

(II) Analysis and explanation from the Company on the reasons and impact of the correction on significant accounting errors

Applicable Not applicable

(III) Communication with the previous accounting firm

Applicable Not applicable

(IV) Other explanations

Applicable Not applicable

VI. Appointment and Dismissal of the Accounting Firm

Unit: Yuan Currency: RMB

	Current accounting firm
Name of the domestic accounting firm	Pan-China Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1,400,000
Term of office of the domestic accounting firm	12
Names of CPAs from the domestic accounting firm	YIN Zhibin, WANG Xiaokang
Continual term of audit service provided by the CPAs from the in the domestic accounting firm	YIN Zhibin: 3 years of continual term of audit service WANG Xiaokang: 5 years of continual term of audit service

	Name	Remuneration
Accounting firm for internal control and audit	Pan-China Certified Public Accountants (Special General Partnership)	200,000

Explanation on appointment and dismissal of the accounting firm

Applicable Not applicable

Explanation on the change of accounting firm during the Auditing Period

Applicable Not applicable

VII. Particulars on Risk of Delisting

(I) Reasons for the delisting risk warning

Applicable Not applicable

(II) Measures to be taken by the Company

Applicable Not applicable

(III) Situation and causes for termination of listing

Applicable Not applicable

VIII. Matters Related to Bankruptcy and Reorganization

Applicable Not applicable

IX. Material Litigations and Arbitrations

The Company had material litigations and arbitrations during the year The Company had no material litigations and arbitrations during the year

X. Suspected Violations, Penalties and Rectifications of the Company and Its Directors, Supervisors, Senior Management, Controlling Shareholders and Actual Controllers

Applicable Not applicable

XI. 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 were in good faith.

XII. Significant Related-party Transactions

(I) Related-party transactions pertaining to daily operation

1. Matters that have been disclosed in the interim announcement without progress or change in the follow-up implementation

Applicable Not applicable

2. Matters that have been disclosed in the interim announcement with progress or changes in the follow-up 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 to deliberate

on and approve the *Proposal on the Estimated Amount of Daily Related-party Transactions for 2022*. For details, see the *Announcement on the Estimated Amount of Daily Related-party Transactions for 2022* (No.: 2022-020) disclosed by the Company on the SSE website (www.sse.com.cn) on April 22, 2022. The number of daily related-party transactions of the Company in 2022 does not exceed the estimated number at the beginning of the year.

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

Category of related-party transactions	Related party	Estimated amount in 2022	Actual amount in 2022
Deposits in bank accounts opened with the related party	Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	No more than RMB150 million for daily amount	RMB146.67million
Information of related lease	Huzhou Beauteville Technology Incubator Co., Ltd.	RMB1.8 million	RMB1.12million

Note: The "actual amount in 2022" represents the balance in the accounts as of March 15, 2022 as Zhejiang Yueqing Rural Commercial Bank Co., Ltd. has no longer been identified as an affiliated entity of the Company since March 16, 2022. From January 1, 2022 to March 15, 2022, the Company obtained a deposit interest of RMB1.44million from Zhejiang Yueqing Rural Commercial Bank Co., Ltd.

3. Matters not disclosed in the interim announcement

Applicable Not applicable

(II) Related-party transactions arising from acquisition and disposal of assets or equity

1. Matters that have been disclosed in the interim announcement without progress or change in the follow-up implementation

Applicable Not applicable

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

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

4. Disclosable performance achievements during the Reporting Period involving agreed-upon performance

Applicable Not applicable

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

1. Matters that have been disclosed in the interim announcement without progress or change in the follow-up implementation

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

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

Applicable Not applicable

(VI) Other

Applicable Not applicable

XIII. Significant Contracts and Their Performance

(I) Trusteeship, contracting and leasing

1. Trusteeship

Applicable Not applicable

2. Contracting

Applicable Not applicable

3. Leasing

Applicable Not applicable

(II) Guarantee

Applicable Not applicable

(III) Entrusting others to manage cash assets

1. Entrusted wealth management

(1) Overall condition of entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(2) Individual entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(3) Impairment provisions of entrusted wealth management

Applicable Not applicable

2. Entrusted loans

(1) Overall condition of entrusted loans

Applicable Not applicable

Others

Applicable Not applicable

(2) Individual entrusted loans

Applicable Not applicable

Others

Applicable Not applicable

(3) Impairment provisions of entrusted loans

Applicable Not applicable

3. Others

Applicable Not applicable

(IV) Other material contracts

Applicable Not applicable

XIV. Other Major Matters That Have A Significant Impact on Investors' Value Judgments and Investment Decisions

Applicable Not applicable

Section VII Shareholders and Changes in Shares

I. Changes in Share Capital

(I) Table of changes in shares

1. Table of changes in shares

Unit: '0,000 shares

	Before this change		Increase or decrease (+ or -) due to this change					After this change	
	Number	Percentage (%)	Issuance of new shares	Bonus shares	Shares converted from capital reserve	Other	Subtotal	Number	Percentage (%)
I. Restricted shares	34.7201	0.1727	210			-34.7201	175.2799	210	0.7407
1. Shares held by the state									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic funds	34.7201	0.1727	210			-34.7201	175.2799	210	0.7407
Wherein: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons	34.7201	0.1727	210			-34.7201	175.2799	210	0.7407
4. Shares held by foreign funds									
Wherein: Shares held by foreign legal persons									
Shares held by foreign natural persons									
II. Unrestricted outstanding shares	20,066.2765	99.8273			8,040.3986	35.2718	8,075.6704	28,141.9469	99.2593
1. RMB Ordinary Shares	20,066.2765	99.8273			8,040.3986	35.2718	8,075.6704	28,141.9469	99.2593
2. Foreign-funded shares listed domestically									
3. Foreign-funded shares listed overseas									

4. Others									
III. Total shares	20,100. 9966	100.00	210		8,040.3986	0.5517	8,250.95 03	28,351.9 469	100.00

2. Changes in shares

√ Applicable □ Not applicable

On January 12, 2022, the 4th meeting of the third session of Board of Directors and the 4th meeting of the third session of Board of Supervisors were held to deliberate on and approve 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*, agreeing that the Company may handle the release procedure for the incentive recipients who meet the conditions for releasing the sales restrictions. A total of 347,201 restricted shares were released from the sales restriction. The circulation date of released shares is January 20, 2022. The number of the unrestricted circulating shares of the Company increased from 200,662,765 before the listing to 201,009,966, while the number of the restricted circulating shares decreased from 347,201 before the listing to 0.

On May 12, 2022, the 2021 annual General Meeting of Shareholders was held to deliberate on and approve the *Company's Plan for Profit Distribution and Capitalization of Capital Reserves for 2021*, in which the Company distributed to all shareholders a cash dividend of RMB8.60 (tax inclusive) per 10 shares based on the total share capital as of the record date on which equity distribution is implemented and issued 4 shares for every 10 shares to all shareholders through capitalization of the capital reserve, totaling 80,403,986 shares converted. The circulation date of unrestricted circulating shares is May 31, 2022. The number of the unrestricted circulating shares of the Company increased from 201,009,966 before the listing to 281,413,952.

On July 25, 2022, the 7th meeting of the third session of Board of Directors and the 7th meeting of the third session of Board of Supervisors were held to deliberate on and approve the *Proposal on the Granting of Restricted Shares to Incentive Recipients*, which considered that the granting conditions specified in the *2022 Restricted Share Incentive Plan of the Company (Draft)* had been met and agreed that 2.1 million restricted shares would be granted to 101 eligible incentive recipients at the consideration of RMB78.56/share on July 25, 2022, which is considered the grant day. On September 6, 2022, the Company completed the registration of the grant under the 2022 Restricted Share Incentive Plan at CSDC Shanghai Branch. The number of the restricted circulating shares of the Company increased from 0 before the listing to 2,100,000.

With the Approval of the CSRC, 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 face value of RMB100 per share and a total face value of RMB751,713,000, with a term of 6 years. With the approval of the SSE's *Self-Regulatory Supervision Decision Letter* [2021] No. 503, the convertible corporate bonds issued by the Company amounting to RMB751,713,000 would be listed and traded on the Shanghai Stock Exchange from January 4, 2022, with the short name of "Proya Convertible Bond" and the bond code of "113634". The Proya Convertible Bond started conversion on June 14, 2022. As of December 31, 2022, RMB776,000 of Proya Convertible Bond had been converted to A-share stocks of the Company, generating 5,517 shares. The number of the unrestricted circulating shares of the Company increased by 5,517.

3. Impact of changes in shares on the earnings per share, net asset value per share and other financial indicators in the last year and period (if any)

Applicable Not applicable

Implementation of the 2021 plan for capitalization of capital reserves: calculated based on the diluted total share capital after the capitalization of capital reserves.

Changes in other shares: no material impact.

4. Disclosure of other content that the Company deems necessary or the securities regulatory authority requires

Applicable Not applicable

(II) Changes in restricted shares

Applicable Not applicable

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reason for sales restriction	Date of releasing the sales restriction
JIN Yanhua	39,320	39,320	140,000	140,000	2022 Restricted Stock Incentive Plan	-
WANG Li	22,382	22,382	180,000	180,000	2022 Restricted Stock Incentive Plan	-
16 persons granted for the first time under 2018 Restricted Stock Incentive Plan	239,379	239,379	0	0	The grant for the first time under 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

99 persons granted under 2022 Restricted Stock Incentive Plan	0	0	1,780,000	1,780,000	2022 Restricted Stock Incentive Plan	-
Total	347,201	347,201	2,100,000	2,100,000	/	/

II. Issuance and Listing of Securities

(I) Issuance of securities as of the Reporting Period

Applicable Not applicable

Unit: Share Currency: RMB

Category of shares and their derivatives	Issue date	Issue price (or interest rate)	Issue quantity	Circulation date	Number of shares available for circulation and trading	Termination date
Convertible corporate bonds and warrant bonds						
Convertible corporate bonds	12/8/2021	RMB100	7,517,130	1/4/2022	7,517,130	12/7/2027

Issuance of securities in the Reporting Period (provide separate explanation on bonds with different interest rates in their duration):

Applicable Not applicable

With the Approval of the CSRC, 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 face value of RMB100 per share and a total face value of RMB751,713,000. These convertible bonds were issued at face value with a term of 6 years.

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

According to relevant regulations and the *Prospectus of Proya Cosmetics Co., Ltd. for the Public Offering of A-Share Convertible Corporate Bonds*, this "Proya Convertible Bond" issued by the Company can be converted to the Company's shares from June 14, 2022. The convertible period is from June 14, 2022 to December 7, 2027. The initial conversion price is 195.98 RMB/share. The latest conversion price is 138.92 RMB/share. The historical adjustments to the conversion price are as follows:

1. Since the 2021 Equity Distribution Plan was implemented by the Company, the conversion price of the "Proya Convertible Bond" was adjusted to RMB139.37/share on May 30, 2022. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2021 Equity*

Distribution Plan (No.: 2022-029) released by the Company on the SSE website on May 24, 2022 (www.sse.com.cn).

2. Since the registration of restricted shares involved in the grant under the 2022 Restricted Stock Incentive Plan was completed, the conversion price of the “Proya Convertible Bond” has been adjusted to 138.92 RMB/share since September 9, 2022. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to Additional Issuance from Granting of Restricted Shares* (No.: 2022-052) released by the Company on the SSE website on September 8, 2022 (www.sse.com.cn).

(II) Changes in the total number of shares and shareholder structure of the Company and changes in the structure of assets and liabilities of the Company

Applicable Not applicable

The total number of the Company's ordinary shares at the beginning and end of the Reporting Period was 201,009,966 and 283,519,469 respectively.

The Company's total assets and total liabilities at the beginning of the Reporting Period amounted to RMB4,633,049,783.03 and RMB1,746,209,355.96 respectively, with the asset-liability ratio of 37.69%. The Company's total assets and total liabilities at the end of the Reporting Period amounted to RMB5,778,071,824.19 and RMB2,240,848,493.90 respectively, with the asset-liability ratio of 38.78%.

(III) Existing internal employee shares

Applicable Not applicable

III. Shareholders and Actual Controllers

(I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the Reporting Period	13,915
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of the Annual Report	13,080
Total number of shareholders of preferred shares whose voting rights have been restored as of the end of the Reporting Period	0
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the disclosure date of the Annual Report	0

(II) Table of shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or unrestricted shareholders) as of the end of the Reporting Period

Unit: share

Shareholdings of the top ten shareholders						
Name of shareholder (full name)	Change during the	Number of shares held at the end	Percentage (%)	Number of restricted	Pledged, marked or frozen	Nature of shareholder

	Reporting Period	of the period		shares held	Share status	Number	
HOU Juncheng	27,905,926	97,670,741	34.45	0	None		Domestic natural person
Hong Kong Securities Clearing Company Limited	17,317,429	64,473,469	22.74	0	None		Other
FANG Yuyou	9,424,627	45,772,470	16.14	0	None		Domestic natural person
China Construction Bank Co., Ltd. - Yinhua Fuyu Theme Hybrid Securities Investment Fund	5,801,301	5,801,301	2.05	0	None		Other
China Construction Bank Co., Ltd. - CUAM Consumer Industry Hybrid Securities Investment Fund	1,699,930	3,100,013	1.09	0	None		Other
Aberdeen Standard Investment Management (Asia) Co., Ltd. - Aberdeen Standard - China A-share Equity Fund	852,970	2,552,293	0.90	0	None		Other

Industrial and Commercial Bank of China Limited - Jingshun Changcheng Emerging Growth Hybrid Securities Investment Fund	680,000	2,380,000	0.84	0	None	Other
Industrial and Commercial Bank of China Limited - CUAM Consumption Upgrade Hybrid Securities Investment Fund	300,002	1,500,089	0.53	0	None	Other
CAO Lianguo	-2,407,401	1,362,537	0.48	0	None	Domestic natural person
J. P. Morgan Securities PLC - Self-owned Capital	530,432	1,252,260	0.44	0	None	Other
Shareholdings of the top ten unrestricted shareholders						
Name of shareholder	Number of unrestricted circulating shares held	Type and number of shares				
		Type	Number			
HOU Juncheng	97,670,741	RMB ordinary shares	97,670,741			
Hong Kong Securities Clearing Company Limited	64,473,469	RMB ordinary shares	64,473,469			
FANG Yuyou	45,772,470	RMB ordinary shares	45,772,470			
China Construction Bank Co., Ltd. - Yinhua Fuyu Theme Hybrid Securities Investment Fund	5,801,301	RMB ordinary shares	5,801,301			
China Construction Bank Co., Ltd. - CUAM Consumer Industry Hybrid Securities Investment Fund	3,100,013	RMB ordinary shares	3,100,013			

Aberdeen Standard Investment Management (Asia) Co., Ltd. - Aberdeen Standard - China A-share Equity Fund	2,552,293	RMB ordinary shares	2,552,293
Industrial and Commercial Bank of China Limited - Jingshun Changcheng Emerging Growth Hybrid Securities Investment Fund	2,380,000	RMB ordinary shares	2,380,000
Industrial and Commercial Bank of China Limited - CUAM Consumption Upgrade Hybrid Securities Investment Fund	1,500,089	RMB ordinary shares	1,500,089
CAO Liangguo	1,362,537	RMB ordinary shares	1,362,537
J. P. Morgan Securities PLC - Self-owned Capital	1,252,260	RMB ordinary shares	1,252,260
Explanation on the special account for repurchase among the top ten shareholders	None		
Explanation on the above-mentioned shareholders' entrusting voting rights, entrusted voting rights and abstention from 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, so HOU Juncheng and FANG Yuyou are related.		
Explanation on the shareholders of preferred shares with voting rights restored and their shareholdings	None		

Shareholdings and sales restrictions of the top ten restricted shareholders

√ Applicable □ Not applicable

Unit: share

Number	Name of shareholder of restricted shares	Number of restricted shares held	Availability of restricted shares for circulation and trading	Sales restrictions
--------	--	----------------------------------	---	--------------------

			Time of availability for circulation and trading	Number of new shares available for circulation and trading	
1	Equity incentive recipient	2,100,000			See the explanation below for details
Explanation on the related relationship or parties acting in concert among the above shareholders		None			

Note: The restricted shares held by equity incentive recipients are those granted under the 2022 Restricted Stock Incentive Plan. The restricted period was 12 months, 24 months, and 36 months from the completion of their registration with CSDC Shanghai Branch (September 6, 2022).

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

Applicable Not applicable

IV. Controlling shareholders and Actual Controllers

(I) Controlling shareholders

1 Legal person

Applicable Not applicable

2 Natural person

Applicable Not applicable

Name	HOU Juncheng and Fang Aiqin
Nationality	Chinese
Acquire residence permits in other countries or regions or not	No
Main job and title	HOU Juncheng and Fang Aiqin are husband and wife. HOU Juncheng serves as the Chairman of the Company, and Fang Aiqin serves as the Senior Purchasing Consultant of the Company.

3 Special explanation on the situation that the Company has no controlling shareholders

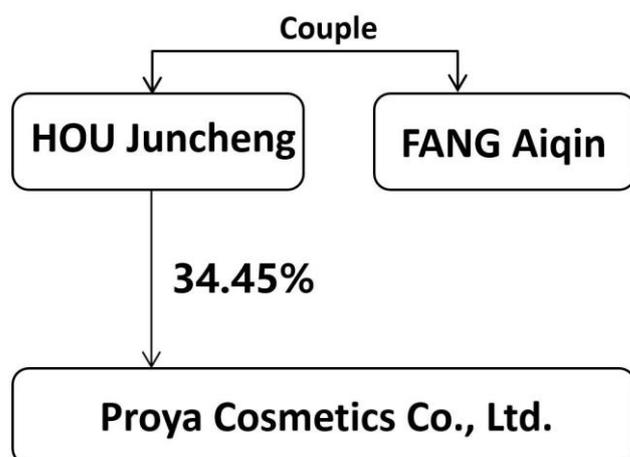
Applicable Not applicable

4 Explanation on changes in controlling shareholders during the Reporting Period

Applicable Not applicable

5 Diagram of the ownership and controlling relationship between the Company and its controlling shareholders

√ Applicable Not applicable



(II) Actual controllers

1 Legal person

Applicable Not applicable

2 Natural person

√ Applicable Not applicable

Name	HOU Juncheng and Fang Aiqin
Nationality	Chinese
Acquire residence permits in other countries or regions or not	No
Main job and title	HOU Juncheng and Fang Aiqin are husband and wife. HOU Juncheng serves as the Chairman of the Company, and Fang Aiqin serves as the Senior Purchasing Consultant of the Company.
Shareholdings in other domestic or overseas listed companies over the past 10 years	None

3 Special explanation on the situation that the Company has no actual controllers

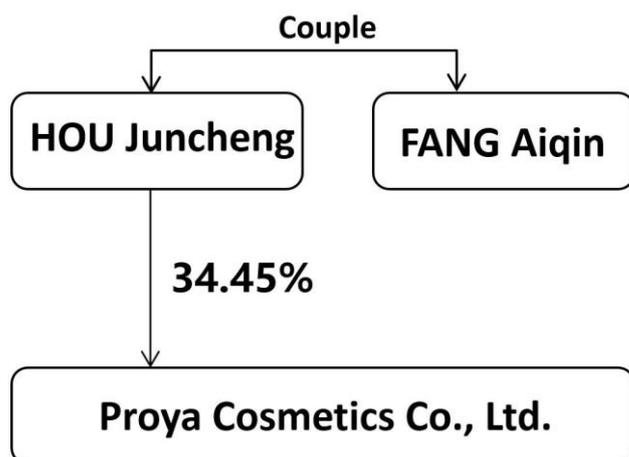
Applicable Not applicable

4 Explanation on changes in the control of the Company during the Reporting Period

Applicable Not applicable

5 Diagram of the ownership and controlling relationship between the Company and its actual controllers

√ Applicable Not applicable



6 Control of the Company by actual controllers by way of trust or other means of asset management

Applicable Not applicable

(III) Other explanations on controlling shareholders and actual controllers

Applicable Not applicable

V. The accumulative number of pledged shares of the Company's controlling shareholders or the largest shareholder and its persons acting in concert accounted for more than 80% of the Company's shares held by them

Applicable Not applicable

VI. Other Legal Person Shareholders with More Than 10% Shareholdings

Applicable Not applicable

VII. Explanation on Limitation on Reduction of Shareholding

Applicable Not applicable

VIII. Specific Implementation of Share Repurchase During the Reporting Period

Applicable Not applicable

Section VIII Information on Preferred 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. Convertible Corporate Bonds

Applicable Not applicable

(I) Issuance of convertible bonds

Applicable Not applicable

With the Approval of the CSRC, 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 face value of RMB100 per share and a total face value of RMB751,713,000. These convertible bonds were issued at face value with a term of 6 years.

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

According to relevant regulations and the *Prospectus of Proya Cosmetics Co., Ltd. for the Public Offering of A-Share Convertible Corporate Bonds*, this "Proya Convertible Bond" issued by the Company can be converted to the Company's shares from June 14, 2022. The convertible period is from June 14, 2022 to December 7, 2027. The initial conversion price is 195.98 RMB/share. The latest conversion price is 138.92 RMB/share. The historical adjustments to the conversion price are as follows:

1. Since the 2021 Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond was adjusted to RMB139.37/share on May 30, 2022. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2021 Equity Distribution Plan* (No.: 2022-029) released by the Company on the SSE website on May 24, 2022 (www.sse.com.cn).
2. Since the registration of restricted shares involved in the grant under the 2022 Restricted Stock Incentive Plan was completed, the conversion price of the Proya Convertible Bond has been adjusted to 138.92 RMB/share since September 9, 2022. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to Additional Issuance from Granting of Restricted Shares* (No.: 2022-052) released by the Company on the SSE website on September 8, 2022 (www.sse.com.cn).

