

Stock Code: 603605

Short Name: PROYA



Proya Cosmetics Co., Ltd.
2021 Semi-annual Report

Important Note

- I. The Board of Directors, Board of Supervisors, directors, supervisors and officers of the Company warrant that the contents of the Semi-annual Report are true, accurate and complete without any misrepresentations, misleading statements or material omissions, and that they will be jointly and severally liable therefor.**
- II. All directors of the Company have attended the board meeting.**
- III. The Semi-annual Report has not been audited.**
- IV. HOU Juncheng, the person in charge of the Company, and WANG Li, the chief financial officer and the head of the accounting organization (the person in charge of accounting) warrant that the financial report herein is true, accurate and complete.**
- V. Proposals for profit distribution or reserve capitalization during the Reporting Period adopted by the Board of Directors**

There is no proposal for profit distribution or reserve capitalization during the Reporting Period.

VI. Risk disclosure on forward-looking statements

Applicable N/A

The future plans, development strategies and other forward-looking statements herein shall in no event constitute the Company's substantive commitments to its investors. The investors should keep an eye on investment risks.

VII. Whether there is any non-operational occupation of funds by the controlling shareholders and their affiliates

No

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

No

IX. Whether there is a majority of the directors that cannot undertake the truthfulness, accuracy and completeness of the Semi-annual Report disclosed by the Company

No

X. Disclosure of material risks

The Company has elaborated the existing risks in this Report. For details, please refer to "(I) Possible Risks" in "V. Other Disclosures" of "Section III Management Discussion and Analysis" herein.

XI. Others

Applicable N/A

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Documents for reference	Financial statements signed and sealed by the legal representative, the chief financial officer and the head of the accounting organization Originals of all documents and announcements concerning the Company publicly disclosed in newspapers designated by the CSRC during the Reporting Period
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Section I Definitions

In this Report, unless the context otherwise requires, the following terms shall be defined as below:

Definitions of frequently-used terms		
PROYA Co., Ltd., PROYA Co., the Company, or We	means	Proya Cosmetics Co., Ltd.
CSRC	means	China Securities Regulatory Commission
SSE	means	Shanghai Stock Exchange
Articles of Association	means	Articles of Association of Proya Cosmetics Co., Ltd.
RMB/RMB0,000	means	Renminbi Yuan/Renminbi 10,000 Yuan

Section II Company Profile and Main Financial Indicators

I. Company Information

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

II. Contact Person and Contact Information

	Secretary of the Board	Representative of Security Affairs
Name	ZHANG Yefeng	WANG Xiaoyan
Address	9/F, Proya Building, No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province	9/F, Proya Building, No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Telephone	0571-87352850	0571-87352850
Fax	0571-87352813	0571-87352813
E-mail	proyazq@proya.com	proyazq@proya.com

III. Basic Information Change

Registered address	No. 588 Xixi Road, Liuxia Street, Xihu District, Hangzhou City, Zhejiang Province
Historical changes of the registered address	For details, see the <i>Announcement on the Amendment of the Articles of Association and the Registration of Industrial and Commercial Change</i> (Announcement No.: 2019-008) disclosed by the Company on the designated media for information disclosure on February 27, 2019
Office address	Proya Building, No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Postal code of the office address	310023

Website	http://www.proya-group.com
E-mail	proyazq@proya.com
Query index of changes during the Reporting Period	N/A

IV. Information Disclosure and Location Change

Selected newspapers for information disclosure	<i>Shanghai Securities News and Securities Times</i>
Website for publication of the Semi-annual Report	http://www.sse.com.cn
The Company's Semi-annual Report is available at	Board Office of Proya Building, No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Query index of changes during the Reporting Period	N/A

V. Company Stock Overview

Stock Type	Stock Exchange	Stock Abbreviation	Stock Code	Stock Abbreviation before Change
A Share	Shanghai Stock Exchange	Proya	603605	None

VI. Other Relevant Information

Applicable N/A

VII. Main Accounting Data and Financial Indicators of the Company

(I) Main Accounting Data

Unit: Yuan Currency: RMB

Main accounting data	The Reporting Period (Jan. - Jun.)	Same period of prior year	YOY increase or decrease in the Reporting Period (%)
Operating income	1,917,718,497.60	1,384,323,848.88	38.53
Net profit attributable to shareholders of the listed company	226,101,313.86	178,767,020.76	26.48
Net profit attributable to shareholders of the listed company after deducting non-recurring profits or losses	220,280,393.28	182,466,394.19	20.72
Net cash flows from operating activities	266,175,578.82	36,564,378.88	627.96
Main accounting data	End of the Reporting Period	End of prior year	Increase or decrease at the end of the Reporting Period over the end of prior year (%)
Net asset attributable to shareholders of the listed company	2,481,725,253.59	2,391,535,435.94	3.77

Total assets	3,377,752,471.47	3,636,882,185.29	-7.13
Net profit margin attributable to shareholders of the listed company	11.79%	12.91%	
Net profit margin attributable to shareholders of the listed company after deducting non-recurring profits or losses	11.49%	13.18%	

(II) Main Financial Indicators

Main financial indicators	The Reporting Period (Jan. - Jun.)	Same period of prior year	YOY increase or decrease in the Reporting Period (%)
Basic earnings per share (RMB/share)	1.13	0.89	26.97
Diluted earnings per share (RMB/share)	1.12	0.89	25.84
Basic earnings per share after deducting non-recurring profits or losses (RMB/share)	1.10	0.91	20.88
Weighted average return on equity (%)	9.10	8.51	Increase by 0.59 percentage points
Weighted average return on equity after deducting non-recurring profits or losses (%)	8.86	8.68	Increase by 0.18 percentage points
Turnover rate of accounts receivable (times/year)	16.71	15.74	6.16
Turnover rate of inventories (times/year)	3.37	3.12	8.01

Description of the main accounting data and financial indicators of the Company

Applicable N/A

VIII. Differences Between Accounting Data under Domestic and Foreign Accounting Standards

Applicable N/A

IX. Items and Amounts of Non-recurring Profits or Losses

Applicable N/A

Unit: Yuan Currency: RMB

Item of non-recurring profits or losses	Amount	Note (if applicable)
Profit or loss from disposal of non-current assets	-1,416.28	
Tax relief with ultra vires approval, or without formal approval, or on an occasional basis		
Governmental grants included in the current profit or loss, except for those closely related to the normal operation of the Company and gained at a fixed amount or quantity according to certain standards based on the	9,370,319.81	

national policies		
Capital occupation fees charged to non-financial enterprises included in the current profit or loss		
Profits from the difference in the lower investment cost of acquiring subsidiaries, associates and joint ventures by the enterprise and the fair value of the identifiable net assets of the investees at the time of investment		
Profit or loss on exchange of non-monetary assets		
Profit or loss from entrusting others with investment or asset management		
Provisions for impairment of various assets due to natural disasters and other force majeure events		
Profit or loss on debt restructuring		
Enterprise's reorganization fees, such as staffing expenses and integration fees		
Profits or losses exceeding the fair value arising from transactions in which the transaction price is obviously unfair		
Current net profit or loss of the subsidiaries established by business combination involving enterprises under common control from the opening of the accounting period to the date of consolidation		
Profit or loss from contingencies unrelated to the normal operation of the Company		
Profit or loss from changes in fair value arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, as well as the investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, except the effective hedging	-3,545.22	

business related to the normal business of the Company		
Reversal of impairment provisions of accounts receivable and contract assets that have been tested for impairment separately		
Profit or loss from external entrusted loans		
Profit or loss from changes in the fair value of investment properties subsequently measured at fair value		
Impact from one-time adjustment of the current profit or loss as required by tax, accounting and other laws and regulations on the current profit or loss		
Entrusted fee income from entrusted operation		
Other non-operating incomes and expenses besides the above items	521,323.29	
Other profit or loss items conforming to the definition of non-recurring profits or losses		
Affected minority interests	-1,842,828.78	
Affected income tax amount	-2,222,932.24	
Total	5,820,920.58	

X. Others

Applicable N/A

Section III Management Discussion and Analysis

I. Description of the Company's Industry and Primary Business during the Reporting Period

(I) Primary Business

The Company is committed to building a new domestic cosmetics industry platform, primarily engaged in the R&D, production and sales of cosmetics products, having its main brands that include, among others, "PROYA", "HAPSODE", "TIMAGE", "INSBAHA" and "CORRECTORS". The Company's own brands have covered the consumer delicate skincare products, makeup products, high-efficacy skincare products and other beauty products fields:

1. Popular exquisite skincare products brands

(1) PROYA, focusing on sci-tech skincare products for young white-collar women, has its general price ranging from RMB100 to RMB300, sold through all channels collaboratively both online and offline.