(II) Holders and guarantors of convertible bonds during the Reporting Period

Applicable Not applicable

Name of the convertible corporate bond	Proya Convertible Bond
Number of holders of the convertible corporate bond at the end of the	14,778

Reporting Period		
Guarantors of the convertible bond of the Company	None	
The top ten holders of the convertible bond are as follows:		
Name of holders of the convertible corporate bond	Number of bonds held at the end of the Reporting Period (RMB)	Holding ratio (%)
Dajia Assets - Minsheng Bank - Dajia Assets - Selected Conservative Portfolio No.5 (Issue 2) Collective Asset Management Product	47,735,000	6.36
China Merchants Bank Co., Ltd. - Huabao Convertible Bond Securities Investment Fund	40,233,000	5.36
ICBC Credit Suisse Ruixi Fixed-income Pension Product - Bank of China Limited	26,647,000	3.55
Industrial and Commercial Bank of China Limited - Southern Profitable Return Bond Securities Investment Fund	24,664,000	3.28
Dajia Assets - China Merchants Bank - Dajia Assets - Selected Conservative Portfolio No.1 (Issue 1) Collective Asset Management Product	22,577,000	3.01
Industrial and Commercial Bank of China Limited - Yinhua Convertible Bond Securities Investment Fund	21,487,000	2.86
Dajia Assets - China CITIC Bank - Dajia Assets Houkun No.40 Collective Asset Management Product	20,481,000	2.73
Generali Asset Management - Industrial and Commercial Bank of China - Generali Asset Management - Selected Bond Asset Management Product	19,000,000	2.53
Dajia Assets - Postal Savings Bank of China - Dajia Assets - Selected Conservative Portfolio No.6 (Issue 2) Collective Asset Management Product	16,745,000	2.23
China Merchants Bank Co., Ltd. - Oriental Juli Bond Securities Investment Fund	12,500,000	1.66

(III) Changes in convertible bonds during the Reporting Period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of the convertible corporate bond	Before this change	Increase or decrease due to this change			After this change
		Share conversion	Redemption	Sell-back	
Proya Convertible Bond	751,713,000	776,000	0	0	750,937,000

Cumulative conversion of convertible bonds during the Reporting Period

√ Applicable □ Not applicable

Name of the convertible corporate bond	Proya Convertible Bond
Amount of shares converted from bonds in the Reporting Period (RMB)	776,000
Number of shares converted from bonds in the Reporting Period (share)	5,517
Accumulated number of shares converted from bonds (share)	5,517
Proportion of the accumulated number of converted shares in the total number of issued shares of the Company before conversion (%)	0.0020
Amount of bonds not converted into shares (RMB)	750,937,000
Proportion of unconverted convertible bonds in the total amount of convertible bonds issued (%)	99.8968

(IV) Historical adjustments to the conversion price

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of the convertible corporate bond		Proya Convertible Bond		
Date of adjustment	Adjusted conversion price	Time of disclosure	Media of disclosure	Explanation on adjustments to the conversion price
May 30, 2022	139.37 RMB/share	May 24, 2022	SSE website, <i>Shanghai Securities News</i> , <i>Securities Times</i>	Since the 2021 Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond was adjusted to 139.37 RMB/share on May 30, 2022. For details, see the

				<i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2021 Equity Distribution Plan (No.: 2022-029) released by the Company on the SSE website on May 24, 2022 (www.sse.com.cn).</i>
September 9, 2022	138.92 RMB/share	September 8, 2022	SSE website, <i>Shanghai Securities News, Securities Times</i>	Since the registration of restricted shares involved in the grant under the 2022 Restricted Stock Incentive Plan was completed, the conversion price of the Proya Convertible Bond has been adjusted to 138.92 RMB/share since September 9, 2022. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to Additional Issuance from Granting of Restricted Shares (No.: 2022-052)</i> released by the Company on the SSE website on September 8, 2022 (www.sse.com.cn).
Latest conversion price as of the end of the Reporting Period		138.92 RMB/share		

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

Applicable Not applicable

(VI) Other explanations on convertible bonds

Applicable Not applicable

Section X Financial Report

I. Audit Report

Applicable Not applicable

Audit Report

Tian Jian Shen [2023]

No.3128

To all shareholders of Proya Cosmetics Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Proya Cosmetics Co., Ltd. (hereinafter referred to as "Proya"), which comprise the consolidated and parent company's balance sheets as at December 31, 2022, the consolidated and parent company's income statements, the consolidated and parent company's cash flow statements, and the consolidated and parent company's statements of changes in shareholders' equity for the year of 2022, as well as notes to financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and parent company's financial position of Proya as at December 31, 2022 and of its consolidated and parent company's operating results and cash flows for the year of 2022.

II. Basis of Audit Opinion

We have conducted our audit in accordance with the Chinese Auditing Standards for Certified Public Accountants. The "Responsibilities of CPAs for the Audit of the Financial Statements" herein further illustrate our responsibilities under those standards. In accordance with the Code of Professional Ethics of Chinese Certified Public Accountants, we are independent of Proya and have performed other responsibilities in respect of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are, in our professional judgment, most significant in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

(I) Recognition of revenue

1. Description of matters

For relevant information disclosure, refer to "38. Revenue" in "V. Significant Accounting Policies and Estimates", "61. Operating revenue and operating costs" in "VII. Notes to the Items of Consolidated Financial Statements", and "6. Segment information" in "XVI. Other Significant Matters" of "Section X Financial Report" herein.

The operating revenue of Proya primarily comes from the sale of cosmetics. The operating revenue for 2022 shown in Proya's financial statements was RMB6.39billion.

Pursuant to the sales contract between Proya and its customer, under the distribution model, the sales revenue is recognized by Proya when its products are delivered to and accepted by the buyers. Under the agency sales model, the sales revenue is recognized by Proya when its products are delivered to the agent and the agent completes the sales and issues the sales list for goods. Under the direct sales model, the sales revenue is recognized by Proya when its products are delivered to its consumer and the consumer confirms the receipt and makes the payment.

Since operating revenue is one of the key performance indicators of Proya, there is an inherent risk that the management of Proya (hereinafter referred to as the "management") achieves specific goals or expectations through inappropriate recognition of revenue. Therefore, we identify the recognition of revenue as a key audit matter.

2. Audit response

For recognition of revenue, we primarily implemented the following audit procedures:

- (1) To obtain an understanding of key internal controls related to the recognition of revenue, evaluate the design of these controls, determine whether these controls were implemented, and test the operational effectiveness of these controls;
- (2) To issue letters to the main customers to confirm the sales amount in 2022 and the balance of accounts receivable as at the end of 2022;
- (3) To test details and make a spot-check on supporting documents for recognition of revenue (including sales contracts, delivery documents, receipts, agency sales lists, and sales invoices), understand major contract terms or conditions, and evaluate the appropriateness of the method for recognition of revenue;
- (4) To implement analysis procedures, including analysis on fluctuations in revenue of each month of 2022 and analysis on changes in sales revenue of major customers;
- (5) To obtain the rebate and subsidy policies, rebate and subsidy calculation sheets and other information, and check whether the withholding amount of rebate and subsidy as at the end of 2022 was sufficient; to analyze whether the amount of rebate and subsidy and the withholding amount were reasonable based on the rebate and subsidy policy as well as the revenue in 2022; and to check the settlement after the rebate and subsidy withholding period as at the end of 2022;
- (6) To obtain the return and exchange policy, calculation sheet of provisions and other information, and check whether the estimated future return and exchange rate is reasonable; to check the subsequent return and exchange situation and compare it with the estimated return and exchange data;
- (7) To learn about the inventory and stock age of each major dealer as at the end of 2022 and check whether the inventory amount and structure of the dealer were reasonable;
- (8) To analyze the sales data of main online chain stores by calculating the consumption per capita, consumption per time, purchase times and repurchase information of customers of online chain stores and comparing them with the selling prices and normal use days of Proya products, so as to judge the rationality of the above data in combination with normal consumption habits and analyze the authenticity and rationality of the income of online chain stores;
- (9) To compare the background transaction data, Alipay receipt data and sales revenue data on financial accounts of online chain stores, and analyze the matching attribute of data, so as to check the authenticity of sales from the online chain stores;
- (10) To check whether the information related to the operating revenue is properly presented in the financial statements.

(II) Net realizable value of inventories

1. Description of matters

For relevant information disclosure, refer to "15. Inventories" in "V. Significant Accounting Policies and Estimates" and "9. Inventories" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" herein.

As of December 31, 2022, the book balance of inventories of Proya amounted to RMB710.13million, the provision for devaluation of inventories amounted to RMB41.08million, and the carrying value of inventories amounted to RMB669.05million.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, and provision for devaluation of inventories is made if the cost of a single inventory is higher than its net realizable value. On the basis of considering the purpose of holding inventories, the management determines the estimated selling price based on the historical selling price, actual selling price, and future market trends, and also determines the net realizable value based on the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.

Since the amount of inventories is significant and the determination of the net realizable value of inventories involves significant judgment by the management, we identified the net realizable value of inventories as a key audit matter.

2. Audit response

For net realizable value of inventories, we primarily implemented the following audit procedures:

- (1) To obtain an understanding of key internal controls related to the net realizable value of inventories, evaluate the design of these controls, determine whether these controls were implemented, and test the operational effectiveness of these controls;
- (2) To obtain the accrual policy and calculation process for provision for devaluation of inventories, and re-check the calculation process;
- (3) To obtain the list of products that are no longer sold, count the products rolling off the production lines in the inventories and the corresponding raw material inventories, and verify whether the provision for devaluation of inventories was accrued for the raw material inventories;
- (4) To check whether the inventories as at the end of the period had long inventory ages, outdated models and changes in market demand in combination with the inventory monitoring, and evaluate whether the management reasonably estimated the net realizable value;
- (5) To check whether the information related to the net realizable value of inventories was properly presented in the financial statements.

IV. Other Information

The management is responsible for the other information, which comprises all the information covered in the Annual Report other than the financial statements and this audit report.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of the Management and Those Charged With Governance for the Financial Statements

The management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of necessary internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Proya's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The governance of Proya (hereinafter referred to as "governance") is responsible for overseeing the financial reporting process of Proya.

VI. Responsibilities of CPAs for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance of whether there is a material misstatement in the financial statements as a whole due to fraud or error and to issue an audit report containing audit opinion.

Reasonable assurance is a highly reliable assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always identify a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintained professional skepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not identifying a material misstatement resulting from fraud is higher than that of failing to detect one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control related to the audit to design the appropriate audit procedures.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(IV) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, determined whether a material uncertainty exists related to events or conditions that may significantly affect Proya's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause Proya to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and determine whether the financial statements reflect the related transactions and events fairly.

(VI) Obtain sufficient and appropriate audit evidence of the financial information of the entity or business activity of Proya in order to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

We communicate with the governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide a statement to those charged with governance on compliance with ethical requirements related to independence, and communicate with them all relationships and other matters that may be reasonably considered to affect our independence, as well as related precautions (if applicable).

From the matters we discussed with the those charged with governance, we determine those matters were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in the audit report unless laws or regulations preclude public disclosure about these matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP Chinese CPA: YIN Zhibin
(Project Partner)

Hangzhou, China Chinese CPA: WANG Xiaokang

April 19, 2023

II. Financial Statements**Consolidated Balance Sheet**

As at December 31, 2022

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	As at December 31, 2022	As at December 31, 2021
Current assets:			
Cash and cash equivalents	VII. 1	3,161,003,085.05	2,391,048,249.81
Clearing settlement funds			
Loans to banks and other financial institutions			
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	VII. 5	102,157,898.41	138,626,627.90
Receivable financing	VII. 6		3,242,000.00
Prepayments	VII. 7	91,483,523.15	58,406,647.11
Premiums receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	VII. 8	73,564,083.63	66,043,707.81
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	VII. 9	669,051,326.73	447,938,758.29
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VII. 13	49,735,996.57	53,534,962.39
Total current assets		4,146,995,913.54	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	138,533,377.46	169,959,536.27
Other equity instrument investments	VII. 18	146,402,400.00	56,402,400.00
Other non-current financial assets			
Investment real estate	VII. 20	68,654,700.81	70,321,868.00
Fixed assets	VII. 21	570,376,309.67	558,981,209.20
Construction in progress	VII. 22	207,378,935.86	108,678,896.27
Bearer biological assets			
Oil and gas assets			
Right-of-use assets	VII. 25	6,410,634.25	
Intangible assets	VII. 26	420,316,883.26	397,145,124.29
Development expenditure			
Goodwill			
Long-term prepaid expenses	VII. 29	19,142,604.46	29,756,474.11
Deferred income tax assets	VII. 30	48,305,338.82	38,796,018.02
Other non-current Assets	VII. 31	5,554,726.06	44,167,303.56
Total non-current assets		1,631,075,910.65	1,474,208,829.72
Total assets		5,778,071,824.19	4,633,049,783.03
Current liabilities:			
Short-term borrowings	VII. 32	200,195,890.41	200,251,506.85
Loans from the central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	VII. 35	69,626,352.12	79,156,771.40
Accounts payable	VII. 36	475,427,484.23	404,026,241.16
Advance from customers	VII. 37	464,328.26	173,769.85
Contract liabilities	VII. 38	174,602,833.91	91,151,985.32
Financial assets sold under repurchase agreements			
Customer deposits and deposits from banks and other financial institutions			
Funds from securities trading agencies			
Funds from underwriting securities agencies			

Employee compensation payable	VII. 39	124,938,749.36	78,649,049.72
Taxes payable	VII. 40	152,918,871.45	99,893,176.97
Other payables	VII. 41	216,392,183.41	62,162,153.55
Including: Interest payable			
Dividends payable			
Fees and commissions payable			
Amounts payable under reinsurance contracts			
Held-for-sale liabilities			
Non-current liabilities due within one year	VII. 43	2,549,452.14	
Other current liabilities	VII. 44	10,820,499.59	9,521,415.32
Total current liabilities		1,427,936,644.88	1,024,986,070.14
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable	VII. 46	724,491,557.93	695,586,778.80
Including: Preferred stock			
Perpetual bonds			
Lease liabilities	VII. 47	3,718,119.41	
Long-term payables			
Long-term employee compensation payable			
Provisions	VII. 50	59,282,928.68	10,812,084.88
Deferred income	VII. 51	6,399,811.33	6,416,263.33
Deferred income tax liabilities	VII. 30	19,019,431.67	8,408,158.81
Other non-current liabilities			
Total non-current liabilities		812,911,849.02	721,223,285.82
Total liabilities		2,240,848,493.90	1,746,209,355.96
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 53	283,519,469.00	201,009,966.00
Other equity instruments	VII. 54	50,903,510.12	50,956,622.11
Including: Preferred stock			
Perpetual bonds			
Capital reserve	VII. 55	914,815,786.22	834,272,205.66
Less: Treasury shares	VII. 56	164,976,000.00	5,628,128.21
Other comprehensive income	VII. 57	-1,918,603.07	-1,247,674.10
Special reserve			

Surplus reserve	VII. 59	141,759,734.50	100,634,780.00
General risk reserve			
Retained profits	VII. 60	2,300,384,763.19	1,696,978,064.52
Total owners' equity (or shareholders' equity) attributable to equity holders of the parent company		3,524,488,659.96	2,876,975,835.98
Minority interests		12,734,670.33	9,864,591.09
Total owners' equity (or shareholders' equity)		3,537,223,330.29	2,886,840,427.07
Total liabilities and owners' equity (or shareholders' equity)		5,778,071,824.19	4,633,049,783.03

The chairman of the Company: HOU Juncheng

CFO of the Company:
WANG Li

Person in charge of Accounting Department:
WANG Li

Parent Company's Balance Sheet

As at December 31, 2022

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	As at December 31, 2022	As at December 31, 2021
Current assets:			
Cash and cash equivalents		2,169,179,716.12	1,691,858,730.42
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII. 1	289,883,063.24	354,196,955.99
Receivable financing			3,092,000.00
Prepayments		34,908,418.05	24,580,460.37
Other receivables	XVII. 2	141,574,549.59	222,452,930.42
Including: Interest receivable			
Dividends receivable			
Inventories		458,341,886.37	271,436,146.45
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		32,667,616.71	33,270,945.69
Total current assets		3,126,555,250.08	2,600,888,169.34
Non-current assets:			
Debt investments			

Other debt investments			
Long-term receivables			
Long-term equity investments	XVII. 3	394,321,950.41	350,003,540.49
Other equity instrument investments		110,580,000.00	20,580,000.00
Other non-current financial assets			
Investment real estate		348,408,309.83	362,657,495.17
Fixed assets		278,011,361.35	253,209,471.02
Construction in progress		206,756,324.14	105,012,647.89
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		5,707,540.03	
Intangible assets		382,584,698.57	395,609,113.72
Development expenditure			
Goodwill			
Long-term prepaid expenses		13,494,337.73	20,075,870.93
Deferred income tax assets		11,372,733.52	22,968,793.93
Other non-current Assets		4,916,417.58	4,493,322.95
Total non-current assets		1,756,153,673.16	1,534,610,256.10
Total assets		4,882,708,923.24	4,135,498,425.44
Current liabilities:			
Short-term borrowings		200,195,890.41	200,251,506.85
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		69,626,352.12	79,156,771.40
Accounts payable		217,330,371.42	282,934,452.33
Advance from customers			
Contract liabilities		68,099,041.17	28,108,787.35
Employee compensation payable		58,246,111.22	33,926,736.55
Taxes payable		69,952,710.78	66,893,331.24
Other payables		167,125,433.78	8,546,397.66
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		2,210,449.03	
Other current liabilities			
Total current liabilities		852,786,359.93	699,817,983.38
Non-current liabilities:			

Long-term borrowings			
Bonds payable		724,491,557.93	695,586,778.80
Including: Preferred stock			
Perpetual bonds			
Lease liabilities		3,354,028.30	
Long-term payables			
Long-term employee compensation payable			
Provisions			
Deferred income		6,399,811.33	6,416,263.33
Deferred income tax liabilities		18,758,960.23	8,395,198.23
Other non-current liabilities			
Total non-current liabilities		753,004,357.79	710,398,240.36
Total liabilities		1,605,790,717.72	1,410,216,223.74
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		283,519,469.00	201,009,966.00
Other equity instruments		50,903,510.12	50,956,622.11
Including: Preferred stock			
Perpetual bonds			
Capital reserve		964,613,342.84	834,563,920.32
Less: Treasury shares		164,976,000.00	5,628,128.21
Other comprehensive income			
Special reserve			
Surplus reserve		141,759,734.50	100,634,780.00
Retained profits		2,001,098,149.06	1,543,745,041.48
Total owners' equity (or shareholders' equity)		3,276,918,205.52	2,725,282,201.70
Total liabilities and owners' equity (or shareholders' equity)		4,882,708,923.24	4,135,498,425.44

The chairman of the
Company: HOU Juncheng

CFO of the Company:
WANG Li

Person in charge of
Accounting Department:
WANG Li

Consolidated Income Statement

January - December 2022

Unit: Yuan Currency: RMB

Item	Notes	2022	2021
I. Total operating revenue	VII. 61	6,385,451,424.00	4,633,150,538.43
Including: Operating revenue	VII. 61	6,385,451,424.00	4,633,150,538.43

Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		5,191,391,396.39	3,892,457,794.07
Including: Operating costs	VII. 61	1,934,850,203.65	1,554,155,646.61
Interest expenses			
Fee and commission expenses			
Surrenders			
Claims and policyholder benefits (net of amounts recoverable from reinsurers)			
Net provision for insurance liability reserves			
Insurance policyholder dividends			
Expenses for reinsurance accepted			
Taxes and surcharges	VII. 62	56,394,508.94	40,680,295.80
Selling expenses	VII. 63	2,785,837,352.95	1,991,534,076.73
General and administrative expenses	VII. 64	327,296,749.37	236,988,519.23
Research and development expenses	VII. 65	128,009,104.49	76,583,650.83
Financial expenses	VII. 66	-40,996,523.01	-7,484,395.13
Including: Interest expenses		13,019,503.91	9,759,260.83
Interest income		51,707,124.62	28,096,157.42
Add: Other income	VII. 67	39,065,105.62	16,458,269.45
Investment income ("-" refers to loss)	VII. 68	-5,658,023.28	-7,337,735.84
Including: Income from investments in associates and joint ventures		-5,658,023.28	-7,337,735.84
Income from derecognition of financial assets measured at amortized cost			
Foreign exchange gains ("-" refers to loss)			
Net gain on exposure hedging ("-" refers to loss)			
Gains on changes in fair value ("-" refers to loss)			
Credit impairment loss ("-" refers to loss)	VII. 71	-5,057,425.43	-24,834,947.18

Asset impairment losses ("-" refers to losses)	VII. 72	-164,884,555.28	-53,513,590.04
Gains from disposal of assets ("-" refers to loss)	VII. 73	60,155.60	-112,183.24
III. Operating profit ("-" refers to loss)		1,057,585,284.84	671,352,557.51
Add: Non-operating revenue	VII. 74	1,178,886.33	249,852.89
Less: Non-operating expenses	VII. 75	4,613,645.24	3,801,835.06
IV. Total profits ("-" refers to total losses)		1,054,150,525.93	667,800,575.34
Less: Income tax expenses	VII. 76	222,866,719.56	110,746,888.31
V. Net profits ("-" refers to net losses)		831,283,806.37	557,053,687.03
(I) Classified by the nature of continuing operations			
1. Net profits from continuing operations ("-" refers to net losses)		831,283,806.37	557,053,687.03
2. Net profits from discontinued operations ("-" refers to net losses)			
(II) Classified by ownership			
1. Net profits attributable to shareholders of the parent company ("-" refers to net losses)		817,400,223.93	576,119,025.56
2. Profits or losses attributable to minority interests ("-" refers to net losses)		13,883,582.44	-19,065,338.53
VI. Other comprehensive income, net of tax		-670,928.97	-978,607.97
(I) Other comprehensive income attributable to owners of the parent company, net of tax		-670,928.97	-978,607.97
1. Other comprehensive income that cannot be reclassified to profit or loss			
(1) Changes arising from the re-measurement of net liabilities or net assets of defined benefit plans			
(2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
(3) Changes in fair value of other equity instrument investments			
(4) Changes in fair value of enterprises' own credit risks			

2. Other comprehensive income that will be reclassified into profit or loss		-670,928.97	-978,607.97
(1) Other comprehensive income that will be reclassified to profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Amounts of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Reserve for cash flow hedges			
(6) Translation differences of financial statements denominated in foreign currencies		-670,928.97	-978,607.97
(7) Others			
(II) Other comprehensive income attributable to minority interests, net of tax			
VII. Total comprehensive income		830,612,877.40	556,075,079.06
(I) Total comprehensive income attributable to owners of the parent company		816,729,294.96	575,140,417.59
(II) Total comprehensive income attributable to minority interests		13,883,582.44	-19,065,338.53
VIII. Earnings per share			
(I) Basic earnings per share (RMB/share)		2.90	2.87
(II) Diluted earnings per share (RMB/share)		2.87	2.81

In case of business combination under common control, net profit realized by the combined party before the combination in the current period was RMB0.00; net profit realized by the combined in the previous period was RMB0.00.