(2) HAPSODE, specially customized for young skin aiming at students and young women in lower-tire cities, has its general price ranging from RMB50 to RMB100, sold mainly through online channels.

2. Makeup products brands

(1) TIMAGE, a new Chinese style makeup products brand, has its general price ranging from

RMB150 to 200, sold through online channels.

(2) INSBABA, a punk-style niche makeup products brand, has its general price ranging from RMB50 to RMB150, sold through online channels.

3. High-efficacy skincare products brand

CORRECTORS, a high-efficacy skincare products brand, has its general price ranging from RMB260 to RMB600, sold through online channels.

(II) Business Models

1. Sales models

Products are mainly sold through online channels, concurrently with offline channels.

Online channels are primarily operated by direct selling and distribution, of which direct selling is carried out mainly via Tmall and JD.com, among other platforms, while expanding to some emerging platforms such as TikTok Shop, and distribution is mainly carried out via Taobao, JD.com and Vipshop, etc..

Offline channels are primarily operated by dealers, including cosmetics specialty stores, supermarkets and single brand stores, etc..

2. Production/R&D models

The Company focuses on independent production, supplemented by OEM processing, and has its own skincare products/other personal care factories and makeup products factories.

The Company mainly commits to independent R&D, supplemented by industry-university-research cooperation, maintaining its R&D cooperation with global industry-leading raw material suppliers such as BASF China, Ashland China and LIPOTRUE S.L. in Spain.

(III) Industry

The Company is in the industry of chemical raw materials and chemicals manufacturing (Classification Code: C26) under the *Guidelines for the Industrial Classification of Listed Companies* promulgated by CSRC; and in the industry of daily chemicals manufacturing (C268), subdivided into cosmetics manufacturing (C2682) under the *Industrial Classification for National Economic Activities* (GB/T4754-2011).

According to the National Bureau of Statistics of China, from January to June 2021, the total retail sales of consumer goods amount to RMB21,190.4 billion, with a YOY increase of 23.0%, including RMB191.7 billion of cosmetics, with a YOY increase of 26.6% (retail sales value from the businesses above certain size).

Based on the analysis of various industry data, the Company has occupied a certain share in the domestic cosmetics market.

II. Analysis of Core Competitiveness During the Reporting Period

Applicable N/A

The core competitiveness of the Company is mainly embodied in: creating a self driven organization with efficient coordination among the front, middle and back offices with “product, content and operation” as the mainline, building a consistent operation management system integrating “culture, strategy, mechanism and talent” taking culture as the traction, strategy as the guidance, and mechanism and talent as the two wings, so as to ensure the proper implementation of the strategic objectives.

III. Discussion and Analysis of Business

(I) Financial Analysis

1. YOY growth of operating income

The operating income was RMB1.918 billion, with a YOY increase of 38.53%

Of which: the primary operating income was RMB1.911 billion, with a YOY increase of 38.28% and other operating income was RMB6.438 million

Primary operating income:

(1) By channel

Channel		Amount (RMB100 million)	Increase or decrease in 2021 H1 over the same period (%)	YOY increase or decrease in 2020 (%)	YOY increase or decrease in 2019 (%)	YOY increase or decrease in 2018 (%)	Proportion of 2021H1 (%)	Proportion of 2020 (%)	Proportion of 2019 (%)	Proportion of 2018 (%)
Online	Direct selling	10.91	135.28	79.63	88.25	90.19	57.08	42.45	28.42	19.94
	Distribution	4.54	9.41	34.36	37.95	40.97	23.74	27.56	24.67	23.63
	Sub-total	15.45	75.85	58.59	60.97	59.91	80.82	70.01	53.09	43.57
Offline	Cosmetics stores	2.68	-21.46	-19.28	4.42	7.45	14.02	22.56	33.61	42.52
	Other	0.99	-39.33	-32.81	26.33	59.72	5.16	7.43	13.30	13.91
	Sub-total	3.67	-27.23	-23.12	9.82	16.88	19.18	29.99	46.91	56.43
Total		19.11	38.28	20.26	32.11	32.41	100.00	100.00	100.00	100.00

Note: The proportion of each sub-channel is the proportion of the main business income. The mantissa of partial totals may be inconsistent with the sum of individual data due to rounding, the same below.

(2) By brand

Brand		Amount (RMB100 million)	Increase or decrease in 2021 H1 over the same period (%)	YOY increase or decrease in 2020 (%)	YOY increase or decrease in 2019 (%)	YOY increase or decrease in 2018 (%)	Proportion of 2021H1 (%)	Proportion of 2020 (%)	Proportion of 2019 (%)	Proportion of 2018 (%)
Own brands	PROYA	14.87	31.44	12.43	26.81	32.38	77.81	79.66	85.21	88.77
	Other brands	3.67	169.36	75.08	19.74	32.65	19.17	14.82	10.18	11.23
	Sub-total	18.54	46.24	19.11	26.02	32.41	96.98	94.48	95.39	100.00
Agent brands	Cross-border agent brands	0.58	-49.68	44.09	-	-	3.02	5.52	4.61	-
Total		19.11	38.28	20.26	32.11	32.41	100.00	100.00	100.00	100.00

Note: Among which, the operating income from TIMAGE was RMB111 million.

(3) By category

Category	Amount (RMB100 million)	Increase or decrease in 2021 H1 over the same period (%)	YOY increase or decrease in 2020 (%)	YOY increase or decrease in 2019 (%)	YOY increase or decrease in 2018 (%)	Proportion of 2021H1 (%)	Proportion of 2020 (%)	Proportion of 2019 (%)	Proportion of 2018 (%)
Skincare (including cleansing)	16.30	33.91	11.38	24.89	32.29	85.27	86.50	93.40	98.80
Make-up	2.71	97.45	181.91	482.43	42.59	14.17	12.41	5.29	1.20
Others	0.11	-61.56	0.47	-	-	0.56	1.09	1.31	-
Total	19.11	38.28	20.26	32.11	32.41	100.00	100.00	100.00	100.00

2. YOY growth in net profit

The net profit attributable to shareholders of the listed company was RMB226 million, with a YOY increase of 26.48%

The net profit attributable to shareholders of the listed company after deducting non-recurring profits or losses was RMB220 million, with a YOY increase of 20.72%

Indicators	2021 H1	2021 Q1	2020	2020H1	2019	2018
1. Net profit margin on sales	10.88%	11.80%	12.04%	12.55%	11.73%	12.14%
2. Gross profit margin on sales	63.73%	64.41%	63.55%	59.90%	63.96%	64.03%
3. Sales expense ratio	42.09%	41.72%	39.90%	33.04%	39.16%	37.52%
Including: Image promotion fee ratio	33.95%	33.06%	32.68%	24.18%	26.86%	21.19%
4. General and administrative expense ratio	6.06%	5.78%	5.44%	7.24%	6.25%	7.26%
5. R&D expense ratio	1.64%	1.95%	1.92%	2.30%	2.39%	2.17%
6. Turnover rate of accounts receivable (times)	16.71	14.75	15.53	15.74	21.74	36.04
7. Turnover interval of accounts receivable (days)	21.54	24.41	23.18	22.87	16.56	9.99
8. Turnover rate of inventories (times)	3.37	2.92	3.50	3.12	4.12	4.04
9. Turnover interval of inventories (days)	106.82	123.40	102.86	115.55	87.38	89.11

(II) Business Analysis

1. New product strategy

During the Reporting Period, the Company upgraded the product-driven strategy and continued to implement the “hero product strategy”.

(1) Based on the increasingly mature digital management of product lifecycle, the Double Anti-Aging Essence and Ruby Essence were upgraded as to the composition, formula and package design for the brand of PROYA, with a more perfect Version 2.0 formed for PROYA to further promote the shaping of the sense of technology and youth.