The chairman of the Company: HOU Juncheng CFO of the Company: WANG Li Person in charge of Accounting Department: WANG Li

Parent Company's Income Statement

January - December 2022

Unit: Yuan Currency: RMB

Item	Notes	2022	2021
I. Operating revenue	XVII. 4	3,081,136,936.75	2,273,848,366.50

Less: Operating cost	XVII. 4	1,424,725,111.00	1,076,826,259.92
Taxes and surcharges		24,372,917.75	19,398,763.14
Selling expenses		472,193,858.89	284,076,298.04
General and administrative expenses		218,455,156.75	200,860,543.73
Research and development expenses		132,656,295.93	80,793,699.46
Financial expenses		-41,965,768.21	-9,534,296.78
Including: Interest expenses		13,019,503.91	7,909,483.79
Interest income		42,503,905.91	23,839,106.03
Add: Other income		15,650,274.95	7,273,692.73
Investment income ("-" refers to loss)	XVII. 5	-4,161,437.71	-18,567,432.77
Including: Income from investments in associates and joint ventures		-5,149,438.13	-7,608,313.87
Income from derecognition of financial assets measured at amortized cost			
Net gain on exposure hedging ("-" refers to loss)			
Gains on changes in fair value ("-" refers to loss)			
Credit impairment loss ("-" refers to loss)		53,589,117.29	45,090,048.44
Asset impairment losses ("-" refers to losses)		-126,987,703.77	-25,486,816.12
Gains from disposal of assets ("-" refers to loss)		60,155.60	
II. Operating profit ("-" refers to loss)		788,849,771.00	629,736,591.27
Add: Non-operating revenue		22,010.99	25,856.69
Less: Non-operating expenses		1,516,181.13	3,739,409.87
III. Total profits ("-" refers to total losses)		787,355,600.86	626,023,038.09
Less: Income tax expenses		116,008,968.02	72,463,653.90
IV. Net profits ("-" refers to net losses)		671,346,632.84	553,559,384.19
(I) Net profits from continuing activities ("-" refers to net losses)		671,346,632.84	553,559,384.19
(II) Net profits from discontinuing activities ("-" refers to net losses)			
V. Net amount of other comprehensive income after tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss			

1. Changes arising from re-measurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
3. Changes in the fair value of other equity instrument investments			
4. Change in fair value of enterprise's own credit risk			
(II) Other comprehensive income to be reclassified into profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Credit impairment provisions of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences from translation of financial statements			
7. Others			
VI. Total comprehensive income		671,346,632.84	553,559,384.19
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

Person in charge of
Accounting Department:
WANG Li

Consolidated Cash Flow Statement

January - December 2022

Unit: Yuan Currency: RMB

Item	Notes	2022	2021
I. Cash flows from operating activities:			
Cash received from the sale of goods and the rendering of services		7,088,465,997.21	5,130,176,845.31
Net increase in customer deposits and deposits from banks and other financial institutions			

Net increase in loans from the central bank			
Net increase in taking from other financial institutions			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net cash received from policyholders' deposits and investment contract liabilities			
Cash received from interest, fees and commissions			
Net increase in taking from banks and other financial institutions			
Net increase in financial assets sold under repurchase arrangements			
Net cash received from securities trading agency			
Receipts of tax refunds			80,005.56
Other cash received related to operating activities	VII. 78 (1)	99,500,140.40	54,614,521.56
Sub-total of cash inflows from operating activities		7,187,966,137.61	5,184,871,372.43
Cash paid for goods purchased and services received		2,241,842,834.78	1,616,390,215.85
Net increase in loans and advances to customers			
Net increase in balance with the central bank and due from banks and other financial institution			
Cash paid for compensation payments under original insurance contract			
Net increase in loans to banks and other financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for insurance policyholder dividends			
Cash paid to and on behalf of employees		558,582,470.38	441,156,078.19
Payments of various types of taxes		660,096,624.31	432,668,333.55
Other cash paid related to operating activities	VII. 78 (2)	2,616,308,090.91	1,864,985,801.02

Sub-total of cash outflows from operating activities		6,076,830,020.38	4,355,200,428.61
Net cash flow from operating activities		1,111,136,117.23	829,670,943.82
II. Cash flows from investing activities:			
Cash received from disposal and recovery of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,751,463.96	47,622.98
Net cash received from disposal of subsidiaries and other business entities			
Other cash received related to investing activities			
Sub-total of cash inflows from investing activities		3,751,463.96	47,622.98
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets		170,963,405.43	194,102,666.70
Cash paid for investments		131,003,609.10	70,029,200.00
Net increase in pledged loans receivables			
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid related to investing activities	VII. 78 (4)		77,739,374.88
Sub-total of cash outflows from investing activities		301,967,014.53	341,871,241.58
Net cash flow from investing activities		-298,215,550.57	-341,823,618.60
III. Cash flows from financing activities:			
Cash received from capital contributions		165,676,000.00	700,000.00
Including: Cash received from capital contributions from minority shareholders of subsidiaries		700,000.00	700,000.00
Cash received from borrowings		300,000,000.00	946,996,018.87
Other cash received related to financing activities			
Sub-total of cash inflows from financing activities		465,676,000.00	947,696,018.87
Cash repayments of borrowings		300,000,000.00	299,000,000.00

Cash paid for distribution of dividends or profits or settlement of interest expenses		182,663,748.85	154,245,329.79
Including: Payments for distribution of dividends or profits to minority owners of subsidiaries			
Other cash paid related to financing activities	VII. 78 (6)	48,263,571.88	4,835,393.12
Sub-total of cash outflows from financing activities		530,927,320.73	458,080,722.91
Net cash flow from financing activities		-65,251,320.73	489,615,295.96
IV. Impact of foreign exchange rate changes on cash and cash equivalents		-670,928.97	-978,607.97
V. Net increase in cash and cash equivalents		746,998,316.96	976,484,013.21
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		3,125,333,085.05	2,378,334,768.09

The chairman of the Company: HOU
Juncheng

CFO of the Company:
WANG Li

Person in charge of
Accounting Department:
WANG Li

Parent Company's Cash Flow Statement

January - December 2022

Unit: Yuan Currency: RMB

Item	Notes	2022	2021
I. Cash flows from operating activities:			
Cash received from the sale of goods and the rendering of services		3,625,216,143.38	2,675,584,845.60
Receipts of tax refunds			
Other cash received related to operating activities		1,133,863,796.96	58,197,895.33
Sub-total of cash inflows from operating activities		4,759,079,940.34	2,733,782,740.93
Cash paid for goods purchased and services received		1,830,694,703.17	1,330,189,908.22
Cash paid to and on behalf of employees		265,940,955.35	180,867,131.86
Payments of various types of taxes		276,743,971.90	197,049,919.18
Other cash paid related to operating activities		595,570,988.89	380,848,687.45
Sub-total of cash outflows from operating activities		2,968,950,619.31	2,088,955,646.71
Net cash flow from operating activities		1,790,129,321.03	644,827,094.22

II. Cash flows from investing activities:			
Cash received from disposal and recovery of investments		1,700,000.00	
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,057,300.53	
Net cash received from disposal of subsidiaries and other business entities			
Other cash received related to investing activities		1,271,529,576.13	196,608,800.56
Sub-total of cash inflows from investing activities		1,274,286,876.66	196,608,800.56
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets		163,990,474.83	135,132,853.40
Cash paid for investments		179,238,922.10	36,338,783.21
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid related to investing activities		1,271,529,576.13	59,230,243.83
Sub-total of cash outflows from investing activities		1,614,758,973.06	230,701,880.44
Net cash flow from investing activities		-340,472,096.40	-34,093,079.88
III. Cash flows from financing activities:			
Cash received from capital contributions		164,976,000.00	
Cash received from borrowings		300,000,000.00	946,996,018.87
Other cash received related to financing activities			
Sub-total of cash inflows from financing activities		464,976,000.00	946,996,018.87
Cash repayments of borrowings		300,000,000.00	200,000,000.00
Cash paid for distribution of dividends or profits or settlement of interest expenses		182,663,957.72	152,530,597.10
Other cash paid related to financing activities		766,654.65	4,653,409.91
Sub-total of cash outflows from financing activities		483,430,612.37	357,184,007.01
Net cash flow from financing activities		-18,454,612.37	589,812,011.86
IV. Impact of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalents		1,431,202,612.26	1,200,546,026.20
		1,684,565,248.70	484,019,222.50

VI. Closing balance of cash and cash equivalents		3,115,767,860.96	1,684,565,248.70
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The chairman of the Company:
HOU Juncheng

CFO of the Company:
WANG Li

Person in charge of
Accounting Department:
WANG Li

Consolidated Statements of Changes in Owners' Equity

January - December 2022

Unit: Yuan Currency: RMB

Item	2022														
	Equity attributable to owners of the parent company												Minority interests	Total equity attributable to owners	
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Other			Subtotal
	Preference shares	Perpetual bonds	Other												
I. Balance at the end of the previous year	201,009,966.00			50,956,622.11	834,272,205.66	5,628,128.21	-1,247,674.10		100,634,780.00		1,696,978,064.52		2,876,975,835.98	9,864,591.09	2,886,840,427.07
Add: Changes in accounting policies															
Correction for previous errors															
Business combination under common control															
Other															
II. Balance at the beginning 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. Increase of the current period ("-" refers to decrease)	82,509,503.00			-53,111.99	80,543,580.56	159,347,871.79	-670,928.97		41,124,954.50		603,406,698.67		647,512,823.98	2,870,079.24	650,382,903.22
(I) Total comprehensive income							-670,928.97				817,400,223.93		816,729,294.96	13,883,582.44	830,612,877.40

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(II) Owners' contribution and capital reduction	2,105,517.00			-53,111.99	210,987,934.75	159,347,871.79						53,692,467.97	700,000	54,392,467.96
1. Ordinary shares contributed by the owners	2,100,000.00				162,876,000.00	159,347,871.79						5,628,128.21	700,000	6,328,128.21
2. Capital contributions by other equity instrument holders														
3. Amount of share-based payments credited to owners' equity					47,357,121.25							47,357,121.25		47,357,121.24
4. Other	5,517.00			-53,111.99	754,813.50							707,218.51		707,218.51
(III) Profit distribution								41,124,954.50		-213,993,525.26		-172,868,570.76		-172,868,570.76
1. Withdrawal of surplus reserve								41,124,954.50		-41,124,954.50				
2. Withdrawal of general risk provision														
3. Distribution to owners (or shareholders)										-172,868,570.76		-172,868,570.76		-172,868,570.76
4. Other														
(IV) Internal carry-forward of 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									

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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. Carry-forward of other comprehensive income to retained earnings															
6. Other															
(V) Special reserve															
1. Withdrawal for the period															
2. Utilization for the period															
(VI) Others					-50,040,368.19							-50,040,368.19	-	11,713,503.20	-61,753,871.38
IV. Balance at the end of the period	283,519,469.00			50,903,510.12	914,815,786.22	164,976,000.00	-1,918,603.07		141,759,734.50		2,300,384,763.19		3,524,488,659.96	12,734,670.33	3,537,223,330.29

Item	2021														Minority interests	Total equity attributable to owners
	Equity attributable to owners of the parent company															
		Other equity instruments	Capital reserve				Surplus reserve		Retained profits	Other	Subtotal					

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	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Other		Less: Treasury shares	Other comprehensive income	Special reserve		General risk reserve					
I. Balance at the end 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 combination under common control															
Other															
II. Balance at the beginning of the 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. Increase of the current period ("-" refers to decrease)	-106,959.00			50,956,622.11	-2,762,631.03	-7,025,777.04	-978,607.97				431,306,198.89		485,440,400.04	80,462,239.10	404,978,160.94
(I) Total comprehensive income							-978,607.97				576,119,025.56		575,140,417.59	19,065,338.53	556,075,079.06
(II) Owners' contribution and capital reduction	-106,959.00				-1,999,494.15	-7,025,777.04							4,919,323.89	700,000.00	5,619,323.89
1. Ordinary shares contributed by the owners	-106,959.00				-1,626,846.39	-7,025,777.04							5,291,971.65	700,000.00	5,991,971.65
2. Capital contributions by other equity															

instrument holders															
3. Amount of share-based payments credited to owners' equity					-372,647.76								-372,647.76		-372,647.76
4. Other															
(III) Profit distribution											-144,804,186.00		-144,804,186.00		-144,804,186.00
1. Withdrawal of surplus reserve															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-144,804,186.00		-144,804,186.00		-144,804,186.00
4. Other															
(IV) Internal carry-forward of 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. Carry-forward of other comprehensive income to retained earnings															
6. Other															
(V) Special reserve															
1. Withdrawal for the period															
2. Utilization for the period															
(VI) Others				50,956,622.11	-763,136.88						-8,640.67		50,184,844.56	62,096,900.57	-11,912,056.01
IV. Balance at the end of the 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

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Person in charge of Accounting Department: WANG Li

Parent Company's Statement of Changes in Owners' Equity

January - December 2022

Unit: Yuan Currency: RMB

Item	2022										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total equity attributable to owners
		Preference shares	Perpetual bonds	Other							
I. Balance at the end 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											
Other											
II. Balance at the beginning of the 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. Increase of the current period ("-" refers to decrease)	82,509,503.00			-53,111.99	130,049,422.52	159,347,871.79			41,124,954.50	457,353,107.58	551,636,003.82
(I) Total comprehensive income										671,346,632.84	671,346,632.84
(II) Owners' contribution and capital reduction	2,105,517.00			-53,111.99	210,987,934.74	159,347,871.79					53,692,467.96
1. Ordinary shares contributed by the owners	2,100,000.00				162,876,000.00	159,347,871.79					5,628,128.21
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					47,357,121.24						47,357,121.24

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4. Other	5,517.00			-53,111.99	754,813.50						707,218.51
(III) Profit distribution									41,124,954.50	-213,993,525.26	-172,868,570.76
1. Withdrawal of surplus reserve									41,124,954.50	-41,124,954.50	
2. Distribution to owners (or shareholders)										-172,868,570.76	-172,868,570.76
3. Other											
(IV) Internal carry-forward of 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. Carry-forward of other											

comprehensive income to retained earnings											
6. Other											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others					-534,526.22						-534,526.22
IV. Balance at the end of the period	283,519,469.00			50,903,510.12	964,613,342.84	164,976,000.00			141,759,734.50	2,001,098,149.06	3,276,918,205.52

Item	2021										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total equity attributable to owners
		Preference shares	Perpetual bonds	Other							
I. Balance at the end of the previous 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
Add: Changes in accounting policies											
Correction for previous errors											
Other											

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II. Balance at the beginning 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. Increase of the current period ("-" refers to decrease)	-106,959.00			50,956,622.11	-2,511,505.00	-7,025,777.04				408,755,198.19	464,119,133.34
(I) Total comprehensive income										553,559,384.19	553,559,384.19
(II) Owners' contribution and capital reduction	-106,959.00				-1,999,494.15	-7,025,777.04					4,919,323.89
1. Ordinary shares contributed by the owners	-106,959.00				-1,626,846.39	-7,025,777.04					5,291,971.65
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					-372,647.76						-372,647.76
4. Other											
(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. Other											
(IV) Internal carry-forward of 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. Carry-forward of other comprehensive income to											

retained earnings											
6. Other											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others				50,956,622.11	-512,010.85						50,444,611.26
IV. Balance at the end of the period	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

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Person in charge 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. Headquartered in Hangzhou, Zhejiang, the Company now holds the business license with the unified social credit code of 91330100789665033F. Currently, the Company's registered capital is RMB283,513,952.00, and the paid-in capital is RMB283,519,469.00 (the paid-in capital is RMB5,517.00 higher than the registered capital due to the conversion of convertible bonds without industrial and commercial change registration). The total number of shares converted is 283,519,469 (with a par value of 1.00 RMB/per share), including 2,100,000 restricted circulating A shares and 281,419,469 unrestricted circulating A shares. which 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 Company's main products are cosmetics.

The financial statements were approved for external disclosure by the 11th meeting of the third session of the Board of Directors of the Company on April 19, 2023.

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. For details, refer to the particulars contained in notes "VIII. Change of Consolidation Scope" and "IX. Equity in Other Entities" in this report.

IV. Preparation Basis of Financial Statements

1. Preparation basis

The financial statements of the Company are prepared based on going concern.

2. Going concern

Applicable Not applicable

There are no matters or situations that may substantially affect the Company's ability to continue as a going concern within 12 months since the end of the Reporting Period.

V. Significant Accounting Policies and Estimates

Notes to specific accounting policies and accounting estimates:

Applicable Not applicable

Refer to "44. Changes in Significant Accounting Policies and Estimates" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" for details.

1. Statement of compliance of accounting standards for business enterprises

The financial statements have been prepared by the Company in conformity with the China Accounting

Standards for Business Enterprises, and present truly and completely the Company's financial position, operating performance, changes in shareholders' equity, cash flow and other related information.

2. Accounting period

The accounting period 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. Functional currency

The functional currency of the Company is RMB. Overseas subsidiaries including Hapsode Co., Ltd., Hanna Cosmetics Co., Ltd., Korea Younimi Cosmetics Co., Ltd. and O&R Co., Ltd. adopt the currency in their major economic environment of operation as their function currency.

5. Accounting treatment of business combination under or not under common control

Applicable Not applicable

1. Accounting treatments for business combination under common control

The assets and liabilities acquired by the Company through business combination are measured at the carrying value of the combined party in the consolidated financial statements of the ultimate controlling party at the combination date. The Company adjusts the capital reserve in accordance with the difference between the carrying value share of the owners' equity of the combined party in the consolidated financial statements of the ultimate controlling party and the carrying value of the consideration paid for the business combination or the total nominal value of the issued shares. If the capital reserve is not sufficient to offset the difference, the retained earnings will be adjusted.

2. Accounting treatments for business combination not under common control

The difference by which the cost of combination is greater than the fair value of the net identifiable assets of the acquiree is recognized by the Company as goodwill on the acquisition date; the difference by which the combination cost is less than the fair value share of the net identifiable assets of the acquiree is recorded into the profit or loss after the re-check of the measurement of the fair value of identifiable assets, liabilities or contingent liabilities acquired from the acquiree, and the combination cost.

6. Preparation of consolidated financial statements

Applicable Not applicable

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

2. Accounting treatment methods for buying and then selling, or selling and then buying the equity of the same subsidiary in two consecutive fiscal years

The acquisition of the equity of the acquiree is to control its operating and financial policies and to obtain long-term benefits from its operating activities. After the right to control the acquiree is acquired, the acquiree is included in the consolidation scope of the consolidated financial statements. Due to changes

in the Company's business plans and arrangements, if the equity of the acquiree is disposed of in the second fiscal year to the point of losing control over it, the acquiree will be excluded from the consolidation scope of the consolidated financial statements when the control is lost.

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

Applicable Not applicable

1. Joint arrangement can be divided into joint operation and joint venture.
2. When the Company is a joint party of a joint operation, the Company recognizes the following items related to the share of interests in the joint operation:
 - (1) Assets solely held, and assets jointly held on proportion;
 - (2) Liabilities solely undertaken, and liabilities jointly undertaken on proportion;
 - (3) Income generated from selling the Company's output share of the joint operation;
 - (4) Income of the joint operation generated from selling assets according to the Company's holding share;
 - (5) Cost incurred alone, and cost incurred from the joint operation on proportion;

8. Determination of cash and cash equivalents

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

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

Applicable Not applicable

1. Translation of foreign currency transactions

Foreign currency transactions are translated into RMB at the approximate rate of spot rate on the transaction date during initial recognition. On the balance sheet date, the foreign-currency monetary items are calculated based on the spot rate on the same date. The exchange difference arising from the different exchange rates is included in the current profit or loss, except the exchange difference between the principal and interest of the foreign currency loans specially borrowed for the purchase and construction of assets eligible for capitalization. The foreign currency non-monetary items measured at historical cost are still 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 profits" are translated at the spot rates on the transaction dates. Income and expense items in the income statement are translated at the approximate rates of the spot rates on the transaction dates. Any balance incurred from the translation of foreign-currency financial statements by the above method is included in other comprehensive income.

10. Financial instruments

Applicable Not applicable

1. Classification of financial assets and liabilities

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

Financial liabilities are classified into the following four categories at initial recognition: (1) financial liabilities measured at fair value through profit or loss; (2) financial liabilities arise when a transfer of a financial asset does not qualify for derecognition or that are accounted for using the continuing-involvement method; (3) loan commitments not belonging to the financial guarantee contracts mentioned in item (1) or (2) above and those not belonging to item (1) above and given at a rate lower than market interest rate; (4) financial liabilities measured at amortized cost.

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

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

A financial asset or liability is recognized when the Company becomes a party to a financial instrument contract. Financial assets and liabilities are measured at the fair value at initial recognition. For financial assets and liabilities measured at fair value through profit or loss, relevant transaction expenses are directly included in the current profit or loss; for other categories of financial assets or liabilities, relevant transaction costs are recognized as expenses at 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 investments measured at fair value through other comprehensive income

They are subsequently measured at fair value. The interest, impairment losses or gains and exchange gains or losses calculated with the effective interest method are included in the current profit or loss, and other gains or losses are included in other comprehensive income. At derecognition, the gains or losses accumulated previously through comprehensive income are transferred from other comprehensive income and included into the current profit or loss.

3) Equity instrument investments measured at fair value through other comprehensive income

They are subsequently measured at fair value. The dividends obtained (except for the part from investment cost recovery) are included in the current profit or loss, and other gains or losses are included in other comprehensive income. At derecognition, the gains or losses accumulated previously through other comprehensive income are transferred from other comprehensive income and included into retained earnings.

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

They are subsequently measured at fair value. 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 the hedging relationship.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities measured at fair value through profit or loss

Such financial liabilities include held-for-trading financial liabilities (including derivative instruments belonging to financial liabilities) and those designated as financial liabilities measured at fair value through

profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities measured at fair value through profit or loss due to changes 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 (including interest, except changes in the fair value arising from the Company's own credit risk) are included in the current profit or loss, unless the financial liabilities belong to part of the hedging relationship. At derecognition, the gains or losses accumulated previously through other comprehensive income are transferred from other comprehensive income and included into retained earnings.

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

They are measured in accordance with the *Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets*.

3) Loan commitments not belonging to the financial guarantee contracts mentioned in item 1) or 2) above and those not belonging to item 1) above and given at a rate lower than market interest rate

They are subsequently measured 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

They are measured at amortized cost using the effective interest method. 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 according to the effective interest method.

(4) Derecognition of financial assets and liabilities

1) Financial assets are derecognized when any one of the following conditions is satisfied:

① The contract right to collect cash flow from the financial assets has terminated;
② The financial assets have been transferred and such transfer satisfies the provisions for derecognition of financial assets in the *Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets*.

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

3. Recognition basis and measurement of 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 the 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 case that almost all the risks and rewards related to the ownership of the financial assets are neither transferred nor retained, disposal shall apply depending on the following circumstances: (1) if the 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 the 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 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 assets is transferred and the transfer satisfies the conditions for derecognition, the overall carrying value before the transfer of financial assets is apportioned according to their respective relative fair value at the transfer date between the portion of 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 investment measured at fair value with changes included in other comprehensive income).

4. Determination of the fair value of financial assets and 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 liabilities. The Company divides the inputs for the estimation technique into the following levels and uses them in turn:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, including: the quotation of similar assets or liabilities in an active market; the quotation of the identical or similar assets or liabilities in an inactive market; other observable inputs other than the quotation, such as the interest rate and yield curves that can be observed during the normal quotation intervals; and the market validation inputs;

(3) Level 3 inputs are unobservable inputs of related assets or liabilities, including the interest rate, stock volatility, future cash flow of retirement obligations borne during the business combination, and financial forecasts made based on its own data, which cannot be observed directly or cannot be verified according to observable market 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 through other comprehensive income, contract assets, lease receivables, the loan commitment other than financial liabilities measured at fair value through profit or loss, and the financial guarantee contracts of financial liabilities not measured at fair value through 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 receivable under the contract by the Company and all cash flows as expected, i.e. the present value of all cash shortages. The purchased or underlying financial assets of the Company with credit impairment incurred are discounted according to their effective interest rates upon credit adjustment.

For the 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 are recognized by the Company as loss provisions on the balance sheet date.

For the 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 the 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 simplified measurement method.