(2) The hero products portfolio has been perfected by extending the categories from essences to face and eye creams and the effect from age defying to repair, to attract users, thereby improving the per customer transaction and repeat purchases, and enhancing the brand adherence. A series of new hero products skincare products, such as the Ruby Face Cream, Advanced Original Repair Essence and Ruby Eye Cream of PROYA.

(3) Further efforts have been made on improving the promotion efficiency of hero products, for full-link optimization intervention from consumer experience, attraction and trust building to final transaction. With a cost-effective and efficient launching model and excellent products that meet the needs of consumers, the Company changed the customers’ feeling about PROYA from “Proya is really different now” last year to “Proya is a brand that can represent China and compete internationally”, whiling continuing to step into a higher level.

2. New marketing strategy

During the Reporting Period, PROYA has always put focus on the current life and state of young people with the spirit of discovery, and encouraged consumers to be brave, courageous and optimistic from their respective story, to convey the brand spirit of “discovering while young”. Marketing events for the brand are as follows:

(1) In January, with “come to the new world in the first year of graduation”, PROYA kept a close eye on the living conditions of new employees in the workplace and gave understanding, encouragement and care to the young groups.

(2) On the Women's Day in March, with "prejudice rather than gender - the boundary line", PROYA work with *China Women's News* to actively speak up for women with the brand power based on its detailed insight into "gender bias" and deep thought about "gender equality".

(3) In May, PROYA officially announced its cooperation with China Aerospace IP to pay tribute to the 65th anniversary of China Aerospace by "flying from China to the universe". The joint products were widely loved and praised by consumers.

In the same month, on May 20, a special day to express love among lovers, PROYA launched a discussion on love with OWSPACE and Shanghai Translation proposing "Dare to love, and dare to be single". The brand not only output the love proposition with emotional resonance, but also created a warm and healing brand image.

(4) In June, PROYA launched a concentrated film clip of "paying tribute to everyone who goes to discover", inviting HAO Jingfang, a well-known writer, and people. cn to pay tribute to the discoverers of each era. The short film stimulated the national pride of the audience, while conveying the "spirit of discovery", the core of the brand.

3. New channel strategy

Online:

(1) Tmall Flagship Store:

During the Reporting Period, we have continued the "branding + fine operation" reform by adjusting the category structure, optimizing the product content, relying on the big data marketing strategy, and strengthening the prominent KOL cooperation, thus greatly improving the launching efficiency, so as to give effect to the objectives of "vast customer orders, high gross profit and mass repurchases", and render a sustainable and quality business development.

(2) TikTok Shop & Kwai Shop:

During the Reporting Period, we have seized the popularity of live streaming, combining self broadcasting with talent broadcasting. Attention has been paid to the operation through self broadcasting by improving the proportion thereof, and annual frame cooperation has been improved with high-quality streamers covering both general streamers and non-vertical streamers, to optimize the commodity structure and improve the gross and net profit.

(3) JD.com, Vipshop and Tmall Supermarket:

We have further optimized the platform operation, strengthened the member marketing, adjusted the product structure, optimized the rhythm of launching expenses, and strengthened the sales of hero products and new products.

Offline:

(1) Cosmetics stores: We have adjusted and upgraded the existing outlets, modified the product structure, optimized the training system and improved the terminal service awareness.

(2) Supermarkets: Focusing on building department store systems such as Intime, Chongqing and Rainbow, while expanding to other high-quality department stores, we have strengthened inventory management, customized product portfolio suitable for supermarket channels, and enhanced BA's initiative.

4. New organizational strategy

(1) Organization: We have focused on the building of digital middle office by deepening the strategy relating to hero products and popular products, and the strategy concerning precise launch with middle office to improve ROI. The virtual project organization form was adopted with products and launching as the mainline to create an end-to-end, efficient and self-driven process-oriented organization.

(2) Talent: We have further promoted the talent supply chain mechanism matching with business, to select, identify and use talents in an accurate, quick and efficient manner, thereby to gradually build a young team with strong combat effectiveness, learning ability, self drive and entrepreneurial passion.

(3) Mechanism: By advocating the "three heights" performance culture of "high investment, high performance and high return", we have established a performance management system of "setting goals and attaching importance to the process for achievement". Around the business strategy, every effort was made to build a diversified business incentive system covering a short term (for quarterly performance and project incentive), a medium term (for annual additional dividend) and a long term (for

equity incentive and partners).

Material changes in the Company's business during the Reporting Period, as well as events that have a significant impact on the Company's business during such period and are expected to have a significant impact thereon in the future

Applicable N/A

IV. Main Business Conditions during the Reporting Period

(I) Primary Business Analysis

1 Analysis of changes in related items in financial statements

Unit: Yuan Currency: RMB

Item	Current period	Same period of prior year	Change ratio (%)
Operating income	1,917,718,497.60	1,384,323,848.88	38.53
Operating cost	695,558,289.19	555,120,455.16	25.30
Selling expense	807,204,631.76	457,414,432.20	76.47
General and administrative expense	116,191,173.05	100,182,355.15	15.98
Financial expense	-1,864,128.79	-7,374,480.76	N/A
R&D expense	31,371,344.46	31,865,144.96	-1.55
Net cash flow from operating activities	266,175,578.82	36,564,378.88	627.96
Net cash flow from investing activities	-190,628,459.71	104,618,006.73	-282.21
Net cash flow from financing activities	-248,631,053.62	-31,140,550.44	N/A

Reasons for changes in operating income: Mainly due to the growth of operating income from online sales.

Reasons for changes in operating cost: Mainly due to the growth of operating income driving the corresponding growth of operating cost.

Reasons for changes in selling expense:

In the first half of 2021, the selling expense amounted to RMB807 million, accounting for 42.09% of the operating income (33.04% in the same period of prior year), representing a YOY increase by RMB350 million or 76.47% , mainly due to the YOY increase by RMB316 million or 94.47% in the image publicity and promotion expense in the current period, including: 1. the YOY increase of promotion expense for the new brands (such as TIMAGE); 2. the YOY increase of online sales and image publicity and promotion expense.

Reasons for changes in general and administrative expense:

In the first half of 2021, the general and administrative expense amounted to RMB116 million, accounting for 6.06% of the operating income (7.24% in the same period of prior year), representing a YOY increase by RMB16.01 million or 15.98%, mainly due to the YOY increase in employee benefits and labor costs.

Reasons for changes in financial expense: Mainly due to the YOY increase in exchange gains and losses in the current period.

Reasons for changes in R&D expense:

In the first half of 2021, the R&D expense amounted to RMB31.37 million, accounting for 1.64% of the operating income (2.30% in the same period of prior year), which was basically the same as that in the same period of prior year. The parent company's R&D expense ratio in the first half of 2021 was 3.76% (4.31% in the same period of prior year).

Reasons for changes in net cash flow from operating activities:

The net cash flow from operating increased by RMB230 million on a YOY basis, mainly due to:

1. Factors relating to increase in cash: the sales receipts increased by RMB740 million YOY (corresponding to YOY increase in sales and decrease in accounts receivable);
2. Factors relating to decrease in cash: the payment for goods increased by RMB71 million YOY, and the cash paid for other operating activities increased by RMB378 million (mainly due to the YOY increase in image publicity and promotion expense).

Reasons for changes in net cash flow from investing activities:

The net cash flow from investment decreased by RMB295 million on a YOY basis, mainly due to:

1. Factors relating to increase in cash: the cash paid for investing in associates and other equities during the period had an amount of RMB31 million, with a YOY decrease by RMB35 million from RMB67 million in the same period of prior year;
2. Factors relating to decrease in cash: the cash inflow from recovering the principal and income of wealth management products in the same period prior year had an amount of RMB216 million; the cash paid for acquisition of fixed assets, construction in progress and other investing activities increased YOY during the current period.

Reasons for changes in net cash flow from financing activities:

The net cash flow from financing decreased by RMB217 million on a YOY basis, mainly due to:

1. The short-term loans received from banks decreased by RMB99 million, and the debt repayment expenditure increased by RMB87 million YOY, with the total net cash outflow from both items increased by RMB186 million YOY;
2. The dividend distribution and interest expenses increased by RMB31 million YOY.