For the 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 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 instrument 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 the 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 of which expected credit risks are assessed by portfolio and expected credit losses are measured with a three-stage model

Item	Basis for determining the portfolio	Method for measuring the expected credit loss
Other receivables - account age portfolio	Account age	Calculating the expected credit loss by the default risk exposure and the expected credit loss rate in 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.
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(3) Receivables and contract assets with expected credit losses measured by portfolio with a simplified measurement method

1) Portfolio details and measurement of expected credit loss

Item	Basis for determining the portfolio	Method for measuring the expected credit loss
Receivables financing - bank acceptance note	Bill 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 - account age portfolio	Account age	Calculating the expected credit loss by preparing the comparison table between account 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 - Comparison between account age of account age portfolio and expected credit loss rate in the whole duration

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

6. Offset of financial assets and liabilities

Financial assets and liabilities are presented 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 executable; (2) the Company plans to settle by net amount or simultaneously realize the financial assets and clear off the financial liabilities.

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

11. Notes receivable

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

Applicable Not applicable

12. Accounts receivable

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

Applicable Not applicable

Refer to "10. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" of this report.

13. Receivable financing

Applicable Not applicable

Refer to "10. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" of this report.

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 Estimates" of "Section X Financial Report" of this report.

15. Inventories

Applicable Not applicable

1. Classification of inventories

Inventories include finished goods or commodities for sale in daily operations, goods in process during the production, materials consumed during production or rendering of service.

2. Valuation method for delivered inventories

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 devaluation of inventories is made if the cost of a single inventory is higher than its net realizable value. The net realizable value of inventories directly for sale is determined by the amount of the estimated selling price after subtracting the estimated sales expenses and relevant taxes during the normal production and operation; 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 subtracting the estimated cost by the end of processing, the estimated sales expenses and relevant taxes during the normal production and operation. 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 inventory falling price reserve.

4. Inventory system

The Company adopts a perpetual inventory system.

5. Amortization of low-value consumables and packaging

(1) Low-value consumables

Amortization is performed by the immediate write-off method.

(2) Packaging

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 (depend 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. Held-for-sale assets

Applicable Not applicable

18. Debt investments

(1). Determination and accounting treatment of the expected credit loss of debt investments

Applicable Not applicable

19. Other debt investments

(1). Determination and accounting treatment of the expected credit loss of other debt investments

Applicable Not applicable

20. Long-term receivables

(1). 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, but not to control or impose joint control together with other parties over the formulation of these policies.

2. Determination of investment cost

(1) For a long-term equity investment obtained from a business combination under common control: where the combining party pays cash, transfers non-cash assets, bears debts or issues equity securities as combination consideration, the initial investment cost is the share with reference to the carrying value of

the owners' equity of the combined party in the consolidated financial statements of the ultimate controlling party on the combination date. The difference between the initial investment cost of the long-term equity investment and the carrying value of the consideration paid for the business combination or the 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.

For a long-term equity investment obtained from a business combination under common control through multiple transactions by step, the Company judges whether the transactions are a "package deal". If yes, the transactions are subject to accounting treatment as one deal that has acquired control right. If no, the initial investment cost is determined on the basis of the share with reference to the carrying value of the net asset of the combined party in the consolidated financial statements of the ultimate controlling party on the combination date. The difference between the initial investment cost of long-term equity investment at the combination date and the sum of the carrying amount of long-term equity investment before business combination and the carrying value of newly paid consideration for additional shares acquired on the combination date is adjusted to the capital reserve. If the capital reserve is not sufficient to be offset, the retained earnings are adjusted.

(2) For a long-term equity investment obtained from a business combination not under common control, the fair value of consideration paid for business combination is regarded as the initial investment cost on the acquisition date.

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

1) In the individual financial statements, the initial investment cost calculated with the cost method 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 based on whether the transactions are a "package deal". If yes, the transactions are subject to accounting treatment as one deal that has acquired control right. If no, the equity of the acquiree held before the acquisition date is re-measured at the fair value of the 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 in net liabilities or assets due to re-measurement on defined benefit plans by the investee.

(3) For a long-term equity investment obtained by means other than business combination: If it is obtained by cash, the initial investment cost is the actual payment; If it is obtained through issuing equity securities, the initial investment cost is the fair value of the issued equity securities. If it is obtained through debt restructuring, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring*. If it is obtained 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 a long-term equity investment controlled by the investee, the cost method is adopted for accounting. For a long-term equity investment in associates and joint ventures, the equity method is adopted for accounting.

4. Treatment methods for loss of control upon a stepwise disposal of investment to subsidiaries through multiple transactions

(1) Individual financial statements

For disposal of equity, the difference between the carrying value and the consideration actually received is included in the current profit or loss. The accounting of remaining equity is completed by 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 statement

1) Loss of control upon stepwise disposal of investment to subsidiaries through multiple transactions, not belonging to a "package deal"

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

When the 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 and the net assets of the original subsidiary proportionate to the original shareholding accumulated from the date of acquisition or business combination 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 stepwise disposal of investment to subsidiaries through multiple transactions, belonging to a "package deal"

All transactions are regarded as one transaction disposing the subsidiaries and losing the control right for accounting treatment. However, the difference between the amount received each time for disposal before the control is lost and the net assets of such 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 real estate

(1). In case of a cost measurement model:

Depreciation or amortization method

1. Investment real estate includes leased land use right, land use right held for transfer upon appreciation, and building leased-out.
2. Investment real estate is initially measured at cost and subsequently measured with the cost model, and depreciated or amortized with 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 use in the production or rendering of goods or services, for rental to others, or for administrative purposes, and have a service life of more than one accounting year. The fixed assets are recognized when the following conditions are satisfied at the same time: the economic benefits are likely to inflow to the Company. The costs of such fixed assets can be measured reliably.

(2). Depreciation method√ Applicable Not applicable

Category	Depreciation method	Depreciation life (year)	Residual value	Annual depreciation rate
Houses 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%
Dedicated equipment	Straight-line method	5 - 10	5%	19.00%-9.50%
Means of transportation	Straight-line method	5	5%	19.00%

(3). Recognition basis, valuation and depreciation 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: the economic benefits are likely to inflow to the Company; 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 reaches 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 is not adjusted.

25. Borrowing costs√ Applicable Not applicable**1. Criteria for recognition of capitalized borrowing costs**

Borrowing costs incurred by the Company, which are directly attributable to the purchase and construction of assets eligible for capitalization, are capitalized and included in the costs of the related assets. Other borrowing costs are recognized as expense in the period in which they incur 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 incurred; 2) borrowing costs have incurred; 3) acquisition and construction or production that are necessary to enable the assets reach the intended usable or saleable conditions have commenced.

(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 current expenses till resumption of purchasing or production of the assets.

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

26. Biological assets

Applicable Not applicable

27. Oil and gas assets

Applicable Not applicable

28. Right-of-use assets

Applicable Not applicable

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

29. Intangible assets

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

Applicable Not applicable

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

2. Intangible assets with limited service life are amortized systematically and reasonably over their service life in accordance with the expected realization method of the economic benefits related to the intangible assets. If the expected realization method cannot be reliably determined, the straight-line method is used for amortization. The specific year information is shown as below:

Item	Amortization period (year)
Land use rights	40 or 50
Unpatented technology	5
Office software	3 - 10
Patent right	5
Customer resources	3
Trademark right	10

(2). Accounting policy regarding the expenditure on the internal research and development√ Applicable Not applicable

Expenditure incurred during the research phase of the internal research and development projects is included in the current profit or loss when actually incurred. Expenditure incurred during the development phase is recognized as an intangible asset when all of the following conditions are satisfied simultaneously.

- (1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (2) Its intention to complete the intangible asset so that it will be available for use or sale.
- (3) How the intangible asset will generate probable future economic benefits. Amongst other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is used internally, the usefulness of the intangible asset.
- (4) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (5) Its ability to reliably measure the expenditure attributable to the intangible asset during its development.

30. Impairment of long-term assets√ Applicable Not applicable

For such long-term assets as long-term equity investment, investment real estate measured with the cost model, fixed assets, construction in progress and intangible assets with limited service life, in case that there are signs indicating impairment on the balance sheet date, the recoverable amount should be estimated. Whether there is a sign of impairment or not, the goodwill acquired through the business combination and intangible assets with indefinite service 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 prepaid expenses√ Applicable Not applicable

The long-term prepaid expenses involve all expenses already paid with amortization period of more than 1 year (excluding 1 year). Long-term prepaid 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 prepaid expenses cannot provide benefit to the future accounting period, then all of the amortized value of the unamortized long-term prepaid expenses are transferred into the current profit or loss.

32. Contract liabilities**(1). Recognition 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 compensation**(1). Accounting treatment of short-term compensation**√ Applicable Not applicable

During the accounting period when employees render services for the Company, the short-term compensation actually incurred is recognized as liabilities and included in the current profit or loss or the costs of the related assets.

(2). Accounting treatment of post-employment benefits√ Applicable Not applicable

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

(1) During the accounting period when employees render services for the Company, the amount to be deposited as calculated according to the defined contribution plan are recognized as liabilities and 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. are 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 obligation generated from the defined benefit plan shall be discounted, so as to determine the present value of defined benefit plan obligation 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 surplus, the net assets of the defined benefit plan are measured at the lower of the surplus of defined benefit plan and the upper limit of the assets;

3) At the end of the period, the employee compensation 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 of termination benefits√ Applicable Not applicable

If termination benefits are provided to employees, the employee compensation 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 of other long-term employee 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 those are treated in accounting as stipulated in the defined benefit plan. In order to simplify the related accounting treatment, the generated employee compensation cost is recognized as the service cost. The total net amount of items including the net interest of net liabilities or assets of other long-term employee compensation and the changes generated from re-measuring net liabilities or assets of other long-term employee compensation is included in the current profit or loss or the costs of the related assets.

34. Lease liabilities

Applicable Not applicable

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

35. Provisions

Applicable Not applicable

1. The obligations imposed by contingencies, such as providing external guarantee, lawsuits, product quality assurance and onerous contract, become the current obligations assumed by the Company, which are determined by the Company as Provisions when their performance is very likely to result in economic benefit outflow from the Company and their amount can be measured reliably.

2. The provisions 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 schedule

(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 the 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 acquiring if its reliable measurement is possible, and as per the fair value of the equity instruments on the date of acquiring the services if the reliable measurement of the fair value of other parties' services is impossible, but that of the equity instruments is possible, they are included in relevant costs or expenses, and the owners' 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 schedule

If the fair value of the granted equity instruments is increased, the Company recognizes the increase of the acquired services according to 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 Provisions on Accounting Treatment of Perpetual Bonds* (C.C. [2019] No.2), for financial instruments such as convertible corporate bonds issued, the Company shall classify these financial instruments or their components as financial assets, financial liabilities or 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 and 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 are deemed to be performed within a period if one of the following conditions is satisfied, otherwise, 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 under creation 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 recognizes 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 takes into account the following when judging whether the customer has acquired the control over commodity: (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 possessed the legal title of the commodity; (3) the Company has transferred the physical commodity to the customer, namely the customer has physical possession of the commodity; (4) the Company has transferred 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 are other signs indicating that the customer has acquired the control over the commodity.

2. Revenue measurement principle

(1) The Company measures the revenue according to the transaction price apportioned to the individual performance obligations. 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 a variable consideration in the contract, the Company determines the optimal estimate of the variable consideration according to the expected value or the amount most likely to incur, while the transaction price including the variable consideration cannot 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 a major financing composition in the contract, the Company determines the transaction price according to the payable amount assumed to be paid by the customer in cash immediately after it acquires the control over the commodities or services. The difference between the transaction price and the contract consideration is amortized with 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 apportions 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 on the commencement date of the contract.

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

Applicable Not applicable

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

(1) Distribution

The sales revenue is 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 is 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 is 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 cost include the contract acquisition cost and the 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, is recognized as an asset. If the amortization period of the contract acquisition cost is no more than one year, its cost is directly included in the current profit or loss when it is incurred.

The cost incurred by the Company for performing the contract that falls out of the standard scope of relevant criteria for inventories, fixed assets or intangible assets and that satisfies the following conditions, as the contract performance cost, is 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 amortizes 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 records the same in the current profit or loss.

If the carrying value of the assets related to the contract cost is more than the surplus consideration expected to be acquired for transferring the commodities or services in connection with the assets minus the cost expected to incur, the Company makes the impairment provision against the exceeding part and recognizes it as the asset 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 impairment provisions of assets made originally will 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 Impairment Provision.

40. Government subsidies

Applicable Not applicable

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

2. Determination and accounting treatment method for Government subsidies related to assets

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

3. Determination and accounting treatment of government subsidies related to income

Government subsidies other than those related to assets are classified as government subsidies related to income. If it is difficult to distinguish whether the government subsidies containing both the part related to assets and the part related to income are related to assets or income, the government subsidies are entirely classified as government subsidies related to income. Government subsidies related to income that are used for compensation for relevant costs or losses in subsequent periods are 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 are directly included in the current profit or loss or offset relevant costs.

4. Government subsidies related to daily business activities of the Company are included in other income or offset relevant costs according to the nature of the economic business. Government subsidies unrelated to the daily business activities of the Company are included in non-operating revenue or expenses.

41. Deferred income tax assets/liabilities

Applicable Not applicable

1. Based on the difference between the carrying value of the assets or liabilities and their tax basis (if the tax basis of the items not recognized as assets or liabilities can be determined according to the provisions of the tax law, the difference between that tax basis and their physical count quantity), the deferred income tax assets or liabilities are 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 is conclusive evidence proving that it is very likely to obtain sufficient taxable income in future periods to deduct the deductible temporary differences, the deferred income tax assets not recognized yet in previous accounting periods is 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 is written down. When it is very likely to obtain sufficient taxable income, the amount written down is 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 combination; (2) transaction or matters recognized directly in the owners' equity.

42. Lease

(1). Accounting treatment of operating lease

Applicable Not applicable

(2). Accounting treatment of financing lease

Applicable Not applicable

(3). Determination 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 the 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 locate, or restore the leased assets to the condition agreed upon in the lease terms.

The Company depreciates right-of-use assets with 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 accrues depreciation over the remaining service 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 accrues depreciation over the lease term or the remaining service life of the leased assets, whichever 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 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 obtained 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 estimates

Applicable Not applicable

44. Changes in significant accounting policies and estimates

(1). Changes in significant accounting policies

Applicable Not applicable

Contents and reasons of changes in accounting policies	Review and approval procedure	Remarks (name and amount of report items affected materially)
None		

Other explanations

The Company has implemented the provisions on "Accounting Treatment of Enterprises on External Sale of Fixed Assets before Reaching the Intended Usable State or Products or By-products Produced during the Research and Development Process" in the *Interpretation No. 15 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance since January 1, 2022. This accounting policy change has no impact on the Company's financial statements.

The Company has implemented the provisions on "Judgment on Loss Contract" in the *Interpretation No. 15 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance since January 1, 2022. This accounting policy change has no impact on the Company's financial statements.

From 2022, the Company has adopted in advance the provisions of "Accounting Standards for Business Enterprises Interpretation No. 16" issued by the Ministry of Finance, which states that the accounting treatment for deferred income tax related to assets and liabilities arising from individual transactions is not applicable to the exemption from initial recognition. This accounting policy change has no impact on the Company's financial statements.

The Company has implemented the provisions on "Accounting Treatment of Income Tax Effects on Dividends Related to Financial Instruments Classified as Equity Instruments by the Issuer" in the *Interpretation No. 16 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance since November 30, 2022. This accounting policy change has no impact on the Company's financial statements.

The Company has implemented the provisions on "Accounting Treatment for Enterprises Changing Cash-settled Share-based Payments to Equity-settled Share-based Payments" in the *Interpretation No. 16 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance since November 30, 2022. This accounting policy change has no impact on the Company's financial statements.

(2). Changes in significant accounting estimates

Applicable Not applicable

(3). The first adoption of new accounting standards or standard interpretations since 2022 involves adjusting the financial statements at the beginning of the year of the first adoption

Applicable Not applicable

45. Other

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	13%, 9%, 6%, 1%

	basis of the income from sales of products and taxable income from rendering of services calculated according to the provisions of the 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.	
Consumption tax	Taxable sales (volume)	15%
Property tax	In 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 case of taxation according to lease, it is calculated and paid as per 12% of the rental income.	12%, 1.2%
Urban maintenance and construction tax	Actual turnover tax paid	7%, 5%
Education surcharge	Actual turnover tax paid	3%
Surcharge for local education	Actual turnover tax paid	2%
Enterprise income tax	Taxable income	[Note]

[Note]: Descriptions on tax payers 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 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
HongKong Keshi Trading Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hongkong 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

Hongkong 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
O&R Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in Japan
Tax payers other than the above	25

2. Tax preference

Applicable Not applicable

The Company was reviewed as the 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 during 2020 - 2022. The Company was subject to the enterprise income tax at the preferential rate of 15% during 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), and *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 the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises* (SAT 2022 No.13 Decree of the Ministry of Finance), Huzhou Niuke Technology Co., Ltd. and Xuzhou Laibo Information Technology Co., Ltd. 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% for the taxable income not greater than RMB1 million and pay the enterprise income tax as per the tax rate of 20%. For the taxable income greater than RMB1 million but lower than RMB3 million, it would calculate taxable income as per a reduced tax rate of 25% and pay the enterprise income tax as per the tax rate of 20%.

In accordance with the provisions of 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), 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% is used for deducting the taxes payable from October 1, 2019 to December 31, 2022.

3. Other

Applicable Not applicable

VII. Notes to the Items in Consolidated Financial Statements**1. Cash and cash equivalents**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Cash on hand	20,176.08	22,348.23
Cash at bank	3,078,501,723.18	2,339,040,989.92
Other monetary capital	82,481,185.79	51,984,911.66
Total	3,161,003,085.05	2,391,048,249.81
Of which: Total cash deposited outside China	73,162,153.00	69,786,305.02

Other explanations

At the end of the period, bank deposits subject to restricted use included the fixed-term deposit of RMB30,000,000.00, the transformer fixed deposit of RMB250,000.00, the ETC vehicle deposit of RMB70,000.00, the Pingduoduo deposit of RMB5,000,000.00, and the Tmall and Alipay deposits of RMB350,000.00.

At the beginning of the period, bank deposits subject to restricted use included the transformer fixed deposit of RMB293,481.72, and the L/C deposit of RMB7,000,000.00, ETC vehicle deposit of RMB70,000.00, Pingduoduo deposit of RMB5,000,000.00, and the Tmall and Alipay deposits of RMB350,000.00 in other monetary capital.

2. Held-for-trading financial assets Applicable √ Not applicable**3. Derivative financial assets** Applicable √ Not applicable**4. Notes receivable****(1). Presentation of notes receivable by category** 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

Provision for bad debts accrued individually:

 Applicable √ Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

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

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 explanations

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: Sub-items within 1 year	
Within 1 year	102,578,046.19
Sub-total within 1 year	102,578,046.19
1 - 2 years	3,828,412.88
2 - 3 years	5,152,061.48
Above 3 years	14,301,950.43
3 - 4 years	
4 - 5 years	
Above 5 years	
Total	125,860,470.98

(2). Disclosed by the classification of bad debt accrual method

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance					Opening balance				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Accrual ratio (%)		Amount	Percentage (%)	Amount	Accrual ratio (%)	

Provision for bad debts accrued individually	13,574,973.09	10.79	13,574,973.09	100.00		14,489,512.75	8.89	14,489,512.75	100.00	
Including:										
Provision for bad debts accrued by portfolio	112,285,497.89	89.21	10,127,599.48	9.02	102,157,898.41	148,581,371.95	91.11	9,954,744.05	6.70	138,626,627.90
Including:										
Account age portfolio	112,285,497.89	89.21	10,127,599.48	9.02	102,157,898.41	148,581,371.95	91.11	9,954,744.05	6.70	138,626,627.90
Total	125,860,470.98	/	23,702,572.57	/	102,157,898.41	163,070,884.70	/	24,444,256.80	/	138,626,627.90

Provision for bad debts accrued individually:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Ending balance			
	Carrying amount	Provision for bad debts	Accrual ratio (%)	Reason for accrual
Provision for bad debts accrued individually	13,574,973.09	13,574,973.09	100.00	Expected to be uncollectible
Total	13,574,973.09	13,574,973.09	100.00	/

Explanation of bad debt provision by item:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

By portfolio: account age portfolio

Unit: Yuan Currency: RMB

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Accrual ratio (%)
Account age portfolio	112,285,497.89	10,127,599.48	9.02
Total	112,285,497.89	10,127,599.48	9.02

Determination and explanation of bad debts accrued by portfolio

Applicable Not applicable

Account age	Ending amount		
	Carrying amount	Provision for bad debts	Accrual ratio (%)
Within 1 year	102,403,884.74	5,120,194.23	5.00
1 - 2 years	3,825,395.93	1,147,618.78	30.00
2 - 3 years	4,392,861.51	2,196,430.76	50.00
Above 3 years	1,663,355.71	1,663,355.71	100.00

Subtotal	112,285,497.89	10,127,599.48	9.02
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If the bad debt provision is accrued according to the general model of expected credit loss, 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 amount for the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued individually	14,489,512.75	425,831.10	1,340,370.76			13,574,973.09
Provision for bad debts accrued by portfolio	9,954,744.05	173,230.67		375.24		10,127,599.48
Total	24,444,256.80	599,061.77	1,340,370.76	375.24		23,702,572.57

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

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Written off amount
Accounts receivable actually written off	375.24

Among them, information of accounts receivable significantly written off

Applicable Not applicable

Explanation on the write-off of the account receivable:

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Ending balance	Proportion of total balance of accounts receivable at the end of the period (%)	Ending balance of bad debt provision
Beijing JD Century Trading Co., Ltd.	45,723,754.71	36.33	2,286,187.74
Vipshop (China) Co., Ltd.	26,051,305.59	20.70	1,302,565.28
Shanghai Zimei Investment Management Co., Ltd.	4,928,414.98	3.92	261,599.75
Hangzhou Yongyi Network Technology Co., Ltd.	4,640,580.00	3.69	4,640,580.00
Zhejiang Haochao Network Technology Co., Ltd.	4,305,623.60	3.42	215,281.18
Total	85,649,678.88	68.05	8,706,213.95

Other explanations

None

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

Applicable Not applicable

(7). The amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved

Applicable Not applicable

Other explanations:

Applicable Not applicable

6. Receivable financing

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Bank acceptance bills		3,242,000.00
Total		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 accrued according to the general model of expected credit loss, refer to the disclosure of other receivables:

Applicable Not applicable

Other explanations:

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 bills	7,545,731.88
Subtotal	7,545,731.88

It is unlikely that a bank acceptance note will be overdue, as the acceptor of bank acceptance note is a high-credit commercial bank. Therefore, the Company has derecognized endorsed or discounted bank acceptance notes. If any of such bills is 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	Ending balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	88,898,806.55	97.18	57,284,969.16	98.08
1 - 2 years	1,696,085.16	1.85	1,062,309.95	1.82
2 - 3 years	829,263.44	0.91	59,368.00	0.10
Above 3 years	59,368.00	0.06		
Total	91,483,523.15	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:

At the end of the period, there were no important unsettled prepayments with an account age of more than 1 year.

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

Applicable Not applicable

Company name	Ending balance	Ratio of total ending balance of prepayment (%)
Hangzhou Alimama Software Service Co., Ltd.[Note 1]	26,544,217.54	29.02
Wuhan Juliang Xingtu Technology Co., Ltd.[Note 2]	14,095,425.65	15.41
Shanghai Xunmeng Information Technology Co., Ltd.	9,620,124.20	10.52
Guangxi Jingdong Xinjie E-commerce Co., Ltd.	7,337,797.29	8.02
Shanghai Zhuiji Information Technology Co., Ltd.	3,381,976.54	3.70
Total	60,979,541.22	66.67

Other explanations

[Note 1] The payment to Hangzhou Alimama Software Service Co., Ltd. refers to the consolidated amount to Hangzhou Alimama Software Service Co., Ltd., Zhejiang Alibaba Communication Technology Co., Ltd., and other companies that are under the same control.

[Note 2] The payment to Wuhan Juliang Xingtu Technology Co., Ltd. refers to the consolidated amount to Hubei Juliang Yinqing Technology Co., Ltd., Wuhan Juliang Xingtu Technology Co., Ltd., and other companies that are under the same control.

Other explanations

Applicable Not applicable

8. Other receivables

Presentation by item

Applicable Not applicable

Other explanations:

Applicable Not applicable

Interest receivable

(1). Classification of interest receivable

Applicable Not applicable

(2). Significant overdue interest

Applicable Not applicable

(3). Provision for bad debts

Applicable Not applicable

Other explanations:

Applicable Not applicable

Dividends receivable

(4). Dividends receivable

Applicable Not applicable

(5). Important dividends receivable with an account age of more than 1 year

Applicable Not applicable

(6). Provision for bad debts

Applicable Not applicable

Other explanations:

Applicable Not applicable

Other receivables

(1). Disclosed by account age

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Book balance at the end of the period
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Within 1 year	
Including: Sub-items within 1 year	
Within 1 year	65,862,919.09
Sub-total within 1 year	65,862,919.09
1 - 2 years	19,331,287.17
2 - 3 years	22,496,350.23
Above 3 years	6,470,493.57
3 - 4 years	
4 - 5 years	
Above 5 years	
Total	114,161,050.06

[Note] The ending balance with an account age of 2-3 years is greater than the opening balance with an account age of 1-2 years, which is due to changes in foreign currency exchange rates

(2).Classification by nature of payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the period	Opening book balance
Security deposits	22,781,728.37	24,126,373.18
Suspense payment receivables	90,500,345.08	74,931,769.08
Reserve fund	552,985.89	624,289.31
Other	325,990.72	1,336,042.57
Total	114,161,050.06	101,018,474.14

(3).Provision for bad debts

Applicable Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses 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	3,254,330.37	517,127.76	31,203,308.20	34,974,766.33
The balance as of January 1, 2022 is in the current period				
- Transferred to the second stage	-738,418.35	738,418.35		
- Transferred to the third stage		-393,872.19	393,872.19	

- Returned to the second stage				
- Returned to the first stage				
Accrual in the current period	953,768.29	3,568,836.19	2,718,109.94	7,240,714.42
Amount written back in the current period			-1,441,980.00	-1,441,980.00
Current write off				
Current recovery				
Amount written off in the current period	-176,534.32			-176,534.32
Other changes				
Balance as at December 31, 2022	3,293,145.99	4,430,510.11	32,873,310.33	40,596,966.43

Explanation of significant changes in 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

(4).Information of bad-debt provision

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued individually	26,987,367.33	275,975.78	-1,441,980.00			25,821,363.11
Provision for bad debts accrued by portfolio	7,987,399.00	6,964,738.64		-176,534.32		14,775,603.32
Total	34,974,766.33	7,240,714.42	-1,441,980.00	-176,534.32		40,596,966.43

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

Applicable Not applicable

(5). 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

(6). Other receivables of the top five ending balances collected by debtor

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Nature of payment	Ending balance	Account age	As a proportion of total ending balance in other receivables (%)	Provision for bad debts Ending balance
Zhejiang Tmall Technology Co., Ltd.	Suspense payment receivables/Security deposits	35,327,628.48	[Note 1]	30.95	1,813,881.42
Beijing Space Transformation Technology Co., Ltd.	Suspense payment receivables/Security deposits	25,525,791.01	[Note 2]	22.36	1,281,414.55
EURL PHARMATICA	Suspense payment receivables	18,232,635.52	[Note 3]	15.97	18,232,635.52
Wuxing District Daixi Town People's Government of Huzhou City	Security deposits	13,493,392.00	1 - 2 years	11.82	4,048,017.60
SIKEROM EURPOE GMBH	Suspense payment receivables	7,588,727.59	2 - 3 years	6.65	7,588,727.59
Total	/	100,168,174.60	/	87.75	32,964,676.68

[Note 1] RMB35,277,628.48 with the account age within 1 year, and RMB50,000.00 with the account age of above 3 years

[Note 2] RMB25,505,291.01 with the account age within 1 year, and RMB20,500.00 with the account age of 1-2 years

[Note 3] RMB6,308,815.77 with the account age of 1 to 2 years, RMB11,923,819.75 with an account age of 2 to 3 years

(7).Receivables involving government subsidies

Applicable Not applicable

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

Applicable Not applicable

(9).Amount of assets or liabilities formed by transfer of other receivables and continued involvement

Applicable Not applicable

Other explanations:

Applicable Not applicable

9. Inventories

(1). Classification of inventories

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Provision for devaluation of inventories/Impairment provision of contract performance cost	Book value	Carrying amount	Provision for devaluation of inventories/Impairment provision of contract performance cost	Book value
Raw materials	80,114,114.87	1,703,611.59	78,410,503.28	29,764,865.65	1,131,843.45	28,633,022.20
Packaging	42,300,426.18	1,016,137.11	41,284,289.07	37,042,703.68	650,080.09	36,392,623.59
Goods in process	18,952,830.41	134,093.52	18,818,736.89	13,001,345.50	168,931.64	12,832,413.86
Outsourcing gifts	12,011,197.41	65,685.51	11,945,511.90	14,904,454.81	111,096.40	14,793,358.41
Inventory commodities	546,279,426.61	37,780,598.48	508,498,828.13	373,318,017.14	25,067,162.01	348,250,855.13
Low value consumables	10,474,077.34	380,619.88	10,093,457.46	7,337,309.01	300,823.91	7,036,485.10
Total	710,132,072.82	41,080,746.09	669,051,326.73	475,368,695.79	27,429,937.50	447,938,758.29

(2). Provision for devaluation of inventories and impairment provision of contract performance cost

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Decreased amount in the current period	Ending balance
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		Accrual	Other	Write-back or charge-off	Other	
Raw materials	1,131,843.45	2,409,980.19		1,838,212.05		1,703,611.59
Packaging	650,080.09	8,376,906.03		8,010,849.01		1,016,137.11
Goods in process	168,931.64	1,226,977.70		1,261,815.82		134,093.52
Outsourcing gifts	111,096.40	37,989.58		83,400.46		65,685.51
Inventory commodities	25,067,162.01	82,441,537.99		69,728,101.53		37,780,598.48
Low value consumables	300,823.91	147,546.34		67,750.37		380,619.88
Total	27,429,937.50	94,640,937.84		80,990,129.24		41,080,746.09

(3). Description of capitalized amount of borrowing expenses included in ending balance of inventories

Applicable Not applicable

(4). Description of current amortization amount of contract performance cost

Applicable Not applicable

Other explanations

Applicable Not applicable

10. Contract assets

(1). Description of contract assets

Applicable Not applicable

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

Applicable Not applicable

(3). Impairment provision of contract assets accrued in the current period

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

Applicable Not applicable

11. Held-for-sale assets

Applicable Not applicable

12. Non-current assets due within one year

Applicable Not applicable

Significant debt investments and other debt investments at the end of the period:

Applicable Not applicable

Other explanations

None

13. Other current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Contract acquisition cost		
Return cost receivable	8,782,156.33	3,425,429.44
Advance payment of taxes	4,009,626.89	11,095,721.02
Input VAT to be deducted	36,944,213.35	39,013,811.93
Total	49,735,996.57	53,534,962.39

Other explanations

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). Accrual of impairment provisions

Applicable Not applicable

Amount of impairment provision accrued in the current period and the basis for evaluating whether the credit risk of financial instruments increases significantly

Applicable Not applicable

Other explanations

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). Accrual of impairment provisions

Applicable Not applicable

Amount of impairment provision accrued in the current period and the basis for evaluating whether the credit risk of financial instruments increases significantly

Applicable Not applicable

Other explanations:

Applicable Not applicable

16. Long-term receivables

(1). Description of long-term receivables

Applicable Not applicable

(2). Provision for bad debts

Applicable Not applicable

Amount of provision for bad debts accrued in the current period and the basis for evaluating whether the credit risk of financial instruments increases significantly

Applicable Not applicable

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

Applicable Not applicable

(4). Amount of assets and liabilities formed by transfer of long-term receivables and continued involvement

Applicable Not applicable

Other explanations

Applicable Not applicable

17. Long-term equity investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance	Current changes								Ending balance	Ending balance of impairment provisions
		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	Impairment provision	Other		
I. Joint Venture											
Huzhou Panrui Industry Investment Partnership (Limited Partnership)	3,074,758.68			-5,810.52						3,068,948.16	
Subtotal	3,074,758.68			-5,810.52						3,068,948.16	
II. Affiliate											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,789,460.66			-139,840.96						2,649,619.70	
Jiaxing Woyong Investment	72,681,733.38	41,003,609.10		-	2,432,120.55					111,253,221.93	

Partnership (Limited Partnership)											
Zhuhai Healthlong Biotechnology Co., Ltd.	79,413,8 82.37			- 2,065,839.07				66,771,744. 63		10,576,298. 67	81,442,213.22
Beijing Xiushi Culture Development Co., Ltd.	5,424.69 2.37			-505,827.03						4,918,865.3 4	
Metis Info Tech (Guangzhou) Co., Ltd.	6,575.00 8.81			-508,585.15						6,066,423.6 6	
Subtotal	166,884, 777.59	41,003,609 .10		- 5,652,212.76				66,771,744. 63		135,464,429 .30	81,442,213.22
Total	169,959, 536.27	41,003,609 .10		- 5,658,023.28				66,771,744. 63		138,533,377 .46	81,442,213.22

Other explanations

None

18. Other equity instrument investments

(1). Description of other equity instrument investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending 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 Holding 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 explanations:

Applicable Not applicable

The Company invests in equity for strategic investment purposes, and the investees will take the Company's investments as equity instruments. Therefore, the Company designates such equity instrument investments as financial assets at fair value through other comprehensive income.

19. Other non-current financial assets

Applicable Not applicable

Other explanations:

Applicable Not applicable

20. Investment real estate

Measurement mode of investment real estate

(1). Investment real estate adopting the cost measurement mode

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. Current increase	960,563.86			960,563.86
(1) Outsourcing	272,699.95			272,699.95
(2) Transfer-in of inventory\fixed assets\construction in process	687,863.91			687,863.91
3. Current decrease				
4. Ending balance	78,781,143.26			78,781,143.26
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	7,498,711.40			7,498,711.40
2. Current increase	2,627,731.05			2,627,731.05
(1) Provision or amortization	2,609,451.73			2,609,451.73
(2) Transfer-in of fixed assets	18,279.32			18,279.32
3. Current decrease				
4. Ending balance	10,126,442.45			10,126,442.45
III. Impairment Provision				
1. Opening balance				
2. Current increase				
(1) Provision				
3. Current decrease				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance				
IV. Book Value				
1. Ending book value	68,654,700.81			68,654,700.81
2. Opening book value	70,321,868.00			70,321,868.00

(2). Real estate held for investment with pending proprietorship certificate

Applicable Not applicable

Other explanations

Applicable Not applicable

21. Fixed assets**Presentation by item**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Fixed assets	570,376,309.67	558,981,209.20

Disposal of fixed assets		
Total	570,376,309.67	558,981,209.20

Other explanations:

Applicable Not applicable

Fixed assets

(1). Description of fixed assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Houses and buildings	General equipment	Dedicated equipment	Means of transportation	Total
I. Original book value:					
1. Opening balance	539,801,215.99	74,636,230.21	196,651,852.38	19,877,806.90	830,967,105.48
2. Current increase	182,150.89	8,000,967.84	56,065,281.42	1,309,061.59	65,557,461.74
(1) Purchase	182,150.89	8,000,967.84	16,165,718.07	1,309,061.59	25,657,898.39
(2) Transfer-in of construction in progress			39,899,563.35		39,899,563.35
3. Current decrease	687,863.91	2,160,194.53	3,067,801.13	602,274.52	6,518,134.10
(1) Disposal or scrapping		2,160,194.53	3,067,801.13	602,274.52	5,830,270.19
(2) Transfer to investment real estate	687,863.91				687,863.91
4. Ending balance	539,295,502.97	80,477,003.52	249,649,332.67	20,584,593.97	890,006,433.12
II. Accumulated depreciation					
1. Opening balance	107,920,939.15	32,895,830.60	117,135,329.26	14,033,797.27	271,985,896.28
2. Current increase	19,647,032.67	9,697,672.52	17,799,152.75	2,799,551.58	49,943,409.52
(1) Provision	19,647,032.67	9,697,672.52	17,799,152.75	2,799,551.58	49,943,409.52
3. Current decrease	18,279.32	815,229.70	947,190.65	518,482.67	2,299,182.35
(1) Disposal or scrapping		815,229.70	947,190.65	518,482.67	2,280,903.03

(2) Transfer to investment real estate	18,279.32				18,279.32
4. Ending balance	127,549,692.50	41,778,273.42	133,987,291.36	16,314,866.18	319,630,123.45
III. Impairment Provision					
1. Opening balance					
2. Current increase					
(1) Provision					
3. Current decrease					
(1) Disposal or scrapping					
4. Ending balance					
IV. Book Value					
1. Ending book value	411,745,810.47	38,698,730.10	115,662,041.31	4,269,727.79	570,376,309.67
2. Opening book value	431,880,276.84	41,740,399.61	79,516,523.12	5,844,009.63	558,981,209.20

(2). Temporarily idle fixed assets

Applicable Not applicable

(3). Fixed assets leased in through finance lease

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 explanations:

Applicable Not applicable

Disposal of fixed assets

Applicable Not applicable

22. Construction in progress**Presentation by item**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Construction in progress	207,378,935.86	108,678,896.27
Engineering materials		
Total	207,378,935.86	108,678,896.27

Other explanations:

Applicable Not applicable

Construction in progress

(1). Description of construction in progress

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Huzhou Production Base Expansion Project (Phase I)	141,886,053.44		141,886,053.44	55,292,163.04		55,292,163.04
Longwu R&D Center Construction Project	34,804,789.71		34,804,789.71	7,157,088.81		7,157,088.81
Decoration engineering	5,282,700.29		5,282,700.29	5,374,335.45		5,374,335.45
Information System Upgrade Project	4,266,606.14		4,266,606.14	641,190.64		641,190.64
Make-up Factory	14,323,636.47		14,323,636.47	26,447,530.33		26,447,530.33
Other sporadic projects	6,815,149.81		6,815,149.81	13,766,588.00		13,766,588.00
Total	207,378,935.86		207,378,935.86	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	Opening balance	Current increase	Amount of transfer to fixed assets in the current period	Amount of other decreases in the current period	Ending balance	Proportion of accumulated project investment to budget (%)	Progress of works	Accumulated amount of interest capitalization	Including: Amount of interest capitalization in the current period	Interest capitalization rate in the current period (%)	Source of fund
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Huzhou Production Base Expansion Project (Phase I)	RMB416.78million	55,292,163.04	97,107,221.35	10,513,330.95	141,886,053.44	36.57	36.57%	10,391,387.54	9,475,140.14	4.57	Raised funds and self-owned funds
Longwu R&D Center Construction Project	RMB128.61million	7,157,088.81	27,647,700.90		34,804,789.71	27.06	27.06%	6,888,331.35	6,361,861.28	4.57	Raised funds and self-owned funds
Information System Upgrade Project	RMB112.40million	641,190.64	3,625,415.50		4,266,606.14	3.80	3.80%	2,636,042.58	2,391,078.36	4.57	Raised funds and self-owned funds
Makeup Factory	RMB66.11million	26,447,530.33		12,123,893.86	14,323,636.47	43.33	18.34%				
Total	RMB723.90million	89,537,972.82	128,380,337.75	22,637,224.81	195,281,085.76	/	/	19,915,761.47	18,228,079.78	/	/

(3). Impairment provision of construction in progress accrued in the current period

Applicable Not applicable

Other explanations

Applicable Not applicable

Engineering materials

(4). Engineering materials

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 explanations

Applicable Not applicable

24. Oil and gas assets

Applicable Not applicable

25. Right-of-use assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Houses and buildings	Total
I. Original book value		
1. Opening balance		
2. Current increase	7,481,934.15	7,481,934.15
1) Lease-in	7,481,934.15	7,481,934.15
3. Current decrease		

4. Ending balance	7,481,934.15	7,481,934.15
II. Accumulated depreciation		
1. Opening balance		
2. Current increase	1,071,299.90	1,071,299.90
(1) Accrual	1,071,299.90	1,071,299.90
3. Current decrease		
4. Ending balance	1,071,299.90	1,071,299.90
III. Impairment Provision		
1. Opening balance		
2. Current increase		
(1) Accrual		
3. Current decrease		
(1) Disposal		
4. Ending balance		
IV. Book Value		
1. Ending book value	6,410,634.25	6,410,634.25
2. Opening book value		

Other explanations:

None

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

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Land use rights	Patent right	Unpatented technology	Customer resources	Trademark right	Software	Total
I. Original book value							
1. Opening balance	472,400,130.10	446,367.92	563,293.07	12,833,684.00	137,131.75	23,546,496.96	509,927,103.80
2. Current increase		28,721.78			39,897,000.00	780,737.56	40,706,459.34
(1) Purchase		28,721.78			39,897,000.00	780,737.56	40,706,459.34
3. Current decrease					137,131.75	46,956.09	184,087.84
(1) Disposal					137,131.75	46,956.09	184,087.84
4. Ending balance	472,400,130.10	475,089.70	563,293.07	12,833,684.00	39,897,000.00	24,280,278.43	550,449,475.30
II. Accumulated amortization							
1. Opening balance	80,337,918.89	423,582.17	533,063.88	11,764,210.33	51,966.23	19,671,238.01	112,781,979.51
2. Current increase	11,941,951.57	7,039.30	6,756.49	1,055,400.46	2,340,748.70	2,094,088.62	17,445,985.14

(1) Provision	11,941,951.57	7,039.30	6,756.49	1,055,400.46	2,340,748.70	2,094,088.62	17,445,985.14
3. Current decrease					51,966.23	43,406.38	95,372.61
(1) Disposal					51,966.23	43,406.38	95,372.61
4. Ending balance	92,279,870.46	430,621.47	539,820.37	12,819,610.79	2,340,748.70	21,721,920.25	130,132,592.04
III. Impairment Provision							
1. Opening balance							
2. Current increase							
(1) Provision							
3. Current decrease							
(1) Disposal							
4. Ending balance							
IV. Book Value							
1. Ending book value	380,120,259.64	44,468.23	23,472.70	14,073.21	37,556,251.30	2,558,358.18	420,316,883.26
2. Opening book value	392,062,211.21	22,785.75	30,229.19	1,069,473.67	85,165.52	3,875,258.95	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 explanations:

Applicable Not applicable

27. Development expenditure

Applicable Not applicable

28. Goodwill

(1). Original book value of goodwill

Applicable Not applicable

(2). Impairment provision of goodwill

Applicable Not applicable

(3). Information about the asset group or combination of asset groups of goodwill

Applicable Not applicable

(4). Explain the goodwill impairment test process, key parameters (such as the forecast period growth rate, stable period growth rate, profit rate, discount rate, forecast period when the present value of the future cash flow is expected, if applicable) and the recognition method of goodwill impairment loss

Applicable Not applicable

(5). Impact of goodwill impairment test

Applicable Not applicable

Other explanations

Applicable Not applicable

29. Long-term prepaid expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Amortized amount in the current period	Other decreased amount	Ending balance
Renovation costs	28,035,222.52	6,908,686.99	15,834,323.90		19,109,585.61
Endorsement fee	1,297,168.97		1,297,168.97		
Garage use fee	192,950.56		192,950.56		
Software service fee	231,132.06		198,113.21		33,018.85
Total	29,756,474.11	6,908,686.99	17,522,556.64		19,142,604.46

Other explanations:

None

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income taxes Assets	Deductible temporary difference	Deferred income taxes Assets
Impairment provision of assets				

Unrealized profit from internal transaction	42,025,801.32	10,506,450.33	51,427,566.52	11,315,875.56
Deductible loss			24,661,711.36	6,165,427.84
Government subsidies pertinent to assets	6,399,811.33	959,971.70	6,416,263.33	962,439.50
Unused membership points	83,272,601.46	20,818,150.36		
Anticipated return losses	4,541,544.48	1,135,386.12	4,699,734.32	1,174,933.59
Short-term lease expenses	449,832.92	67,474.94		
Advertising and business promotion expenses	3,258,145.25	814,536.31		
Provisions for bad debts of accounts receivable	14,181,029.90	3,545,098.74	12,133,125.37	3,033,245.75
Inventory valuation reserve	24,366,081.72	4,518,122.80	13,851,297.64	2,192,173.55
Impact of share-based payment	31,280,678.91	5,940,147.52	64,709,836.24	13,951,922.23
Total	209,775,527.29	48,305,338.82	177,899,534.78	38,796,018.02

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

Unit: Yuan Currency: RMB

Item	Ending balance		Opening balance	
	Taxable temporary difference	Deferred income taxes Liabilities	Taxable temporary difference	Deferred income taxes Liabilities
Assets assessment appreciation in businesses consolidation under common control				
Changes in the fair value of other debt investments				
Changes in the fair value of other equity instrument investments				
One-time deduction for depreciation of fixed assets	126,101,620.56	19,019,431.67	56,019,830.45	8,408,158.81
Total	126,101,620.56	19,019,431.67	56,019,830.45	8,408,158.81

(3). Deferred income tax assets or liabilities presented in net amount after offset Applicable √ Not applicable**(4). Details of unrecognized deferred income tax assets**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Deductible temporary difference	218,452,946.39	86,680,894.07
Deductible loss	393,391,257.51	328,350,840.97
Total	611,844,203.90	415,031,735.04

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

Unit: Yuan Currency: RMB

Year	Ending balance	Beginning balance	Remarks
2022		36,720,246.07	
2023	44,562,908.90	54,275,434.81	
2024	89,520,734.89	92,977,432.81	
2025	66,686,117.23	80,408,649.72	
2026	63,349,129.45	63,969,077.56	
2027	129,272,367.04		
Total	393,391,257.51	328,350,840.97	/

Other explanations:

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

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
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	5,554,726.06		5,554,726.06	4,270,303.56		4,270,303.56
Total	5,554,726.06		5,554,726.06	44,167,303.56		44,167,303.56

Other explanations:

None

32. Short-term borrowings

(1). Classification of short-term borrowings

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Credit loans	200,195,890.41	200,251,506.85
Total	200,195,890.41	200,251,506.85

Description of classification of short-term borrowings

None

(2). Overdue but yet unrepaid short-term borrowings

Applicable Not applicable

Particulars of important overdue but yet unrepaid short-term borrowings:

Applicable Not applicable

Other explanations

Applicable Not applicable

33. Held-for-trading financial liabilities

Applicable Not applicable

34. Derivative financial liabilities

Applicable Not applicable

35. Notes payable

(1). Presentation of notes payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Ending balance	Opening balance
Bank acceptance bills	69,626,352.12	79,156,771.40
Total	69,626,352.12	79,156,771.40

The amount of notes payable due and unpaid at the end of this period is RMB0.00.