2 Detailed descriptions of significant changes in business type, profit composition or profit source of the Company in the current period

Applicable N/A

(II) Descriptions of significant changes in profits caused by non-primary business

Applicable N/A

(III) Analysis of Assets and Liabilities

Applicable N/A

1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	Closing balance of current period	Proportion of closing balance of current period to total assets (%)	Closing balance of prior year	Proportion of closing balance of prior year to total assets (%)	Proportion of changes in the closing balance of current period over the closing balance of prior year (%)	Description

Currency funds	1,236,337,706.75	36.60	1,416,654,640.93	38.95	-12.73	
Accounts receivable	174,316,681.46	5.16	284,878,419.58	7.83	-38.81	Mainly due to the collection of accounts receivable upon the maturity of credit for some customers
Inventories	356,282,644.43	10.55	468,641,017.75	12.89	-23.98	
Contract assets		0.00		0.00	N/A	
Investment properties	71,819,415.95	2.13	72,237,610.10	1.99	-0.58	
Long-term equity investment	186,592,634.00	5.52	58,220,059.60	1.60	220.50	Mainly due to : 1. see the note below for details; 2. the additional investment of RMB28.21 million made to Jiaying Woyong
Fixed assets	553,956,322.47	16.40	565,864,152.62	15.56	-2.10	
Construction in progress	115,081,293.14	3.41	47,324,523.36	1.30	143.17	Mainly due to the investment in construction in progress for Huzhou expanded production base construction project (phase I) and Longwu R&D center construction project during this period
Right-of-use assets		0.00		0.00	N/A	
Short-term borrowings	200,000,000.00	5.92	299,280,435.09	8.23	-33.17	Mainly due to the net repayment

						of bank loans of RMB99 million during this period
Contract liabilities	52,820,185.37	1.56	30,618,778.99	0.84	72.51	Mainly due to the increase of more than RMB18 million in receipts in advance
Long-term borrowings		0.00		0.00	N/A	
Lease liabilities		0.00		0.00	N/A	
Goodwill	0.00	0.00	31,034,161.20	0.85	-100.00	See the note below for details
Other non-current assets	5,731,163.01	0.17	87,322,780.03	2.40	-93.44	Mainly due to the payment for purchasing the plot in Longwu, Hangzhou at the beginning of the year; the closing procedures for the plot and the properties thereon had been completed with obtainment of relevant title certificate during this period, which was included into the intangible assets and construction in progress accordingly
Accounts payable	346,738,059.11	10.27	515,832,031.27	14.18	-32.78	Mainly due to the maturity of the accounts payable in this period

Other current liabilities	2,149,196.85	0.06	1,439,262.02	0.04	49.33	Mainly due to the increase of advance payment for goods in contract liabilities and the corresponding increase of pending output VAT
Estimated liabilities	6,052,681.88	0.18	10,190,099.22	0.28	-40.60	Mainly due to the estimated decrease in returns sales revenue

Note:

In April 2021, the Company entered into a capital increase and share exchange agreement with Zhuhai Healthlong Biotechnology Co., Ltd., among other parties, under which the Company increased its capital to Zhuhai Healthlong Biotechnology Co., Ltd. with its 52% equity in Shanghai Healthlong Biochemical Technology Co., Ltd.. After the capital increase and share exchange, Shanghai Healthlong Biochemical Technology Co., Ltd., the former majority-owned subsidiary of the Company, became a wholly-owned subsidiary of Zhuhai Healthlong Biotechnology Co., Ltd. and was excluded from the consolidation scope of the Company. The Company holds 10% equity of, and appoints a director to, Zhuhai Healthlong Biotechnology Co., Ltd..

For the above reasons, the Company's investment in Zhuhai Healthlong Biotechnology Co., Ltd. was accounted for as "long-term equity investment", which had a carrying amount of RMB97.19 million by the end of June. The originally recognized goodwill was reduced simultaneously (that is, the part by which the investment made by the Company in Shanghai Healthlong in the early stage exceeded the fair value of identifiable net assets calculated according to the shareholding ratio).

Other descriptions
None

2. Overseas assets

Applicable N/A

3. Restrictions on major assets by the end of the Reporting Period

Applicable N/A

Unit: Yuan

Item	Closing carrying amount	Reasons for restriction
Cash and bank balances	7,967,481.72	Transformer margin, letter of credit deposit, Tmall deposit and

		Alipay deposit, etc.
Total	7,967,481.72	

4. Other descriptions

Applicable N/A

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

Applicable N/A

Unit: Yuan

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Investment in associates	183,291,583.06		183,291,583.06	54,913,429.03		54,913,429.03
Investment in joint ventures	3,301,050.94		3,301,050.94	3,306,630.57		3,306,630.57
Total	186,592,634.00		186,592,634.00	58,220,059.60		58,220,059.60

See “VII. 17 Long-term equity investment” in “Section X Financial Report” hereof for details.

(1) Significant equity investment

Applicable N/A

(2) Significant non-equity investment

Applicable N/A

(3) Financial assets measured at fair value

Applicable N/A

(V) Disposal of major assets and equities

Applicable N/A

(VI) Analysis of major majority-owned and non-majority-owned companies

Applicable N/A

Unit: RMB0'000 Currency: RMB

Primary subsidiary	Business nature	Major products or services	Registered capital	Total assets	Net assets	Net profit	Majority-owned or non-majority-owned
Zhejiang Meili Valley E-commerce Co., Ltd.	Cosmetics sales	Cosmetics	1,000.00	34,208.50	17,051.83	7,470.13	Majority-owned
Hangzhou Proya Trade Co., Ltd.	Cosmetics sales	Cosmetics	5,000.00	45,346.96	9,794.36	-3,271.18	Majority-owned
Hapsode (Hangzhou) Cosmetics Co., Ltd.	Cosmetics sales	Cosmetics	5,000.00	11,830.14	-20,560.50	-711.84	Majority-owned

(VII) Structured entities controlled by the Company

Applicable N/A

V. Other Disclosures**(I) Possible Risks**

Applicable N/A

1. Industry competition risk

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

2. Project incubation risk

- (1) Risk of new brand incubation: the performance may fail to reach the expected goal after heavy marketing investment;
- (2) Risk of new category development: as the operation modes for different categories differ greatly, the team may be unable to meet the requirements and the performance may fail to meet the expected goal.

3. The COVID-19 outbreak may have an uncertain impact on the operation.

(II) Other Disclosures

Applicable N/A

Section IV Corporate Governance**I. Brief Introduction to the General Meeting of Shareholders**

Session	Date of convening	Query index of the designated website where the resolution is published	Disclosure date of resolution	Resolution
2020 annual general meeting	May 13, 2021	Announcement No. 2021-029 on the website of SSE (www.sse.com.cn)	May 14, 2021	The meeting reviewed and approved the <i>Company's 2020 Annual Report and its Summary</i> , the <i>Company's 2020 Annual Profit Distribution Plan</i> and other proposals. For details, please see the <i>Announcement on Resolution of the Company's 2020 Annual General Meeting</i> (Announcement No.: 2021-029) disclosed by the Company on the website of SSE (http://www.sse.com.cn) and relevant information disclosure media on May 14, 2021.