36. Accounts payable**(1). Presentation of accounts payable**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Payment for goods	252,113,782.78	309,697,429.86
Expenses	213,566,905.71	84,316,536.83
Payment for acquisition of long-term assets	9,746,795.74	10,012,274.47
Total	475,427,484.23	404,026,241.16

(2). Important accounts payable with the account age of more than one year Applicable Not applicable

Other explanations

 Applicable Not applicable**37. Receipts in advance****(1). Presentation of receipts in advance**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Rents receivable in advance	464,328.26	173,769.85
Total	464,328.26	173,769.85

(2). Important receipts in advance with an account age of more than one year Applicable Not applicable

Other explanations

 Applicable Not applicable**38. Contract liabilities****(1). Information of contract liabilities**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Advance receipt of payment for goods	83,234,612.24	82,548,148.92
Unused membership points	91,368,221.67	8,603,836.40
Total	174,602,833.91	91,151,985.32

(2). Amount of and reasons for significant changes in carrying amount during the Reporting Period Applicable Not applicable

Other explanations:

Applicable Not applicable

39. Employee compensation payable

(1). Presentation of employee compensation payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance
I. Short-term compensation	78,069,805.10	585,679,799.99	539,470,862.08	124,278,743.01
II. Post-employment benefits - defined contribution plans	579,244.62	22,463,138.12	22,382,376.39	660,006.35
III. Dismissal Benefit				
IV. Other benefits due within one year				
Total	78,649,049.72	608,142,938.11	561,853,238.47	124,938,749.36

(2). Presentation of short-term compensation

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance
I. Salaries, bonuses, allowances and subsidies	77,170,134.07	536,580,186.31	490,610,993.51	123,139,326.87
II. Welfare expense of employee	6,691.56	21,458,796.83	21,465,488.39	
III. Social insurance premium	518,125.19	15,540,497.97	15,293,767.31	764,855.85
Including: Medical insurance premium	484,798.88	14,741,022.63	14,478,264.93	747,556.58
Industrial injury insurance premium	13,009.69	704,718.01	704,474.40	13,253.30
Maternity insurance premium	20,316.62	94,757.33	111,027.98	4,045.97
IV. Housing provident fund	374,854.28	9,032,832.44	9,033,126.43	374,560.29
V. Trade union fund and staff education fund		3,067,486.44	3,067,486.44	
VI. Short-term paid leave				
VII. Short-term profit sharing plan				
Total	78,069,805.10	585,679,799.99	539,470,862.08	124,278,743.01

(3). List by defined contribution plan√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance
1. Basic endowment insurance	555,518.72	21,693,211.19	21,611,300.01	637,429.90
2. Unemployment insurance	23,725.90	769,926.93	771,076.38	22,576.45
3. Enterprise annuity payment				
Total	579,244.62	22,463,138.12	22,382,376.39	660,006.35

Other explanations:

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

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Enterprise income tax	111,162,751.37	63,190,175.54
Value added tax ("VAT")	27,112,038.46	23,812,907.23
Property tax	6,689,657.49	2,133,274.27
Withholding of personal income tax	4,226,657.07	1,481,039.09
Urban maintenance and construction tax	1,288,999.75	4,705,718.03
Surtax for education expenses	1,003,854.07	2,598,933.67
Stamp duties	796,591.64	175,861.55
Surcharge for local education	619,094.66	1,732,622.45
Land use tax		44,922.50
Disabled security fund	19,226.94	14,175.52
Consumption tax		3,547.12
Total	152,918,871.45	99,893,176.97

Other explanations:

None

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

Other explanations:

 Applicable Not applicable

Interests payable**(1). Presentation by category**

Applicable Not applicable

Dividends payable**(2). Presentation by category**

Applicable Not applicable

Other payables**(1). List other payables by nature of payment**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Security deposits	46,394,144.19	52,827,845.96
Restricted share repurchase obligations	164,976,000.00	5,628,128.21
Other	5,022,039.22	3,706,179.38
Total	216,392,183.41	62,162,153.55

(2). Important other payables with an account age of more than one year

Applicable Not applicable

Other explanations:

Applicable Not applicable

42. Holding liabilities for sale

Applicable Not applicable

43. Non-current liabilities due within one year

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Lease liabilities due within one year	2,549,452.14	
Total	2,549,452.14	

Other explanations:

None

44. Other current liabilities

Description of other current liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
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Short-term bonds payable		
Return payment payable		
Tax on items to be resold	10,820,499.59	9,521,415.32
Total	10,820,499.59	9,521,415.32

Changes in short-term bonds payable:

Applicable Not applicable

Other explanations:

Applicable Not applicable

45. Long-term borrowings

(1). Classification of long-term loans

Applicable Not applicable

Other explanations, including interest rate range:

Applicable Not applicable

46. Bonds payable

(1). Bonds payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Convertible corporate bonds	724,491,557.93	695,586,778.80
Total	724,491,557.93	695,586,778.80

(2). Changes 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

Bonds Name	Face value	Issuance Date	Bonds Period	Issuance Amount	Opening balance	Current period Issuance	Interest accrued by face value	Premium or discount amortization	Current period Repayment	Impact of current share conversion	Ending balance
Proya Convertible Bond	100.00	December 8, 2021	6	751,713,000.00	695,586,778.80		2,352,576.15	29,467,309.84	2,252,817.00	662,289.86	724,491,557.93
Total	/	/	/	751,713,000.00	695,586,778.80		2,352,576.15	29,467,309.84	2,252,817.00	662,289.86	724,491,557.93

(3). Descriptions of the conditions and time for conversion of convertible corporate 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 with the face value of 100.00 RMB/share and the total issuance amount 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 195.98 RMB/share, in no case, 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.

In May 2022, the Company completed the 2021 equity distribution plan. In accordance with the relevant provisions of the *Prospectus for the Public Offering of A-Share Convertible Corporate Bonds by Proya Cosmetics Co., Ltd.* and the relevant regulations of the China Securities Regulatory Commission on the issuance of convertible corporate bonds, the share price of Proya convertible bonds was adjusted from 195.98 RMB/share to 139.37 RMB/share, and the adjusted price took effect on May 30, 2022 (ex-dividend date).

In the current period, a total of 7,760 convertible corporate bonds were converted, with an increase of RMB5,517.00 in capital stock, an increase of RMB754,813.50 in capital reserve (capital stock premium), and a decrease of RMB53,111.99 in other equity instruments.

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

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

Applicable Not applicable

Statement of changes in financial instruments such as preferred shares and perpetual bonds issued at the end of the period

Applicable Not applicable

Explanation on the basis for classifying other financial instruments as financial liabilities:

Applicable Not applicable

Other explanations:

Applicable Not applicable

47. Lease liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Payable operating lease payment	3,814,629.83	

Unrecognized financing expenses	-96,510.42	
Total	3,718,119.41	

Other explanations:

None

48. Long-term accounts payable

Presentation by item

Applicable Not applicable

Other explanations:

Applicable Not applicable

Long-term payables

(1). Long-term payables presented by nature

Applicable Not applicable

Special accounts payable

(2). Special payables presented by nature

Applicable Not applicable

49. Long-term employee compensation payable

Applicable Not applicable

50. Estimated liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Ending 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	59,282,928.68	Estimated future potential return losses
Other			
Total	10,812,084.88	59,282,928.68	/

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	Current increase	Current decrease	Ending balance	Cause of formation
Government subsidies	6,416,263.33	2,062,638.00	2,079,090.00	6,399,811.33	Government subsidies
Total	6,416,263.33	2,062,638.00	2,079,090.00	6,399,811.33	/

Items involving government subsidies:

 Applicable Not applicable

Unit: Yuan Currency: RMB

Liability item	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating revenue in the current period	Amount included in other income in the current period	Other changes	Ending balance	Asset-related/income-related
Subsidies for modified cosmetic technology	6,416,263.33	2,062,638.00		2,079,090.00		6,399,811.33	Asset-related

Other explanations:

 Applicable Not applicable

For the details on inclusion of government subsidies of the current period into the current profit or loss, refer to the particulars contained in "84. Government subsidies" in "VII. Notes to the Items of Consolidated Financial Accounts" of "Section X Financial Report" of this report.

52. Other non-current liabilities Applicable Not applicable**53. Capital stock** Applicable Not applicable

Unit: Yuan Currency: RMB

		Increase or decrease in the change (+, -)	

	Opening balance	Issuance of shares	Bonus shares	Provident fund Share conversion	Other	Subtotal	Ending balance
Total shares	201,009,966	2,100,000		80,403,986	5,517	82,509,503	283,519,469

Other explanations:

According to the resolution of the fifth meeting of the third session of Board of Directors, the resolution of the 2021 annual general meeting of shareholders, the resolution of the sixth meeting of the third session of Board of Directors, the resolution of the first extraordinary general meeting of 2022, and the revised articles of association of the Company, the Company applied to increase its registered capital by RMB80,403,986.00, which was converted from capital reserves. The benchmark date for conversion was December 31, 2021, and the changed registered capital was RMB281,413,952.00. The above matter has been verified by Pan-China Certified Public Accountants LLP (Special General Partnership) which has issued the *Capital Verification Report* (TJY (2022) No. 414).

According to the resolution of the sixth meeting of the third session of Board of Directors, the resolution of the seventh meeting of the third session of Board of Directors, the first extraordinary general meeting of 2022 and the provisions of the restricted share incentive agreement, the Company applied to increase the registered capital by RMB2,100,000.00 through issuing 2,100,000 ordinary shares (A share) to 101 incentive agreement participants, including SHEN Bin, at a price of 78.56 RMB/share (with the face value of 1.00 RMB/share). The Company had received a total of RMB164,976,000.00 in monetary contributions from 101 participants, including RMB2,100,000.00 included in the paid up capital and RMB162,876,000.00 included in the capital reserve (capital stock premium). The above matter has been verified by Pan-China Certified Public Accountants LLP (Special General Partnership) which has issued the *Capital Verification Report* (TJY (2022) No. 415).

In the current period, a total of 7,760 convertible corporate bonds were converted, with an increase of RMB5,517.00 in capital stock, an increase of RMB754,813.50 in capital reserve (capital stock premium), and a decrease of RMB53,111.99 in other equity instruments.

54. Other equity instruments

(1). Basic information of other financial instruments such as preferred shares and perpetual bonds issued at the end of the period

Applicable Not applicable

(2). Statement of changes in financial instruments such as preferred shares and perpetual bonds issued at the end of the period

Applicable Not applicable

Unit: Yuan Currency: RMB

Outstanding financial instruments	Opening		Current increase		Current decrease		Ending	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
Proya Convertible	7,517,130	50,956,622.11			7,760	53,111.99	7,509,370	50,903,510.12

Bond								
Total	7,517,130	50,956,622.11			7,760	53,111.99	7,509,370	50,903,510.12

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

Applicable Not applicable

Other notes:

Applicable Not applicable

The current decrease of RMB53,111.99 was due to the current conversion of 7,760 convertible corporate bonds into shares, with an increase of RMB5,517.00 in capital stock, an increase of RMB754,813.50 in capital reserve (capital stock premium), and a decrease of RMB53,111.99 in other equity instruments.

55. Capital reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance
Capital premium (Equity premium)	799,674,532.76	183,791,378.23	125,277,272.12	858,188,638.87
Other capital reserve	34,597,672.90	47,357,121.24	25,327,646.79	56,627,147.35
Total	834,272,205.66	231,148,499.47	150,604,918.91	914,815,786.22

Other explanations, including the current changes and the explanation on the reasons for the changes:

1) Changes in capital premium

During the period, the capital premium (capital stock premium) increased by RMB183,791,378.23, of which: ① RMB10,519,504.61 was increased due to the transfer of other capital reserves recognized for the unlocked part of restricted shares issued under the equity incentive plan in the waiting period to the capital stock premium; ② RMB9,641,060.12 was increased due to the difference between the price paid for the purchase of minority shareholders' equity of the subsidiary Huzhou Younimi Cosmetics Co., Ltd. and the Company's share of identifiable net asset of the subsidiary calculated based on the newly-increased shareholding ratio; ③ RMB162,876,000.00 was increased due to the equity incentive granted in the period and included in the capital reserve (refer to the explanation of "53. Capital stock" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this report for details); ④ RMB754,813.50 was increased due to the current conversion of convertible corporate bonds into shares (refer to the explanation of "46. Bonds payable" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this report for details).

The capital premium (equity premium) for the current period is reduced by RMB125,277,272.12: ① The decrease of RMB80,403,986.00 is due to the capitalization of capital reserves. For details, refer to the particulars contained in the "53. Share capital" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this report; ② The decrease of RMB44,873,286.12 is the difference between the payment made for the purchase of the minority shares of the subsidiary Ningbo TIMAGE Cosmetics Co., Ltd. and the share of identifiable net assets of the subsidiary calculated according to the newly increased shareholding ratio;

2) Changes in other capital reserves

The increase of RMB47,357,121.24 in other capital reserve of the current period is due to the recognition of RMB47,357,121.24 as 2022 restricted stock incentive fee and the inclusion of the same into other capital reserve.

The capital reserve for the current period is reduced by RMB25,327,646.79: ① The decrease of RMB10,519,504.61 is 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 The decrease of RMB763,475.30 is due to the adjustment of capital reserve for the difference between the actual pre-tax deductible amount of released part and recognized amount of previous years; ③ The decrease of RMB14,044,666.88 is due to the write-back of the deferred tax asset of the part the estimated pre-tax deductible amount in future period is higher than the recognized restricted stock incentive fee and the write-down of other capital reserve.

56. Treasury stock

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance
Restricted shares with repurchase obligation	5,628,128.21	164,976,000.00	5,628,128.21	164,976,000.00
Total	5,628,128.21	164,976,000.00	5,628,128.21	164,976,000.00

Other explanations, including the current changes and the explanation on the reasons for the changes:

During the period, the increase of RMB164,976,000.00 was primarily due to the grant of restricted shares during the period to the incentive objects. Refer to "53. Capital stock" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this report for details.

During the period, the current decrease of RMB5,628,128.21 was due to the unlocking of 347,201 restricted shares by the Company 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 held on January 20, 2022, with the grant price of 16.21 RMB/share after deducting the distributed cash dividends.

57. Other comprehensive income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount incurred in the current period						Ending 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: Remeasure 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 equity instrument investments								
Changes in the fair value of enterprise's own credit risk								
II. Other comprehensive income that will be reclassified into profit or loss	1,247,674.10	-670,928.97				-670,928.97		-1,918,603.07
Including: other comprehensive income that can be converted into gains and losses under the equity method								
Changes in the fair value of other debt investments								
Amount of financial assets reclassified into other comprehensive income								

Credit impairment provision of other debt investments								
Cash flow hedge reserve								
Difference from translation of financial statements in foreign currency	1,247,674.10	-670,928.97				-670,928.97		-1,918,603.07
Total other comprehensive incomes	1,247,674.10	-670,928.97				-670,928.97		-1,918,603.07

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	Current increase	Current decrease	Ending balance
Legal surplus	100,634,780.00	41,124,954.50		141,759,734.50
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Other				
Total	100,634,780.00	41,124,954.50		141,759,734.50

Explanation on surplus reserves, including the current changes and the explanation on the reasons for the changes:

The increase of RMB41,124,954.50 for the current period is mainly due to the withdrawal of statutory surplus reserve according to the net profit of the parent company. The statutory surplus reserve does not need to be withdrawn if the cumulative amount reaches fifty percent or more of the registered capital, and is not withdrawn any more.

60. Retained profits

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Prior period
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)		
Unappropriated 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	817,400,223.93	576,119,025.56
Less: Withdrawal of statutory surplus reserve	41,124,954.50	
Withdrawal of any surplus reserves		
Withdrawal of general risk provision		
Dividends payable on common stock	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	2,300,384,763.19	1,696,978,064.52

According to the Resolution of the 2021 Annual General Meeting of the Company, the Company distributed cash dividends of RMB8.60 (tax inclusive) per 10 shares to all shareholders based on the total share capital of 201,009,966 shares registered on the registration date of dividend-paying equity, totaling RMB172,868,570.76 (tax inclusive).

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

1. The undistributed profit affected by the retroactive adjustment in accordance with *Accounting Standards for Business Enterprises* and its related new regulations at the beginning of the period is RMB0.00.
2. The undistributed profit affected by the change of accounting policy at the beginning of the period is RMB0.00.
3. The undistributed profit affected by the correction of major accounting errors at the beginning of the period is RMB0.00.
4. The undistributed profit affected by the change of combination scope caused by the common control at the beginning of the period is RMB0.00.
5. The undistributed profit affected by other adjustments at the beginning of the period is RMB0.00.

61. Operating revenue and operating costs

(1). Information of operating revenue and operating costs

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
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	Revenue	Cost	Revenue	Cost
Main business	6,361,763,550.69	1,916,352,535.29	4,620,431,686.01	1,545,098,469.32
Other business	23,687,873.31	18,497,668.36	12,718,852.42	9,057,177.29
Total	6,385,451,424.00	1,934,850,203.65	4,633,150,538.43	1,554,155,646.61

(2). Information of income generated by the contract

Applicable Not applicable

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 explanations:

1) Income breakdown by goods or service type

Main product type	Amount
Products sales	6,363,192,536.17
Other	22,258,887.83
Subtotal	6,385,451,424.00

2) Income breakdown by goods or service transfer time

Item	Amount for the current period	Amount for the same period last year
Income recognized at a certain point	6,383,224,182.76	4,630,019,693.64
Income recognized over a period	2,227,241.24	3,130,844.79
Subtotal	6,385,451,424.00	4,633,150,538.43

(3) Revenue included in the opening book value of contract liabilities during the period was RMB90,434,839.12.

62. Taxes and surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	25,692,368.39	17,952,927.40
Education surcharge	12,641,385.47	9,040,908.31

Surcharge for local education	8,447,813.01	6,041,735.14
Property tax	6,663,485.15	6,121,024.24
Stamp duties	2,921,661.26	1,391,884.80
Consumption tax	14,370.78	67,697.81
Vehicle and vessel use tax	10,724.88	19,195.60
Cultural undertaking construction tax	2,700.00	
Land use tax		44,922.50
Total	56,394,508.94	40,680,295.80

Other explanations:

None

63. Sales expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Image promotion expense	2,419,867,469.08	1,673,478,545.28
Employee compensation	314,177,020.39	259,892,827.21
Office allowances	28,106,339.49	26,009,040.14
Travel expenses	11,852,844.96	13,885,848.84
Meeting affair charges	4,094,821.02	8,691,079.85
Equity incentive expense for restricted shares	3,815,630.91	
Survey consulting fee	3,156,462.06	5,815,173.17
Other	766,765.04	3,761,562.24
Total	2,785,837,352.95	1,991,534,076.73

Other explanations:

None

64. General and administrative expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation and service fee	156,737,777.08	127,971,906.74
Office allowance and business entertainment expenses	61,368,432.01	45,243,541.73
Expenses for depreciation, amortization and lease	45,778,417.02	43,230,494.44
Equity incentive expense for restricted shares	38,406,625.33	-372,647.76

Consultation and intermediary fee	12,338,732.18	10,207,746.14
Travel expense and conference fee	5,024,738.17	4,178,358.16
Other	7,642,027.58	6,529,119.78
Total	327,296,749.37	236,988,519.23

Other explanations:

None

65. Research and development expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Labor cost	66,055,676.59	40,214,757.14
Outsourced R&D expense	41,417,003.04	26,453,748.31
Direct input cost	8,833,694.90	3,452,688.42
Expenses for depreciation, amortization and lease	5,485,513.91	4,857,429.74
Equity incentive expense for restricted shares	5,134,865.00	
Other	1,082,351.05	1,605,027.22
Total	128,009,104.49	76,583,650.83

Other explanations:

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	13,019,503.91	9,759,260.83
Handling fees	634,636.61	757,405.88
Exchange gains and losses	-2,943,538.91	10,095,095.58
Interest income	-51,707,124.62	-28,096,157.42
Total	-40,996,523.01	-7,484,395.13

Other explanations:

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 subsidies pertinent	2,079,090.00	2,079,090.00

to assets		
Government subsidies related to income	36,384,642.07	13,369,872.01
Refund of service charges for withholding personal income tax	507,799.10	473,539.34
VAT input tax addition and reduction	93,574.45	535,768.10
Total	39,065,105.62	16,458,269.45

Other explanations:

None

68. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income calculated by the equity method	-5,658,023.28	-7,337,735.84
Investment income from disposal of long-term equity investment		
Investment income of held-for-trading financial assets during the holding period		
Dividend income from other equity instrument investments 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 held-for-trading financial assets		
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gains of debt restructuring		
Total	-5,658,023.28	-7,337,735.84

Other explanations:

None

69. Net exposure hedging income

Applicable Not applicable

70. Income from the change in fair values

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
Loss on bad debts of notes receivable		
Loss on bad debts of accounts receivable	741,308.99	5,361,282.08
Loss on bad debts of other receivables	-5,798,734.42	-30,196,229.26
Impairment losses of debt investment		
Impairment losses of other debt investments		
Loss on bad debts of long-term receivables		
Impairment losses of contract assets		
Total	-5,057,425.43	-24,834,947.18

Other explanations:

None

72. Asset impairment losses

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 for devaluation of inventories and impairment loss of contract performance cost	-94,640,937.84	-38,843,121.45
III. Impairment loss of long-term equity investment	-66,771,744.63	-14,670,468.59
IV. Impairment loss of investment real estate		
V. Asset impairment losses		
VI. Impairment loss from engineering materials		
VII. Impairment loss of projects under construction		
VIII. Impairment loss of productive biological assets		
IX. Impairment loss of oil and gas assets		

X. Impairment loss of intangible assets		
XI. Impairment loss of goodwill		
XII. Others		
Anticipated return losses	-3,471,872.81	
Total	-164,884,555.28	-53,513,590.04

Other explanations:

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 from disposal of fixed assets	60,155.60	-112,183.24
Total	60,155.60	-112,183.24

Other explanations:

None

74. Non-operating revenue

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			
Non-monetary asset exchange profits			
Accepting donations			
Government subsidies			
Amount not required to be paid	505,051.10		505,051.10
Revenue from fines and liquidated damages	252,782.71	160,694.23	252,782.71
Other	421,052.52	89,158.66	421,052.52
Total	1,178,886.33	249,852.89	1,178,886.33

Government subsidies included in the current profit or loss

Applicable Not applicable

Other explanations:

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	136,692.79		136,692.79
Including: Loss from disposal of fixed assets	136,692.79		136,692.79
Loss from disposal of intangible assets			
Non-monetary asset exchange losses			
External donation	1,434,600.00	3,700,000.00	1,434,600.00
Expenditure of overdue fine	2,915,707.07		2,915,707.07
Other	126,645.38	101,835.06	126,645.38
Total	4,613,645.24	3,801,835.06	4,613,645.24

Other explanations:

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	239,665,217.82	104,812,397.97
Deferred income tax expense	-16,798,498.26	5,934,490.34
Total	222,866,719.56	110,746,888.31