Extraordinary general meetings of shareholders required by preferred shareholders with voting rights

Applicable N/A

Description of general meetings of shareholders

Applicable N/A

II. Changes in directors, supervisors and officers of the Company

Applicable N/A

Name	Position	Changes
CHEN Yan	Independent director	Left office
MA Dongming	Independent director	Elected

Description of changes in directors, supervisors and officers of the Company

Applicable N/A

III. Profit Distribution or Capital Reserve Capitalization Plans

Semi-annual profit distribution plans and capital reserve capitalization plans

Whether there is any profit distribution or capital reserve capitalization	No
Number of bonus shares distributed per 10 shares (share)	0
Amount of dividends paid per 10 shares (RMB) (including tax)	0
Number of shares converted from capital reserves per 10 shares (share)	0
Description of profit distribution or capital reserve capitalization plans	
N/A	

IV. The Company's equity incentive plans, employee stock ownership plans or other employee incentives and their impact

(I) Relevant equity incentives that have been disclosed in the interim announcement without progress or change in the follow-up implementation

Applicable N/A

(II) Incentives not disclosed in the interim announcement or with follow-up progress

Equity incentives

Applicable N/A

Other descriptions

Applicable N/A

Employee stock ownership plans

Applicable N/A

Other incentives

Applicable N/A

Section V Environmental and Social Responsibilities

I. Environmental Information

(I) Description on environmental protection of the company and its primary subsidiaries which are in high pollution industries regulated by the environmental protection authority

Applicable N/A

(II) Description on environmental protection of the company not in high pollution industries

Applicable N/A

(III) Description of follow-up progress or changes in the contents of the environmental information disclosed during the Reporting Period

Applicable N/A

(IV) Relevant information conducive to protecting ecology, preventing pollution and fulfilling environmental responsibilities

Applicable N/A

1. During the Reporting Period, the Company actively responded to the call of the nation by conducting macro management of solid waste. Having applied to register in the National Solid Waste and Chemical Management Information System Platform, Huzhou Plant made an annual pre-declaration of the amount of hazardous waste generated, conducted a public bidding for hazardous waste disposal units through the platform, and applied for treatment of hazardous waste on the platform, being able to track data of solid waste and anticipate risks thereof in the whole process.

2. During the Reporting Period, Huzhou Plant continued to carry out reasonable energy conservation and emission reduction as suggested, and to practice as a resource-saving and environment-friendly green factory.

(V) Measures taken to reduce carbon emissions during the Reporting Period and the effect thereof

Applicable N/A

II. Efforts to Consolidate and Expand the Achievements in Poverty Alleviation and Rural Revitalization

Applicable N/A

Section VI Important Events

I. Performance of Commitments

(I) Commitments of the Company and Its De Facto Controllers, Shareholders, Related Parties and Acquirers, etc., During or as of the Reporting Period

√ Applicable N/A

Background	Type	Promiser	Content	Date and Term	Is there a term for performance	Whether it is performed timely and strictly	Reasons for failure of timely performance (if applicable)	Next step in case of failure of timely performance (if applicable)

Commitments on the IPO	Restricted sale of shares	Controlling shareholders and <i>de facto</i> controllers: HOU Juncheng and FANG Aiqin (a couple)	(1) Within 36 months from the date of listing of the Company's shares, I will not transfer or entrust others with management of the shares in the Company directly or indirectly held by me, nor will I have such shares repurchased by the Company; (2) If the closing price of the Company's shares has been lower than the offering price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price at the end of 6 months after the listing is lower than the offering price, the lock-up period of the Company's shares held by me shall be automatically extended for 6 months; (3) If the Company's shares held by me are reduced within two years after the expiration of the lock-up period, the reduction price shall not be lower than the offering price; (4) The lock-up period of the Company's shares held by me/us shall be automatically extended for 6 months in case I/we violate the above commitments on share locking.	Made on: November 15, 2017; Term: November 15, 2017 to November 14, 2020	Yes	Yes	N/A	N/A
	Restricted sale of shares	Director and general manager: FANG Yuyou	(1) Within 36 months from the date of listing of the Company's shares, I will not transfer or entrust others with management of the shares in the Company directly or indirectly held by me, nor will I have such shares repurchased by the Company; (2) If the closing price of the Company's shares has been lower than the offering price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price at the end of 6 months after the listing is lower than the offering price, the lock-up period of the Company's shares held by me shall be	Made on: November 15, 2017; Term: November 15, 2017 to November 14, 2020	Yes	Yes	N/A	N/A

			automatically extended for 6 months; (3) If the Company's shares held by me are reduced within two years after the expiration of the lock-up period, the reduction price shall not be lower than the offering price; (4) The lock-up period of the Company's shares held by me/us shall be automatically extended for 6 months in case I/we violate the above commitments on share locking.					
Restricted sale of shares	12 natural person shareholders: LI Xiaolin, XU Junqing, FANG Aifen, YE Caifu, LI Jianqing, CHEN Dongfang, LI Wenqing, XU Dongkui, BAO Qingfang, FANG Jiaqin, FANG Shanming, YE Hong	(1) Within 36 months from the date of listing of the Company's shares, I will not transfer or entrust others with management of the shares in the Company directly or indirectly held by me, nor will I have such shares repurchased by the Company; (2) If the closing price of the Company's shares has been lower than the offering price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price at the end of 6 months after the listing is lower than the offering price, the lock-up period of the Company's shares held by me shall be automatically extended for 6 months; (3) If the Company's shares held by me are reduced within two years after the expiration of the lock-up period, the reduction price shall not be lower than the offering price; (4) The lock-up period of the Company's shares held by me/us shall be automatically extended for 6 months in case I/we violate the above commitments on share locking.	Made on: November 15, 2017; Term: November 15, 2017 to November 14, 2020	Yes	Yes	N/A	N/A	

	Restricted sale of shares	Directors and officers: HOU Juncheng, FANG Yuyou, CAO Lianguo	(1) During my tenure as a director/officer of the Company, the shares transferred each year shall not exceed 25% of the total shares in the Company held directly or indirectly by me; Within six months after my leaving office, I will not transfer the shares of the Company directly or indirectly held by me; (2) If the Company's shares held by me are reduced within two years after the expiration of the lock-up period, the reduction price shall not be lower than the offering price; If the closing price of the Company's shares has been lower than the offering price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price at the end of 6 months after the listing is lower than the offering price, the lock-up period of the Company's shares held by me shall be automatically extended for 6 months, which shall not be terminated due to my job change, resignation, etc.; (3) The lock-up period of the Company's shares held by me/us shall be automatically extended for 6 months in case I/we violate the above commitments on share locking.	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A
	Restricted sale of shares	Officers: ZHANG Yefeng and ZHANG Minhua	(1) Within 12 months from the date of listing of the Company's shares, I will not transfer or entrust others with management of the shares in the Company directly or indirectly held by me, nor will I have such shares repurchased by the Company; (2) During my tenure as an officer of the Company, the shares transferred each year shall not exceed 25% of the total shares in the Company held directly or indirectly by me; Within six months after my	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A

			leaving office, I will not transfer the shares of the Company directly or indirectly held by me; (3) If the Company's shares held by me are reduced within two years after the expiration of the lock-up period, the reduction price shall not be lower than the offering price; If the closing price of the Company's shares has been lower than the offering price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price at the end of 6 months after the listing is lower than the offering price, the lock-up period of the Company's shares held by me shall be automatically extended for 6 months, which shall not be terminated due to my job change, resignation, etc.; (4) The lock-up period of the Company's shares held by me/us shall be automatically extended for 6 months in case I/we violate the above commitments on share locking.					
Restricted sale of shares	Officer: JIN Yanhua	(1) Within 12 months from the date of listing of the Company's shares, I will not transfer or entrust others with management of the shares in the Company directly or indirectly held by me, nor will I have such shares repurchased by the Company; (2) During my tenure as an officer of the Company, the shares transferred each year shall not exceed 25% of the total shares in the Company held directly or indirectly by me; Within six months after my leaving office, I will not transfer the shares of the Company directly or indirectly held by me; (3) If the Company's shares held by me are reduced within two years after the expiration of the lock-up period, the reduction	Made on: April 16, 2018; Term: Indefinite term from April 16, 2018	No	Yes	N/A	N/A	

			price shall not be lower than the offering price; If the closing price of the Company's shares has been lower than the offering price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price at the end of 6 months after the listing is lower than the offering price, the lock-up period of the Company's shares held by me shall be automatically extended for 6 months, which shall not be terminated due to my job change, resignation, etc.; (4) The lock-up period of the Company's shares held by me/us shall be automatically extended for 6 months in case I/we violate the above commitments on share locking.					
	Restricted sale of shares	Officer: WANG Li	(1) Within 12 months from the date of listing of the Company's shares, I will not transfer or entrust others with management of the shares in the Company directly or indirectly held by me, nor will I have such shares repurchased by the Company; (2) During my tenure as an officer of the Company, the shares transferred each year shall not exceed 25% of the total shares in the Company held directly or indirectly by me; Within six months after my leaving office, I will not transfer the shares of the Company directly or indirectly held by me; (3) If the Company's shares held by me are reduced within two years after the expiration of the lock-up period, the reduction price shall not be lower than the offering price; If the closing price of the Company's shares has been lower than the offering price for 20 consecutive trading days within 6 months after the listing of the Company, or	Made on: September 3, 2018; Term: Indefinite term from September 3, 2018	No	Yes	N/A	N/A