(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	1,054,150,525.93

Income tax expense calculated at statutory/applicable tax rate	263,537,631.49
Impact of different tax rates applicable to subsidiaries	
Impact of adjusting income tax in previous periods	7,253,374.96
Impact of non-taxable income	
Impact of non-deductible costs, expenses and losses	4,619,849.58
Impact of utilization of deductible loss for which no deferred tax assets were previously recognized	-24,105,090.31
Impact of deductible temporary differences for which no deferred tax assets or deductible losses were recognized for the period	65,506,404.65
Additional deductions for R&D expenditures	-16,980,175.15
Impact of applicable preferential tax rates	-76,965,275.66
Income tax expenses	222,866,719.56

Other explanations:

Applicable Not applicable

77. Other comprehensive income

Applicable Not applicable

For the details on other comprehensive income, refer to the particulars contained in "57. Other Comprehensive Income" in "VII. Notes to the Items of Consolidated Financial Statements", of "Section X Financial Report" of this report

78. Items in the cash flow statement

(1). Other cash received related 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	51,707,124.62	28,096,157.42
Government subsidies	38,447,280.07	13,369,872.01
Receivables and payables and others	9,345,735.71	13,148,492.13
Total	99,500,140.40	54,614,521.56

Explanation on other cash received related to operating activities:

None

(2). Other cash paid related to operating activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Expenses paid in cash	2,579,629,003.60	1,846,712,604.69
Other expenses paid in cash		
Receivables and payables and others	36,679,087.31	18,273,196.33
Total	2,616,308,090.91	1,864,985,801.02

Explanation on other cash paid related to operating activities:

None

(3). Other cash received related 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 payment of disposal of subsidiaries		64,245,982.88
Payment for construction deposit		13,493,392.00
Total		77,739,374.88

Explanation on other cash paid related to investment activities:

None

(5). Other cash received from financing activities Applicable Not applicable**(6). Other cash paid 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	46,085,313.00	181,983.21
Payment for operating lease rent	1,319,087.27	
Payment for liquidation funds to minority shareholders	859,171.61	
Payment for share repurchase		1,733,805.39
Expense for issuance of convertible bonds		2,919,604.52

Total	48,263,571.88	4,835,393.12
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Explanation on other cash paid related 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 previous period
1. Reconciliation of net profits to cash flows from operating activities:		
Net profit	831,283,806.37	557,053,687.03
Add: Asset impairment provision	169,941,980.71	78,348,537.22
Credit impairment loss		
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	52,552,861.25	47,382,558.76
Amortization of right-to-use assets	1,071,299.90	
Amortization of intangible assets	17,445,985.14	17,891,004.03
Amortization of long-term unamortized expenses	17,522,556.64	30,679,385.75
Losses on disposal of fixed assets, intangible assets and other long-term assets ("- " for income)	-60,155.60	112,183.24
Losses on retirement of fixed assets ("- " refers to income)	136,692.79	
Losses on changes in fair value ("- " refers to income)		
Financial expenses ("- " refers to income)	13,019,503.91	9,759,260.83
Investment loss ("- " refers to income)	5,658,023.28	7,337,735.84
Decrease in deferred income tax assets ("- " refers to increase)	-27,409,771.12	4,400,436.98
Increase in deferred income tax liabilities ("- " refers to decrease)	10,611,272.86	1,534,053.36
Decrease in inventory ("- " refers to increase)	-315,753,506.27	-30,645,504.60
Decrease in operating receivables ("- " refers to increase)	-28,573,373.07	62,613,217.00
Increase in operating payables ("- " refers to decrease)	316,331,819.20	42,845,585.19
Other	47,357,121.24	358,803.19
Net cash flow from operating activities	1,111,136,117.23	829,670,943.82

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:		
Ending balance of cash	3,125,333,085.05	2,378,334,768.09
Less: Opening balance of cash	2,378,334,768.09	1,401,850,754.88
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	746,998,316.96	976,484,013.21

(2). Net cash paid for acquisition of 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	Ending balance	Opening balance
I. Cash	3,125,333,085.05	2,378,334,768.09
Including: Cash on hand	20,176.08	22,348.23
Bank deposits that can be used for payment at any time	3,048,251,723.18	2,338,747,508.20
Other monetary funds that can be used for payment at any time	77,061,185.79	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. Ending balance of cash and cash equivalents	3,125,333,085.05	2,378,334,768.09
Including: Cash and cash equivalents with restricted use by the parent company or a subsidiary of the group		

Amount of the commercial paper transferred by endorsement that does not involve cash receipts and payments

Item	Amount for the current period	Amount for the previous period
Amount of the commercial paper transferred by endorsement	26,020,864.88	27,230,343.90
Including: Payment for goods	26,020,864.88	27,230,343.90

Other explanations:

Applicable Not applicable

Supplementary information to the cash flow statement

Time point	Balance of monetary capital	Cash and cash equivalents	Amounts of differences	Causes of differences
December 31, 2022	3,161,003,085.05	3,125,333,085.05	35,670,000.00	It includes the fixed-term deposit of RMB30,000,000.00, the transformer fixed -term deposit of RMB250,000.00, the ETC vehicle deposit of RMB70,000.00, the Pingduoduo deposit of RMB5,000,000.00, and the Tmall and Alipay deposits of RMB350,000.00.
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 statement of changes in owners' equity

Explanation on the names of "other" items for adjusting the ending 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	Ending book value	Cause for restrictions
Cash and cash equivalents	35,670,000.00	Including transformer deposit, Pinduoduo deposit, L/C deposit, Tmall deposit, and Alipay deposit
Notes receivable		

Inventories		
Fixed assets		
Intangible assets		
Total	35,670,000.00	/

Other explanations:

None

82. Foreign-currency monetary items

(1). Foreign-currency monetary items

Applicable Not applicable

Unit: RMB

Item	Ending foreign currency balance	Converted exchange rate	Converted RMB at the end of period balance
Cash and cash equivalents	-	-	78,681,219.02
Including: SF	22,953.48	7.5432	173,142.69
EUR	4,823,916.14	7.4229	35,807,447.12
HKD	19,833,443.38	0.8933	17,716,619.97
JPY	314,448,186.96	0.0524	16,463,878.17
KRW	311,989,121.00	0.0055	1,723,125.60
USD	975,936.23	6.9646	6,797,005.47
Accounts receivable	-	-	3,734,893.40
Including: EUR	219,393.66	7.4229	1,628,537.20
HKD	581,033.69	0.8933	519,019.96
JPY	30,313,547.88	0.0524	1,587,156.74
KRW	32,500.27	0.0055	179.50
Long-term borrowings	-	-	
Including: USD			
EUR			
HKD			
Other receivables			22,047,584.09
Including: EUR	2,865,596.08	7.4229	21,271,033.15
HKD	321,039.70	0.8933	286,775.13
JPY	4,569,595.10	0.0524	239,254.86
KRW	35,970.62	6.9646	250,520.95
Accounts payable			7,799,354.24
Including: EUR	806,683.38	7.4229	5,987,930.08
HKD	273,057.42	0.8933	243,914.00
JPY	29,938,312.39	0.0524	1,567,510.16
Other payables			1,156,758.55
Including: EUR			
HKD	455,798.03	0.8933	407,150.71
JPY	14,316,968.56	0.0524	749,607.84

USD	416.00	6.9646	2,897.27
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Other explanations:

None

(2). Explanation on overseas operating entities: for important overseas operating entities, the main overseas operating places, functional currency and selection basis should be disclosed, and the reasons for changes in functional currency should also be disclosed.

Applicable Not applicable

Hapsode Co., Ltd., Hanna Cosmetics Co., Ltd. and Korea Younimi Cosmetics Co., Ltd. are domiciled in South Korea, with business income and expenditure dominated by Korean Won, and adopt KRW as their functional currency. Hongkong Xinghuo Industry Limited, Hong Kong Zhongwen Electronic Commerce Co., Limited, HONGKONG XUCHEN TRADING LIMITED, HONGKONG KESHI TRADING LIMITED, BOYA (Hong Kong) Investment Management Co., Limited, and Hong Kong Wanyan Electronic Commerce Co., Limited are domiciled in Hong Kong and adopt RMB as the functional currency. O&R Co., Ltd. is domiciled in Japan, with business income and expenditure dominated by Japanese Yen, and adopts JPY as its functional currency.

83. Hedging

Applicable Not applicable

84. Government subsidies

(1). Basic information of government subsidies

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Reported items	Amount included in the current profit or loss
Government subsidies pertinent to assets	2,079,090.00	Other incomes	2,079,090.00
Government subsidies related to income	36,384,642.07	Other incomes	36,384,642.07

(2). Return of government subsidies

Applicable Not applicable

Other explanations:

None

85. Other

Applicable Not applicable

(1) Details

1) Government subsidies related to assets

Item	Opening Deferred income	Current period New subsidy	Amortization in the current period	Ending Deferred income	Amortization in the current period Reported items	Note
Subsidies for modified cosmetic technology	6,416,263.33	2,062,638.00	2,079,090.00	6,399,811.33	Other incomes	
Subtotal	6,416,263.33	2,062,638.00	2,079,090.00	6,399,811.33		

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 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. RMB1,456,140.00 was recorded in the 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. RMB235,000.00 was recorded in the other income in the current period.

According to the *Notice on Issuing Special Funds (Second Batch) for "Machine Substitution for Humans" Project in 2014* (WFG [2015] No. 18) issued by Development and Reform Commission of Wuxing District, Huzhou and Finance Bureau of Wuxing District, the technical transformation subsidy of RMB500,000.00 was paid by Finance Bureau of Wuxing District, Huzhou in 2015. The Company apportioned the subsidy on an average basis over the service life of the asset. RMB50,000.00 was recorded in the 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. RMB137,950.00 was recorded in the other income in the current period.

According to the *Notice on Allocating Special Subsidy Funds for 2019 Demonstration Intelligent Workshop in Wuxing District* (W.C.Q.H. [2020] No.145) issued by Wuxing District Finance Bureau and Wuxing District Development, Reform, and Economic Information Technology Bureau, in May 2020, a technical renovation subsidy of RMB2,000,000.00 was allocated to the Company by Huzhou Wuxing District Finance Bureau, which was evenly distributed by the Company throughout the service life of the formed related assets and of which RMB200,000.00 was included in current other income.

According to the Agreement of Investment for Construction and Land Use sign between the Company and the People's Government of Daixi Town, Wuxing District, Huzhou City, in January 2022, the People's Government of Daixi Town, Wuxing District, Huzhou City invested RMB2,062,638.00 of construction subsidy. As of December 31, 2022, the project had not finished yet.

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

Item	Amount	Reported items	Note
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Enterprise development support fund	18,000,000.00	Other incomes	Allocated by Ningbo Meishan Bonded Port Area Finance Bureau according to the investment promotion contract signed by the Company with Ningbo Meishan Bonded Port Area Finance Bureau
Enterprise development support fund	15,734,700.00	Other incomes	Allocated by Huzhou Wuxing District Finance Bureau according to the <i>Notice of the Office of Wuxing District People's Government on Issuing the Implementation Opinions on the High Quality Development of Manufacturing Industry in Wuxing District (2020-2024)</i> (W.Z.B.F. [2022] No. 42)
Job stabilization subsidies	1,428,408.19	Other incomes	Allocated by Hangzhou Municipal Employment Management Service Center according to the documents including the <i>Notice of Zhejiang Provincial Department of Human Resources and Social Security, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Tax Service, State Taxation Administration on Doing a Good Job in Providing Unemployment Insurance to Stabilize Jobs, Improve Skills, and Prevent Unemployment</i> (Z.R.S.F.(2022) No.37)
Special funds for business development	950,000.00	Other incomes	Allocated by Hangzhou Xihu District Bureau of Commerce according to documents including the <i>Notice of Hangzhou Municipal Bureau of Commerce on Issuing the Implementation Rules for the Policy of Increasing Support for the Wholesale and Retail Industry and the Accommodation and Catering Industry</i>
Special funds for technology development	200,000.00	Other incomes	Allocated by Hangzhou Xihu District Bureau of Science and Technology, according to the <i>Notice on Issuing the Fifth Batch of Hangzhou Special Science and Technology Development Fund for 2022</i> (H.C.J. [2022] No. 22)
Other subsidies such as intellectual property subsidy funds, Party organization funds, and patent subsidy funds	71,533.88	Other incomes	Allocated by Hangzhou Xihu District Market Supervision Bureau, Hangzhou Xihu District People's Government Xixi Sub-district Office, State Treasury Huzhou Central Branch, and Ningbo Meishan FTZ Finance Bureau
Subtotal	36,384,642.07		

(2) The amount of government subsidies included in the current profit or loss in the current period was RMB38,463,732.07.

VIII. Change of Consolidation 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, that is, is there a loss of control

Applicable Not applicable

Other explanations:

Applicable Not applicable

5. Change of combination scope for other reasons

Explain the changes in the consolidation scope caused by other reasons (for example, newly established subsidiary, liquidated subsidiary, etc.) and the specific information:

Applicable Not applicable

(I) Increase of consolidation scope

Company name	Equity acquisition method	Time point of equity acquisition	Contribution amount	Contribution ratio
Xuzhou Laibo Information Technology Co., Ltd.	Newly established subsidiary	January 2022		100.00%
Hangzhoun TIMAGE Cosmetics Co., Ltd.	Newly established subsidiary	March 2022	1,000,000.00	100.00%
Proya (Zhejiang) Cosmetics Co., Ltd.	Newly established subsidiary	May 2022		100.00%
Hangzhou Donghai Wangchao Catering Management Co., Ltd.	Newly established subsidiary	September 2022		100.00%
Hangzhou Boxin Trade Co., Ltd.	Newly established subsidiary	December 2022		100.00%

(II) Decrease of consolidation scope

Company name	Equity disposal method	Time point of equity disposal	Net assets as at the disposal date	From the beginning of the period to the disposal date Net profit
Xuzhou Proya Information Technology Co., Ltd.	Cancel	July 2022	1,408,790.53	-364,888.38
Huzhou Boyun Electronic Commerce Co., Ltd.	Cancel	August 2022	2,151,631.53	41,571.37

6. Other

Applicable Not applicable

IX. Equity in Other Entities**1. Equity 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
Hongkong Xinghuo Industry Limited	Hong Kong	Hong Kong	Wholesale and retail	100.00		Establishment
Mijing Siyu (Hangzhou) Cosmetics Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Ningbo TIMAGE Cosmetics Co., Ltd.	Ningbo	Ningbo	Wholesale and retail	71.36		Establishment

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

None

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

None

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

None

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

None

Other explanations:

None

(2). Important non-wholly owned subsidiary

√ 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 interest at the end of the period
Ningbo TIMAGE Cosmetics Co., Ltd.	28.64%	23,146,719.87		18,282,355.15

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

□ Applicable √ Not applicable

Other explanations:

□ Applicable √ Not applicable

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

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Ending 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.	173,712,882.33	5,198,059.78	178,910,942.11	112,248,423.70	1,672,655.27	113,921,078.97	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 incomes	Cash flows generated from operating activities	Operating revenue	Net profit	Total comprehensive incomes	Cash flow generated from operating activities
Ningbo TIMAGE	571,701,521.25	76,095,826.44	76,095,826.44	36,940,377.15	280,899,630.28	10,089,908.81	10,089,908.81	36,200,196.00

Cosmetics Co., Ltd.								
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Other explanations:

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 explanations:

Applicable Not applicable

2. Transactions where the share of owners' equity in a subsidiary changes and the subsidiary is still controlled

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
Huzhou Younimi Cosmetics Co., Ltd.	October 2022	51.00%	100.00%
Ningbo TIMAGE Cosmetics Co., Ltd.	February 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

Item	Huzhou Younimi Cosmetics Co., Ltd.	Ningbo TIMAGE Cosmetics Co., Ltd.
Purchase cost/disposal consideration		
- Cash	1,085,313.00	45,000,000.00
- Fair value of non-cash assets		
Total purchase cost/disposal consideration	1,085,313.00	45,000,000.00
Less: The net asset share of a subsidiary calculated according to the proportion of the equity acquired/disposed of	10,726,373.12	126,713.88

Difference	-9,641,060.12	44,873,286.12
Including: Adjustment to capital reserves	-9,641,060.12	44,873,286.12
Adjustment to surplus reserves		
Adjustment to undistributed profits		

Other explanations

Applicable Not applicable

3. Rights and interests in joint ventures and affiliates

Applicable Not applicable

(1). Important joint ventures and affiliates

Applicable Not applicable

(2). Major financial information of important joint ventures

Applicable Not applicable

(3). Major financial information of important affiliates

Applicable Not applicable

(4). Summary financial information of unimportant joint ventures and affiliates

Applicable Not applicable

Unit: Yuan Currency: RMB

	Ending balance/amount incurred in the current period	Beginning balance/amount incurred in previous period
Joint ventures:		
Total book value of investment	3,068,948.16	3,074,758.68
Total of the following items calculated according to the shareholding ratio		
- Net profits	-5,810.52	-231,871.89
- Other comprehensive income		
- Total comprehensive income	-5,810.52	-231,871.89
Affiliates:		
Total book value of investment	135,464,429.30	166,884,777.60
Total of the following items calculated according to the shareholding ratio		
- Net profits	-5,652,212.76	-7,105,863.95
- Other comprehensive income		
- Total comprehensive income	-5,652,212.76	-7,105,863.95

Other explanations

None

(5). Statement of important 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 affiliates

Applicable Not applicable

(7). Unconfirmed commitments related to investments in joint ventures

Applicable Not applicable

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

Applicable Not applicable

4. Important joint operations

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. Other

Applicable Not applicable

X. Risks Related to Financial Instruments

Applicable Not applicable

The Company's risk management aims to reach balancing 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. Credit risk management practice**(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 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 exiting 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 Ending Balance of Financial Instrument Loss Provisions, refer to the particulars contained in "5. Accounts receivable, 6. Receivable financing and 8. Other receivables" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this 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

The bank deposit and other monetary capitals 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 at December 31, 2022, there was certain credit concentration risk in the Company and 68.05% (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 demand and capital expenditure.

Classification of financial liabilities by the remaining due days

Item	Ending amount				
	Book value	Undiscounted contract value	Within 1 year	1 - 3 years	Above 3 years
Short-term borrowings	200,195,890.41	201,900,886.94	201,900,886.94		
Notes payable	69,626,352.12	69,626,352.12	69,626,352.12		
Accounts payable	475,427,484.23	475,427,484.23	475,427,484.23		
Other payables	216,392,183.41	216,392,183.41	216,392,183.41		
Bonds payable	724,491,557.93	900,552,174.00	3,754,685.00	18,773,425.00	877,094,416.00
Lease liabilities	3,718,119.41	3,718,119.41		3,718,119.41	
Non-current liabilities due within one year	2,549,452.14	2,549,452.14	2,549,452.14		
Subtotal	1,692,401,039.65	1,870,166,652.25	969,651,043.84	22,491,544.41	877,094,416.00

(Continued)

Item	Balance at the end of the previous year				
	Book value	Undiscounted contract value	Within 1 year	1 - 3 years	Above 3 years
Short-term borrowings	200,251,506.85	201,745,068.49	201,745,068.49		
Notes 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 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 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 foreign-currency monetary assets and liabilities of the Company at the end of the period, refer to the particulars contained in "82. Foreign-currency monetary items" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this report.

XI. Disclosure of Fair Value

1. Ending fair value of assets and liabilities measured at fair value

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending 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) Held-for-trading financial assets				
1. Financial assets measured at fair value through profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Financial assets designated as measured at fair value through 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				
Total assets continuously measured at fair value			146,402,400.00	146,402,400.00
(VI) Held-for-trading financial liabilities				
1. Financial liabilities measured at fair value through profit or loss				
Including: Trading bonds issued				
Derivative financial liabilities				
Other				
2. Financial liabilities designated to be measured at fair value through profit or loss				
Total liabilities continuously measured at fair value				
II. Non-continuous Fair Value Measurement				
(I) Held-for-sale assets				
Total assets not continuously measured at fair value				
Total liabilities not continuously measured at 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

For other equity instrument investments held, historical cost is used as their fair value.

5. Adjustment information and sensitivity analysis of non-observable parameters between beginning and ending 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 liabilities not measured at fair value

Applicable Not applicable

9. Other

Applicable Not applicable

XII. Related Parties and Transactions

1. Information about the parent company of the Company

Applicable Not applicable

2. Information on subsidiaries of the Company

Refer to the notes for the details on subsidiaries of the Company

Applicable Not applicable

For the details on subsidiaries of the Company, refer to the particulars contained in "IX. Interests in Other Entities" of "Section X Financial Report" of this report.

3. Information on joint ventures and associated enterprises of the Company

Refer to the notes for details of the important joint ventures or associates of the Company

Applicable Not applicable

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

Applicable Not applicable

Other explanations

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.	Other
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Other
Ningbo Weiman Cosmetics Co., Ltd.	Other
CBIC	Other
Zhuhai Healthlong Biotechnology Co., Ltd.	Other
Shaoxing Keqiao Qingteng Culture Investment Co., Ltd.	Other
PARISEZHAN HK LIMITED	Other
EURLPHARMATICA	Other
SARLORTUS	Other
S.A.SAREDIS	Other
Korea Youke Co., Ltd.	Other
Shanghai Youke Brand Management Co., Ltd.	Other
Shanghai Youke Jiabei Technology Co., Ltd.	Other
Pan Xiang	Other
Beauty Hi-tech Innovation Co., Ltd.	Other

[Note] Transactions between subsidiaries Hong Kong Keshi Trading Co., Ltd., Ningbo Keshi Trading Limited, Korea Younimi Cosmetics Co., Ltd., Huzhou Younimi Cosmetics Co., Ltd., O&R Co., Ltd., Zhejiang Qingya Culture Art Communication Co., Ltd., and their minority shareholders or companies controlled by the actual controllers of their minority shareholders have been disclosed in "5. Information of related transactions" in "XII. Others" of "Section X Financial Report" of this report by referring to the provisions on related-party transactions.

Other explanations

None

5. Information of related transactions

(1). Related transactions of purchasing and selling goods, providing and receiving labor services

Statement of purchasing goods/accepting labor services

Applicable Not applicable

Unit: RMB'0,000 Currency: RMB

Related parties	Related transaction content	Amount incurred in the current period	Approved transaction limit (if applicable)	Whether the transaction limit is exceeded (if applicable)	Amount incurred in the previous period
Zhuhai Healthlong Biotechnology Co., Ltd.	Purchase of goods		Not applicable		2,456.11
Beauty Hi-tech Innovation Co., Ltd.	Purchase of goods	32.50	Not applicable		35.16
Ningbo Weiman Cosmetics Co., Ltd.	Purchase of goods	10.79	Not applicable		12.22

Statement of sales of goods/provision of services

Applicable Not applicable

Unit: RMB'0,000 Currency: RMB

Related parties	Related transaction content	Amount incurred in the current period	Amount incurred in the previous period
Shanghai Youke Brand Management Co., Ltd.	Sales of goods	1,228.90	8,198.31
Shanghai Youke Jiabei Technology Co., Ltd.	Sales of goods	3,361.65	
Ningbo Weiman Cosmetics Co., Ltd.	Sales of goods	63.08	6.99
CBIC	Sales of goods	0.33	0.30
PARISEZHAN HK LIMITED	Sales of goods		842.97
Korea Youke Co., Ltd.	Sales of goods		136.06
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, providing and receiving labor 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). Information of related lease

The Company as the lessor:

Applicable Not applicable

The Company as the lessee:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of lessor	Types of leased assets	Rent expenses of short-term leases and low-value asset leases subject to simplified treatment (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expenses on lease liabilities assumed		Right-of-use assets increased	
		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.	Field					386,182.00		15,292.30		693,678.71	

Explanation on related lease

□ Applicable √ Not applicable

(4). Information of related guarantee

The Company as the guarantor

Applicable Not applicable

The Company as the guarantee

Applicable Not applicable

Description of 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: RMB'0,000 Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key management personnel	666.40	700.02

[Note] Relevant remuneration recognized without stock payment

(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 accrued on their deposits at the market interest rate.