			the closing price at the end of 6 months after the listing is lower than the offering price, the lock-up period of the Company's shares held by me shall be automatically extended for 6 months, which shall not be terminated due to my job change, resignation, etc.; (4) The lock-up period of the Company's shares held by me/us shall be automatically extended for 6 months in case I/we violate the above commitments on share locking.					
Restricted sale of shares	Controlling shareholders and <i>de facto</i> controllers: HOU Juncheng and FANG Aiqin	(1) The number of shares in the Issuer directly or indirectly reduced by me within 24 months after the expiration of the lock-up period shall not exceed 6% of the total number of shares therein before this Offering; (2) My reduction of shareholding in the Company shall be conducted through centralized bidding at a stock exchange, block trading or transfer by agreement, among other ways, in compliance with the provisions of relevant laws, regulations and rules; (3) I will, before reducing the Company's shares, make an announcement three trading days in advance, and perform the obligation of information disclosure in a timely and accurate manner pursuant to the rules of the stock exchange, unless my shareholding in the Company falls below 5%; (4) I will, in case of failing to fulfill the above commitments on shareholding reduction, publicly explain the specific reasons for my non-fulfillment at the Company's general meeting of shareholders and the media for disclosure designated by the CSRC, while apologizing to the Company's shareholders	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A	

			and public investors.					
Restricted sale of shares	Shareholders with direct shareholding of more than 5%: FANG Yuyou and LI Xiaolin	(1) I will, in case of an intention to reduce my shareholding after the expiration of the lock-up period, carefully abide by relevant provisions of the CSRC and the stock exchange on reduction by shareholders, prudently formulate the shareholding reduction plan in light of the needs for the Company with respect to share price stabilization, operation and capital management, and gradually reduce my shares after the expiration of the lock-up period; (2) My reduction of shareholding in the Company shall be conducted through centralized bidding at a stock exchange, block trading or transfer by agreement, among other ways, in compliance with the provisions of relevant laws, regulations and rules; (3) I will, before reducing the Company's shares, make an announcement three trading days in advance, and perform the obligation of information disclosure in a timely and accurate manner pursuant to the rules of the stock exchange, unless my shareholding in the Company falls below 5%; (4) I will, in case of failing to fulfill the above commitments on shareholding reduction, publicly explain the specific reasons for my non-fulfillment at the Company's general meeting of shareholders and the media for disclosure designated by CSRC, while apologizing to the Company's shareholders and public investors.	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A	
Other	The Company	We will, in case of failure to take specific measures to stabilize the share price when the	Made on: November	No	Yes	N/A	N/A	

			<p>preconditions for initiating the share price stabilization plan are met, publicly explain the specific reasons for the failure to take such measures at the general meeting of shareholders and the media for disclosure designated by the CSRC, while apologizing to the shareholders and public investors. If losses are caused to investors for reasons other than force majeure, we will be liable for compensation to the investors according to law and bear corresponding responsibilities in accordance with laws, regulations and requirements of relevant regulatory authorities; If the losses are caused by force majeure, a treatment scheme to minimize the damages to the investors' interests shall be studied as soon as possible and submitted to the general meeting of shareholders for deliberation, so as to best protect our investors' interests. If we newly appoints directors and officers within three years from the date of listing of our shares, we will require the newly appointed directors and officers to fulfill the corresponding commitments made by the directors and officers when we are listed.</p>	<p>15, 2017; Term: Indefinite term from November 15, 2017</p>				
	Other	Controlling shareholders and <i>de facto</i> controllers of the Company	<p>If I fail to take specific measures to stabilize the price price in accordance with the share price stabilization plan when the preconditions for initiating such plan are met, I will publicly explain the specific reasons for the failure at the Issuer's general meeting of shareholders and the media for disclosure designated by the CSRC, while apologizing to the Issuer's shareholders and public</p>	<p>Made on: November 15, 2017; Term: Indefinite term from November 15, 2017</p>	No	Yes	N/A	N/A

			investors; To the extent of non-fulfillment of the above commitments, I will stop receiving shareholder dividends from the Issuer within 5 working days from the date of the above event, and my shares in the Issuer will not be transferred until I take corresponding measures to stabilize the share price and the implementation thereof is completed in accordance with the provisions of the above plan.					
Other	Directors (excluding independent directors) and officers of the Company		If I fail to take specific measures to stabilize the price price in accordance with the share price stabilization plan when the preconditions for initiating such plan are met, I will publicly explain the specific reasons for the failure at the Issuer's general meeting of shareholders and the media for disclosure designated by the CSRC, while apologizing to the Issuer's shareholders and public investors; To the extent of non-fulfillment of the above commitments, I will stop receiving remunerations and shareholder dividends (if any) from the Issuer within 5 working days from the date of the above event, and my shares in the Issuer (if any) will not be transferred until I take corresponding measures to stabilize the share price and the implementation thereof is completed in accordance with the provisions of the above plan.	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A
Other	The Company		If our Prospectus contains any misrepresentation, misleading statement or major omission, resulting in losses to investors in the securities trading, we will compensate the investors for the losses	Made on: November 15, 2017; Term: Indefinite	No	Yes	N/A	N/A

			according to law. After such act is held by the CSRC, the stock exchange where we are listed or the judicial authority to be illegal, we will, based on the principles of simplifying procedures, active negotiation, compensation in advance and effectively protecting the interests of investors, especially minority investors, and according to the measurable economic losses directly suffered by the investors, actively compensate the investors for their direct economic losses through settlement, mediation by a third party and establishment of Investor Compensation Fund, etc.. Insofar as we violate the above commitments, we will publicly apologize to the shareholders and public investors for failing to perform the above compensation measures at the general meeting of shareholders and the media for disclosure designated by the CSRC, and compensate the investors according to such actual losses as recognized by the CSRC and relevant judicial authorities.	term from November 15, 2017				
	Other	Controlling shareholders and <i>de facto</i> controllers of the Issuer	If the Issuer's Prospectus contains any misrepresentation, misleading statement or major omission, resulting in losses to investors in the securities trading, I will compensate the investors for the losses according to law. After such act is held by the CSRC, the stock exchange where the Company is listed or the judicial authority to be illegal, I will, based on the principles of simplifying procedures, active negotiation, compensation in advance and effectively protecting the interests of investors,	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A

			especially minority investors, and according to the measurable economic losses directly suffered by the investors, actively compensate the investors for their direct economic losses through settlement, mediation by a third party and establishment of Investor Compensation Fund, etc.. Insofar as I violate the above commitments, I will publicly apologize to the shareholders and public investors for failing to perform the above compensation measures at the general meeting of shareholders and the media for disclosure designated by the CSRC, stop receiving shareholder dividends from the Issuer within 5 working days from the date of violation of the above commitments, and meanwhile, my shares in the Issuer shall not be transferred until I take corresponding compensation measures as per the above commitments and the implementation thereof is completed.					
		Directors, supervisors and officers	If the Issuer's Prospectus contains any misrepresentation, misleading statement or major omission, resulting in losses to investors in the securities trading, I will compensate the investors for the losses according to law. After such act is held by the CSRC, the stock exchange where the Company is listed or the judicial authority to be illegal, I will, based on the principles of simplifying procedures, active negotiation, compensation in advance and effectively protecting the interests of investors, especially minority investors, and according to the measurable economic losses directly suffered by the investors, actively compensate	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A