(1) Deposits with related party banks

Unit: RMB'0,000

Related parties	Related transaction content	Ending amount	Amount for the same period last year
Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	Cash at bank	0.00	14,645.33

(2) Interests collected from related parties

Unit: RMB'0,000

Related parties	Related transaction content	Amount for the current period	Amount for the same period last year
Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	Interest income	144.49	638.49

6. Accounts receivable and payable from related parties**(1). Accounts receivable items**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related parties	Ending balance		Opening balance	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Accounts receivable	Ningbo Weiman Cosmetics Co., Ltd.			79,007.60	3,950.38
Prepayments	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	43,000.00		43,000.00	
Other receivables	EURL PHARMATICA [Note]	18,232,635.52	18,232,635.52	19,606,379.23	19,606,379.23
Other receivables	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	133,568.20	132,868.20	133,568.20	121,334.10

[Note] Other receivables from EURL PHARMATICA are the consolidated statistics of PAN Xiang, EURL PHARMATICA, PARISEZHAN HK LIMITED, SARLORTUS, and S.A.SAREDIS controlled by PAN Xiang.

(2). Payable items√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related parties	Book balance at the end of the period	Opening book balance
Accounts payable	S.A.SAREDIS	243,598.94	236,930.48
Accounts payable	Ningbo Weiman Cosmetics Co., Ltd.	121,884.94	121,884.94

7. Commitment of related parties Applicable Not applicable**8. Other** 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	2,100,000
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	Not applicable
The range of exercise price of stock options issued by the Company at the end of the period and their remaining period of contract	Not applicable
The range of exercise price of other equity instrument options issued by the Company at the end of the period and their remaining period of contract	The price for the granted restricted shares is 78.56 RMB/share, and the grant period is 48 months from the grant date.

Other explanations

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, 347,201 restricted shares held by the incentive objects who had satisfied the release conditions of the third release period were released from sales restrictions. The circulating date of the sales was January 20, 2022.

On July 25, 2022, according to the *Proposal on 2022 Restricted Share Incentive Plan of the Company (Draft) and Its Summary* deliberated and approved at the First Extraordinary General Meeting of the Company in 2022, under the Incentive Plan, the Company proposed to grant up to 2,100,000 restricted shares to incentive objects. The initial grant date of the restricted shares is July 25, 2022. The incentive plan participators include senior executives, middle-level managers and core employees working for the Company (excluding independent directors and supervisors, and the shareholders or actual controllers severally or jointly holding more than 5% of shares of the Company and their spouses, parents and children), 101 persons in total, and the grant price is 78.56 RMB/share. The subject shares under the Incentive Plan are derived from the ordinary shares A of the Company privately issued by the Company to the incentive objects. The validity period of the Incentive Plan begins from the date when the registration of the grant of restricted shares is completed to the date when all the restricted shares granted to the incentive objects are released or repurchased and de-registered, in no case longer than 48 months. The granted restricted shares will be released in three tranches (30%:30%:40%) over 36 months after the end of 12 months after the initial grant of the restricted shares. The performance condition for the initial release is that: On the basis of the operating revenue and net profit in 2021, the growth rate of operating revenue and net profit in 2022 was no less than 25% and 25%, respectively. The performance condition for the second release is that: On the basis of the operating revenue and net profit in 2021, the growth rate of operating revenue and net profit in 2023 was no less than 53.75% and 53.75%, respectively. The performance condition for the third release is that: On the basis of the operating revenue and net profit in 2021, the growth rate of operating revenue and net profit in 2024 was no less than 87.58% and 87.58%, respectively.

2. Equity-settled share-based payment√ 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 significant difference with estimation in the current period and estimation in the previous period	Not applicable
Accumulative amount of equity-settled share-based payment included in capital reserve	87,157,508.45
Pay confirmed total expenses settled with equities in the current period	47,357,121.24

Other explanations

None

3. Share-based payment settled in cash Applicable √ Not applicable**4. Modification and termination of share-based payment** Applicable √ Not applicable**5. Other** Applicable √ Not applicable**XIV. Commitments and Contingencies****1. Important commitments**√ Applicable Not applicable

Important external commitments, nature and amount existing at the balance sheet date

As of December 31, 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	Ending accumulated investment	Project Filing or Approval No.
Huzhou Production Base Expansion Project (Phase I)	43,752.54	33,850.00	16,801.64	2011-330502-04-01-178735
Longwu R&D Center Construction Project	21,774.45	19,450.00	11,683.27	2101--330106--04--02--307916
Information System Upgrade Project	11,239.50	9,050.00	878.34	

Additional working capital	18,000.00	12,821.30	2,974.15	
Total	94,766.49	75,171.30	32,337.40	

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. Other

Applicable Not applicable

XV. Events subsequent to the Balance Sheet Date

1. Important non-adjustment matters

Applicable Not applicable

2. Profit distribution

Applicable Not applicable

Unit: Yuan Currency: RMB

Profits or dividends to be distributed	246,661,938.03
Profits or dividend declared after deliberation and approval	172,868,570.76

According to the 11th meeting of the third session of Board of Directors to be held on April 19, 2023, based on the total share capital as at the record date on which equity distribution is implemented, the Company proposes to distribute to all shareholders registered a cash dividend of RMB8.70 (tax inclusive) per 10 shares, and convert the capital reserve into share capital in the proportion of 4 shares for every 10 shares held. Based on the total share capital of 283,519,469 shares on December 31, 2022, it is estimated that the cash dividend to be distributed will amount to RMB246,661,938.03 (tax inclusive) and a total of 113,407,788 shares will be converted. In case of a change in the Company's total share capital due to the conversion of convertible bonds before the record date for equity distribution, the Company maintain the said distribution and conversion ratios and yet adjust the total distribution and conversion amounts. The matter above is to be deliberated and approved by the General Meeting.

3. Sales return

Applicable Not applicable

4. Explanation of other events after the balance sheet date

Applicable Not applicable

XVI. Other Important 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 cost of the Company classified by brands are as follows:

2022

brands	Income from main business	Cost of main business	Gross profit
Proya brand	5,263,675,333.17	1,520,575,295.77	3,743,100,037.40
Other brands	1,098,088,217.52	395,777,239.52	702,310,978.00
Subtotal	6,361,763,550.69	1,916,352,535.29	4,445,411,015.40

2021

brands	Income from main business	Cost of main business	Gross profit
Proya brand	3,829,139,612.21	1,173,186,069.95	2,655,953,542.26
Other brands	791,292,073.80	371,912,399.37	419,379,674.43

Subtotal	4,620,431,686.01	1,545,098,469.32	3,075,333,216.69
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(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 explanations

Applicable Not applicable

7. Other important transactions and matters that have an impact on investors' decisions

Applicable Not applicable

8. Other

Applicable Not applicable

Lease

1. The Company as lessee

[Note] For details on right-of-use assets, refer to the particulars contained in "25. Right-of-use assets" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this report.

For the details on accounting policies for short-term leases and low value asset leases of the Company, refer to the particulars contained in "42. Lease" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" of this report. Short-term lease expenses included in the current profit or loss are as below:

Item	Amount for the current period	Amount for the same period last year
Short-term lease expenses	2,725,585.47	6,675,815.55
Low value asset lease expenses (except for short-term lease expenses)	178,817.29	402,597.20
Total	2,904,402.76	7,078,412.75

(3) Current profit or loss and cash flow related to lease

Item	Amount for the current period	Amount for the same period last year
Interest expense on lease liabilities	41,422.91	
Variable lease payments included in the current profit or loss but not incorporated in the measurement of lease liabilities		
Income from subleasing right-of-use assets		

Total cash outflows related to lease	4,397,754.20	7,503,117.52
Profit or loss related to sales and leaseback transactions		

(4) Details of maturity analysis and corresponding liquidity risk management of lease liabilities can be found in the explanation of "X. Risks related to Financial Instruments" in "Section X Financial Report" of this report.

2. The Company as lessor

Operating lease

(1) Lease income

Item	Amount for the current period	Amount for the same period last year
Lease income	1,962,289.59	3,130,844.79

(2) Assets under operating lease

Item	Ending amount	Amount for the same period last year
Investment real estate	68,654,700.81	70,321,868.00
Subtotal	68,654,700.81	70,321,868.00

For the details on the operation and rent-out of investment real estate, refer to the particulars contained in "20. Investment real estate" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this report.

XVII. Notes on Main Items of the 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: Sub-items within 1 year	
Within 1 year	259,683,548.62
Sub-total within 1 year	259,683,548.62
1 - 2 years	54,333,721.43
2 - 3 years	10,300,174.10
Above 3 years	
3 - 4 years	
4 - 5 years	
Above 5 years	
Total	324,317,444.15

(2). Disclosed by the classification of bad debt accrual method√ Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance					Opening balance				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Accrual ratio (%)		Amount	Percent age (%)	Amount	Accrual ratio (%)	
Provision for bad debts accrued individually						108,670,171.06	23.32	80,084,373.88	73.69	28,585,797.18
Including:										
Provision for bad debts accrued by portfolio	324,317,444.15	100.00	34,434,380.91	10.62	289,883,063.24	357,273,937.54	76.68	31,662,778.73	8.86	325,611,158.81
Including:										
Account age portfolio	324,317,444.15	100.00	34,434,380.91	10.62	289,883,063.24	357,273,937.54	76.68	31,662,778.73	8.86	325,611,158.81
Total	324,317,444.15	/	34,434,380.91	/	289,883,063.24	465,944,108.60	/	111,747,152.61	/	354,196,955.99

Provision for bad debts accrued individually:

 Applicable Not applicable

Provision for bad debts accrued by portfolio:

√ Applicable Not applicable

By portfolio: account age portfolio

Unit: Yuan Currency: RMB

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Accrual ratio (%)
Within 1 year	259,683,548.62	12,984,177.43	5.00
1 - 2 years	54,333,721.43	16,300,116.43	30.00
2 - 3 years	10,300,174.10	5,150,087.05	50.00
Total	324,317,444.15	34,434,380.91	10.62

Determination and explanation of bad debts accrued by portfolio

 Applicable Not applicable

If the bad debt provision is accrued according to the general model of expected credit loss, 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 amount for the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued individually	80,084,373.88		-80,084,373.88			
Provision for bad debts accrued by portfolio	31,662,778.73	2,771,602.18				34,434,380.91
Total	111,747,152.61	2,771,602.18	-80,084,373.88			34,434,380.91

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

Among them, information of accounts receivable significantly written off

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Ending balance	Proportion of total balance of accounts receivable at the end of the period (%)	Ending balance of bad debt provision
Zhejiang Meiligu Electronic Commerce Co., Ltd.	101,338,564.94	31.25	5,066,928.25
Huzhou UZERO Trading Co., Ltd.	73,774,168.89	22.75	16,958,882.64
Hapsode (Hangzhou) Cosmetics Co., Ltd.	44,351,306.04	13.68	4,435,130.60
Huzhou Hapsode Trading Co., Ltd.	37,642,480.39	11.61	1,882,124.02
Hangzhou Proya Trade Co., Ltd.	28,301,731.83	8.73	4,068,991.30
Total	285,408,252.09	88.02	32,412,056.81

Other explanations

None

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

Applicable Not applicable

(7). The amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved

Applicable Not applicable

Other explanations:

Applicable Not applicable

2. Other receivables**Presentation by item**

Applicable Not applicable

Other explanations:

Applicable Not applicable

Interest receivable**(1). Classification of interest receivable**

Applicable Not applicable

(2). Significant overdue interest

Applicable Not applicable

(3). Provision for bad debts

Applicable Not applicable

Other explanations:

Applicable Not applicable

Dividends receivable**(4). Dividends receivable**

Applicable Not applicable

(5). Important dividends receivable with an account age of more than 1 year

Applicable Not applicable

(6). Provision for bad debts

Applicable Not applicable

Other explanations:

Applicable Not applicable

Other receivables**(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: Sub-items within 1 year	
Within 1 year	33,856,482.33
Sub-total within 1 year	33,856,482.33
1 - 2 years	62,659,488.92
2 - 3 years	131,098,498.27
Above 3 years	4,741,614.72
3 - 4 years	
4 - 5 years	
Above 5 years	
Total	232,356,084.24

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

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the period	Opening book balance
Current account receivable	210,637,812.50	269,104,993.77
Security deposits	18,833,006.72	19,187,006.72
Suspense payment receivables	2,334,148.44	802,310.17
Other	551,116.58	416,500.00
Total	232,356,084.24	289,510,810.66

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

Unit: Yuan Currency: RMB

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses 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
The balance as of January 1, 2022 is in the current period				
- Transferred to the second stage	-3,132,974.45	3,132,974.45		
- Transferred to the third stage		-21,087,259.16	21,087,259.16	
- Returned to the second stage				

- Returned to the first stage				
Accrual in the current period	482,249.39	-21,221,492.31	44,462,897.34	23,723,654.41
Amount written back in the current period				
Current write off				
Amount written off in the current period				
Other changes				
Balance as at December 31, 2022	1,692,824.12	18,797,846.68	70,290,863.86	90,781,534.65

Explanation of significant changes in 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

(4). Information of bad-debt provision

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount for the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued by portfolio	67,057,880.24	23,723,654.41				90,781,534.65
Total	67,057,880.24	23,723,654.41				90,781,534.65

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

Applicable Not applicable

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

Applicable Not applicable

(6). Other receivables of the top five ending balances collected by debtor

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Company name	Nature of payment	Ending balance	Account age	As a proportion of total ending balance in other receivables (%)	Provision for bad debts Ending balance
Hongkong Xinghuo Industry Limited	Suspense payment receivables	153,873,588.89	[Note 1]	66.22	67,594,364.92
BOYA (Hong Kong) Investment Management Co., Limited	Suspense payment receivables	35,629,920.00	[Note 2]	15.33	9,765,696.00
Wuxing District Daixi Town People's Government of Huzhou City	Security deposits	13,493,392.00	[Note 3]	5.81	4,048,017.60
Hangzhou Xiake Bar Catering Management Co., Ltd.	Suspense payment receivables	10,000,000.00	[Note 4]	4.30	1,750,000.00
Hangzhou Yizhuo Culture Media Co., Ltd.	Suspense payment receivables	5,238,815.82	[Note 5]	2.25	1,186,940.79
Total	/	218,235,716.71	/	93.91	84,345,019.31

[Note 1] RMB18,603,298.35 with the account age within 1 year, RMB4,854,726.35 with the account age of 1-2 years, and RMB130,415,564.19 with the account age of 2-3 years

[Note 2] RMB3,693,120.00 with the account age within 1 year, and RMB31,936,800.00 with the account age of 1-2 years

[Note 3] RMB13,493,392.00 with the account age of 1-2 years

[Note 4] RMB5,000,000.00 with the account age within 1 year, RMB5,000,000.00 with the account age of 1-2 years

[Note 5] RMB1,538,815.82 with the account age within 1 year, RMB3,700,000.00 with the account age of 1-2 years

(7). Receivables involving government subsidies

□ Applicable √ Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

Applicable Not applicable

3. Long-term equity investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investments in subsidiaries	304,354,996.61	42,500,000.00	261,854,996.61	229,119,013.03	42,500,000.00	186,619,013.03
Investments in associates and joint ventures	213,909,167.02	81,442,213.22	132,466,953.80	178,054,996.05	14,670,468.59	163,384,527.46
Total	518,264,163.63	123,942,213.22	394,321,950.41	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	Current increase	Current decrease	Ending balance	Impairment provision accrued in the current period	Ending balance of impairment provisions
Hangzhou Proya Trade Co., Ltd.	30,772,988.32	1,468,070.77		32,241,059.09		
Hanna Cosmetics Co., Ltd.	2,094,048.00			2,094,048.00		
Zhejiang Meiligu Electronic	14,956,877.14	11,956,545.55		26,913,422.69		

Commerce Co., Ltd.						
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	1,085,313.00		21,393,476.00		
Shanghai Zhongwen Electronic Commerce Co., Ltd.	5,400,000.00	529,948.75		5,929,948.75		
Korea Younimi Cosmetics Co., Ltd.	5,046,455.61			5,046,455.61		
HongKong Keshi Trading Limited	24,736,491.00			24,736,491.00		
Hongkong Xinghuo Industry Limited	10,185,924.00			10,185,924.00		

Ningbo TIMAGE Cosmetics Co., Ltd.	15,902,200.00	45,428,469.19		61,330,669.19		
Ningbo Keshi Trading Limited	520,000.00			520,000.00		
Zhejiang Beute Cosmetics Co., Ltd.	10,181,983.21			10,181,983.21		
Ningbo Proya Enterprise Consulting Management Co., Ltd.	5,353,606.05	14,204,881.28		19,558,487.33		
Hangzhou Yizhuo Culture Media Co., Ltd.	1,000,000.00			1,000,000.00		
Hangzhou Oumisi Trading Co., Ltd.	2,400,000.00	1,500,000.00		3,900,000.00		
Guangzhou Qianxi Network Technology Co., Ltd.	1,000,000.00			1,000,000.00		
Zhejiang Qingya Culture Art Communication C	1,100,000.00	550,000.00		1,650,000.00		
Huzhou Boyun Electronic Commerce Co., Ltd.	1,200,000.00		1,200,000.00			
Hangzhou Weiluke Cosmetics Co., Ltd.	500,000.00			500,000.00		
Xuzhou Proya Information Technology Co., Ltd.	500,000.00		500,000.00			
Singuladerm (Hangzhou) Cosmetics Co., Ltd.	500,000.00			500,000.00		

Proya (Hainan) Cosmetics Co., Ltd.		100,000.00		100,000.00		
Hangzhou TIMAGE Cosmetics Co., Ltd.		112,755.04		112,755.04		
Total	229,119,013.03	76,935,983.58	1,700,000.00	304,354,996.61		42,500,000.00

(2). Investments in associates and joint ventures

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investment Unit	Opening balance	Current changes								Ending balance	Ending balance of impairment provisions
		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	Impairment provision	Other		
I. Joint Venture											
Huzhou Panrui Industry Investment Partnership (Limited Partnership)	3,074,758.68			-5,810.52						3,068,948.16	
Subtotal	3,074,758.68			-5,810.52						3,068,948.16	
II. Affiliate											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,789,460.66			-139,840.96						2,649,619.70	
Jiaxing Woyong Investment Partnership (Limited Partnership)	72,681,733.38	41,003,609.10		-2,432,120.55						111,253,221.93	
Zhuhai Healthlong Biotechnology Co., Ltd.	79,413,882.37			-2,065,839.07				66,771,744.63		10,576,298.67	81,442,213.22
Beijing Xiushi Culture Development Co., Ltd.	5,424,692.37			-505,827.03						4,918,865.34	
Subtotal	160,309,768.78	41,003,609.10		-5,143,627.61				66,771,744.63		129,398,005.64	81,442,213.22

Total	163,384,527.46	41,003,609.10		-5,149,438.13				66,771,744.63		132,466,953.80	81,442,213.22
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Other explanations:

None

4. Operating revenue and operating cost

(1). Information of operating revenue and costs

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	3,061,899,622.39	1,407,736,680.98	2,239,048,621.69	1,059,535,186.57
Other business	19,237,314.36	16,988,430.02	34,799,744.81	17,291,073.35
Total	3,081,136,936.75	1,424,725,111.00	2,273,848,366.50	1,076,826,259.92

(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 explanations:

Breakdown of revenue by major categories

1) Income breakdown by goods or service type

Main product type	Amount
Products sales	3,063,670,101.01
Other	17,466,835.74
Subtotal	3,081,136,936.75

2) Income breakdown by goods or service transfer time

Item	Amount for the current period	Amount for the same period last year
Income recognized at a certain point	3,063,670,101.01	2,240,732,805.87
Income recognized over a period	17,466,835.74	33,115,560.63
Subtotal	3,081,136,936.75	2,273,848,366.50

3) Revenue recognized in the current period and included in the opening book value of contract liabilities is RMB28,108,787.35.

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 the cost method		
Long-term equity investment income calculated by the equity method	-5,149,438.13	-7,608,313.87
Investment income from disposal of long-term equity investment	988,000.42	-10,959,118.90
Investment income of held-for-trading financial assets during the holding period		
Dividend income from other equity instrument investments 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 held-for-trading financial assets		
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gains of debt restructuring		
Total	-4,161,437.71	-18,567,432.77

Other explanations:

None

6. Other 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	Note

Gains or losses from disposal of non-current assets	60,155.60	
Tax refund and reduction with ultra vires approval or without formal approval documents		
Government subsidies included in the current profit or loss (except those that are closely related to the enterprise's business and granted on a basis of quota or quantitative amount in accordance with the national unified standards)	38,463,732.07	
Capital occupation fees charged to the non-financial enterprises and included in profit or loss for the current period		
Gains when the investment cost of acquiring a subsidiary, an associate and a joint venture is less than the fair value of the identifiable net assets of the invested entity		
Gains or losses from exchange of non-monetary assets		
Gains or losses from entrusting others with investment or asset management		
Asset impairment provision accrued for force majeure such as natural disasters		
Gains or losses from debt restructuring		
Enterprise restructuring fees, such as staffing expenses and integration fees		
Profit and loss of the part exceeding fair value generated from transaction with unreasonable transaction price		
Current net gains or losses of subsidiaries established by business combination involving enterprises under common control from the beginning of the period to the combination date		
Gains or losses on contingencies that have no relation with the normal operation of the Company		
Gains or losses from change in fair value by held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, excluding the effective hedging businesses related with normal operations of the Company		
Reversal of impairment provisions of accounts receivable and contract assets that have undergone impairment test alone	2,782,350.76	
Gains or losses from outward entrusted loaning		
Gains or losses from changes in the fair values of Investment real estate that are subsequently measured using the fair value model		

Impact of a one-time adjustment on current profit and loss according to the requirements of tax and accounting laws and regulations		
Custody fees of entrusted operation		
Other non-operating revenue and expenses besides the above items	-2,926,959.81	
Other items that conform to the definition of non-recurring profit or loss		
Less: Effect of income tax	3,689,885.55	
Affected amount of minority shareholders' equity	5,802,406.15	
Total	28,886,986.92	

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 profits attributable to ordinary shareholders of the Company	25.95	2.90	2.87
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	25.03	2.80	2.77

3. Differences in accounting data under Chinese and international accounting standards

Applicable Not applicable

4. Other

Applicable Not applicable

Chairman: HOU Juncheng

Date of submission approved by the Board of Directors: April 19, 2023

Revision information

Applicable Not applicable