			the investors for their direct economic losses through settlement, mediation by a third party and establishment of Investor Compensation Fund, etc.. Insofar as I violate the above commitments, I will publicly apologize to the shareholders and public investors for failing to perform the above compensation measures at the general meeting of shareholders and the media for disclosure designated by the CSRC, stop receiving remunerations (or allowances) and shareholder dividends (if any) from the Issuer within 5 working days from the date of violation of the above commitments, and meanwhile, my shares in the Issuer (if any) shall not be transferred until I take corresponding compensation measures as per the above commitments and the implementation thereof is completed.					
	Other	The Company	In order to ensure the effective use of the proceeds from this Offering, effectively prevent the risk of dilution on immediate return and improve the ability of future return, we plan to improve the quality of assets, as well as increase the operating income and future income for sustainable development by strengthening the operation management and internal control, accelerating the construction progress of investment projects and improving the investor return mechanism, to recover the diluted immediate return. We undertake to continuously improve various recovery measures against dilution on immediate return in accordance with the implementation rules subsequently issued by the CSRC and	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A

			the SSE. In case of violating the above commitments, we will promptly announce the facts and reasons for the violation, and will, unless the violation is caused by force majeure or other reasons not attributable to us, apologize to our shareholders and public investors, while making supplementary or alternative commitments to the investors for the purposes of protecting their interests as much as possible, and implementing such supplementary or alternative commitments after the same being reviewed and approved by our general meeting of shareholders.					
	Other	Controlling shareholders and <i>de facto</i> controllers: HOU Juncheng and FANG Aiqin	In order to give effect to the Company's recovery measures against dilution on immediate return, as the controlling shareholder and <i>de facto</i> controller of the Company, I undertake that: (1) in no event will I abuse my position as a controlling shareholder and <i>de facto</i> controller, or interfere with the operation and management activities of the Company beyond my authority, or encroach on the interests of the Company; (2) I will, in case relevant provisions of the Company and my commitments are inconsistent with relevant opinions and implementation rules on recovery measures against dilution on immediate return separately issued by the CSRC and the SSE, make supplementary commitments promptly in accordance with the provisions of the CSRC and the SSE, and actively procure the Company to make new commitments or adopt new measures as required thereby; (3) I will fully, completely	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A

			and timely fulfill the recovery measures against dilution on immediate return formulated by the Company and any of my commitments on this regard. If I violate such commitments, thereby causing losses to the Company or its shareholders, I will be willing to: ① make a public explanation and apology at the general meeting of shareholders and the media for disclosure designated by the CSRC; ② undertake the liability for compensation to the Company and/or the shareholders according to law; ③ unconditionally accept the punishment or relevant regulatory measures imposed on me by the securities regulatory authorities such as the CSRC and/or the SSE in accordance with the relevant regulations and rules formulated or promulgated thereby. Nevertheless, in no way shall the above recovery measures be construed as a guarantee as to the Company's future profits.					
	Other	Directors and officers	In order to give effect to the Company's recovery measures against dilution on immediate return, as a director/officer of the Company, I undertake that: (1) I will not transfer interests to other entities or individuals free of charge or on unfair conditions, or otherwise damage the interests of the Company; (2) I will strictly abide by the budget management of the Company, and refrain from incur any post-related consumption unless it is necessary to perform my duties, and strictly accept the supervision and management of the Company to avoid waste or excessive consumption; (3) I will not	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A

			<p>use the Company's assets to engage in investment and consumption activities unrelated to my performance of duties; (4) I will actively promote the improvement of the Company's remuneration system to make it consistent with the recovery requirements on diluted immediate return; support the Company's Board of Directors or remuneration committee to link the formulation, modification and supplement of the Company's remuneration system with the implementation of the Company's recovery measures against dilution on immediate return; and commit to link the exercise conditions of the Company's equity incentives to be announced with the implementation of the Company's recovery measures; (5) I will, in case relevant provisions of the Company and my commitments are inconsistent with relevant opinions and implementation rules on recovery measures against dilution on immediate return separately issued by the CSRC and the SSE, make supplementary commitments promptly in accordance with the provisions of the CSRC and the SSE, and actively procure the Company to make new commitments or adopt new measures as required thereby; (6) I will fully, completely and timely fulfill the recovery measures against dilution on immediate return formulated by the Company and any of my commitments on this regard. If I violate such commitments, thereby causing losses to the Company or its shareholders, I will be willing</p>					
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			to: ① make a public explanation and apology at the general meeting of shareholders and the media for disclosure designated by the CSRC; ② undertake the liability for compensation to the Company and/or the shareholders according to law; ③ unconditionally accept the punishment or relevant regulatory measures imposed on me by the securities regulatory authorities such as the CSRC and/or the SSE in accordance with the relevant regulations and rules formulated or promulgated thereby. Nevertheless, in no way shall the above recovery measures be construed as a guarantee as to the Issuer's future profits.					
Avoiding horizontal competition	Controlling shareholders and <i>de facto</i> controller: HOU Juncheng and FANG Aiqin	1. I do not, and will not, directly or indirectly engage in any activities that constitute horizontal competition with the existing and future businesses of the Company and its majority-owned subsidiaries, including but not limited to the research and development, production and sales of any products that are the same as or similar to the products developed, produced and sold by the Company and its majority-owned subsidiaries, and am willing to be liable for the economic losses caused by violating the above commitments to the Company; 2. For the enterprises under my control, I will perform my obligations under these commitments through my local offices and personnel (including but not limited to directors and managers) in such enterprises, and am willing to bear the liability for compensation for the economic losses caused	Made on: November 15, 2017; Term: Indefinite term from November 15, 2017	No	Yes	N/A	N/A	

			to the Company due to the violation of the above commitments; 3. From the date of signing this letter of commitment, if the Company further expands its products and business scope, I and the enterprises under my control will refrain from competing with the expanded products or business of the Company, or will, in case of competing with the same, withdraw from the competition by (1) stopping producing products that constitute or may constitute the competition, (2) ceasing to operate such business as constitutes or may constitute the competition, (3) incorporating the competitive business into the Company for operation, or (4) transferring the competitive business to unrelated third parties; 4. Hangzhou Huazhuang Industrial Investment Co., Ltd., Huzhou Mogan Wangshu Cosmetics Industry Phase I Venture Capital Partnership (L.P.) and their investees engage in no cosmetics business or upstream and downstream business thereof, and if they engage in such businesses in the future, I undertake that I will withdraw my investment in them through equity transfer and other means, and that the Company will be given priority to decide whether to invest in the said enterprises subject to the legal provisions and the consent of other shareholders of such enterprises.					
Commitments on refinancing	Other	Controlling shareholders and <i>de facto</i> controllers: HOU	In order to give effect to the Company's recovery measures against dilution on immediate return, I undertake that: 1. I will not interfere with the Company's operation and management activities beyond my	Made on: April 21, 2021; Term: Indefinite	No	Yes	N/A	N/A

	Juncheng and FANG Ai Qin	authority or encroach on the interests of the Company; 2. From the date of making these commitments to the completion of the implementation of this public offering by the Company of A-share convertible corporate bonds, to the extent the CSRC makes new regulatory provisions concerning the recovery measures against dilution on immediate return, etc., rendering the above commitments non-conforming to the provisions, I will make supplementary commitments in accordance with the latest provisions of the CSRC at that time; 3. I will earnestly fulfill the Company's relevant recovery measures against dilution on immediate return and any of my commitments on this regard, or, will, in case of violating the said commitments thus causing losses to the Company or its investors, be willing to bear the liability for compensation to the Company or the investors according to law. As one of the parties responsible for the recovery measures, I will, to the extent I violate or refuse to fulfil the above commitments, accept the punishment or relevant regulatory measures imposed on me by the securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules formulated or promulgated thereby.	term from April 21, 2021				
Other	Directors and officers	In order to give effect to the Company's recovery measures against dilution on immediate return, I undertake that: 1. I will not transfer interests to other entities or individuals free of charge or on unfair conditions, or otherwise damage the interests	Made on: April 21, 2021; Term: Indefinite term from	No	Yes	N/A	N/A

			<p>of the Company; 2. I will restrict my post-related consumption behavior; 3. I will not use the Company's assets to engage in investment and consumption activities unrelated to my performance of duties; 4. The remuneration system formulated by the Board of Directors or the remuneration and assessment committee will be linked to the implementation of the Company's recovery measures on return; 5. The exercise conditions of the Company's equity incentive, if the same is implemented in the future, to be announced will be linked to the implementation of the Company's recovery measures on return; 6. From the date of making these commitments to the completion of the implementation of this public offering by the Company of A-share convertible corporate bonds, to the extent the CSRC makes new regulatory provisions concerning the recovery measures against dilution on immediate return, etc., rendering the above commitments non-conforming to the provisions, I will make supplementary commitments in accordance with the latest provisions of the CSRC at that time. As one of the parties responsible for the recovery measures, I will, to the extent I violate or refuse to fulfil the above commitments, accept the punishment or relevant regulatory measures imposed on me by the securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules formulated or promulgated thereby.</p>	April 21, 2021				
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II. Non-operational Occupation of Funds by the Controlling Shareholders and Other Related Parties during the Reporting Period

Applicable N/A

III. Illegal Guarantee

Applicable N/A

IV. Audit of Semi-annual Report Applicable N/A**V. Changes and Treatment of Matters Involved in Modified Audit Opinions in the Annual Report of Prior Year** Applicable N/A**VI. Matters Related to Bankruptcy and Reorganization** Applicable N/A**VII. Material Litigation and Arbitration** There are material litigation and arbitration during the Reporting Period There are no material litigation and arbitration during the Reporting Period**VIII. Suspected Violations, Penalties and Rectifications of the Listed Company and Its Directors, Supervisors, Officers, Controlling Shareholders and De Facto Controllers** Applicable N/A**IX. Integrity of the Company, Its Controlling Shareholders and De Facto Controllers during the Reporting Period** Applicable N/A

During the Reporting Period, the Company, its controlling shareholders and de facto controllers were in good faith.

X. 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 N/A**2. Matters that have been disclosed in the interim announcement with progress or changes in the follow-up implementation** Applicable N/A

The 19th meeting of the second Board of Directors and the 2020 annual general meeting of shareholders were held by the Company on April 21, 2021 and May 13, 2021 respectively, at which the *Proposal on the Estimated Amount of Daily Related-party Transactions in 2021* was reviewed and approved. For details, please refer to the *Announcement on the Estimated Amount of Daily Related-party Transactions in 2021* (Announcement No.: 2021-018) disclosed on the website of the SSE (www.sse.com.cn) on April 23, 2021. In the first half of 2021, the daily related-party transactions of the Company did not exceed the estimated amount at the beginning of the year.

The estimated and actual amounts of the Company's daily related-party transactions in 2021 are as follows:

Category of related-party transaction	Related party	Estimated amount in 2021	Actual amount in 2021 H1
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Deposits in bank accounts opened with the related party	Zhejiang Leqing Rural Commercial Bank Co., Ltd.	No more than RMB150 million for daily amount	RMB149.2961 million
Related lease	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	RMB800,000	RMB484,000

Note: The “actual amount in 2021” of Zhejiang Leqing Rural Commercial Bank Co., Ltd. represents the balance in the accounts as of June 30, 2021. In the first half of 2021, the Company obtained deposit interest of RMB3.1784 million from Zhejiang Leqing Rural Commercial Bank Co., Ltd..

3. Matters not disclosed in the interim announcement

Applicable N/A

(II) Related-party Transactions Arising from Acquisition or Disposal of Assets or Equities

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

Applicable N/A

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

Applicable N/A

3. Matters not disclosed in the interim announcement

Applicable N/A

4. The performance realization during the Reporting Period where the performance agreement is involved

Applicable N/A

(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 N/A

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

Applicable N/A

3. Matters not disclosed in the interim announcement

Applicable N/A

(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 N/A

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

Applicable N/A

3. Matters not disclosed in the interim announcement

Applicable N/A

(V) Financial Businesses between the Company and Its Related Financial Companies, Majority-owned Financial Companies and Related Parties

Applicable N/A

(VI) Other Significant Related-party Transactions

Applicable N/A

(VII) Others

Applicable N/A

XI. Significant Contracts and Performances Thereof

1 Trusteeship, contracting and leasing

Applicable N/A

2 Significant guarantees performed and outstanding during the Reporting Period

√ Applicable □ N/A

Unit: RMB0'000 Currency: RMB

External guarantees of the Company (excluding guarantees for subsidiaries)															
Guarantor	Relationship between guarantor and listed company	Guaranteed party	Guarantee amount	Date of guarantee (date of agreement)	Guarantee start date	Guarantee due date	Guarantee type	Main debt	Collateral (if any)	Has the guarantee been fulfilled	Is the guarantee overdue	Overdue amount under guarantee	Counter guarantee	Related-party guarantee or not	Association relationship
Total amount of guarantee during the Reporting Period (excluding guarantee for subsidiaries)							0								
Total guarantee balance at the end of the Reporting Period (A) (excluding guarantee for subsidiaries)							0								
Guarantees of the Company for its subsidiaries															
Total amount of guarantee for subsidiaries during the Reporting Period							9,900								
Total guarantee balance to subsidiaries at the end of the Reporting Period (B)							0								
Total amount of the Company's guarantee (including guarantee for subsidiaries)															
Total guarantee amount (A + B)							0								
Proportion of total guarantee amount to the Company's net assets (%)							0								
Of which:															
Amount of guarantee provided for shareholders, de facto controllers and their related parties (C)							0								
Amount of debt-related guarantee provided directly or indirectly for the guaranteed parties with asset-liability ratio exceeding 70% (D)							0								
Amount of total guarantee exceeding 50% of net assets (E)							0								
Total amount of guarantees in the above three items (C + D + E)							0								
Descriptions of possible joint and several liability for repayment under ongoing guarantee							N/A								
Descriptions of guarantee							N/A								

3 Other significant contracts
 Applicable N/A
XII. Description of Other Significant Events
 Applicable N/A
Section VII Share Changes and Shareholders**I. Changes in Share Capital****(I) Statement of Changes in Shares****1. Statement of changes in shares**

Unit: share

	Before this change		Increase or decrease this time (+,-)					After this change	
	Quantity	Ratio (%)	New shares	Bonus shares	Capitalization of capital reserve	Others	Sub-total	Quantity	Ratio (%)
I. Restricted share	747,425	0.37				-293,265	-293,265	454,160	0.23
1. Shareholdings by the State									
2. Shareholdings by the State-owned legal persons									
3. Other shareholdings by domestic investors	747,425	0.37				-293,265	-293,265	454,160	0.23
Including: shareholdings by domestic legal persons									
Shareholdings by domestic natural persons	747,425	0.37				-293,265	-293,265	454,160	0.23
4. Shareholdings by foreign investors									
Including: Shareholdings by overseas legal persons									
Shareholdings by overseas natural persons									
II. Unrestricted	200,369	99.63				+293,265	+293,265	200,662	99.77

outstanding share	500					65	5	765	
1. RMB common stock	200,369,500	99.63				+293,265	+293,265	200,662,765	99.77
2. Domestic listed foreign share									
3. Overseas listed foreign share									
4. Others									
III. Total	201,116,925	100.00				0	0	201,116,925	100.00

2. Description of changes in shares

√ Applicable N/A

On January 5, 2021, the Company held the 18th meeting of the second Board of Directors and the 17th meeting of the second Board of Supervisors, deliberating and approving the *Proposal on the Satisfaction of Restrictions Release Conditions for the Second Release Period of the Restricted Shares Granted Initially and with Reserve under the 2018 Restricted Share Incentive Plan*, and agreeing to handle the release procedures for the grantees who meet the conditions for releasing the restrictions. A total of 293,265 restricted shares were released, which were allowed to be listed and circulated on January 14, 2021. The number of the unrestricted outstanding shares in the Company increased from 200,369,500 before the Listing to 200,662,765, while that of the restricted outstanding shares decreased from 747,425 before the Listing to 454,160.

3. Impact of share changes on financial indicators such as earnings per share and net assets per share during the period after the Reporting Period to the disclosure date of the Semi-annual Report (if any)

Applicable N/A

4. Other contents deemed necessary by the Company for disclosure or required to be disclosed by the securities regulatory authority

Applicable N/A

(II) Changes in Restricted Shares

√ Applicable N/A

Unit: share

Name of shareholder	Number of restricted shares at the opening of the period	Number of restricted shares released during the Reporting Period	Increase in the number of restricted shares in the Reporting Period	Number of restricted shares at the end of the Reporting Period	Reasons for restriction	Release date
JIN Yanhua	68,810	29,490	0	39,320	Initial grant under the 2018 Restricted Share Incentive Plan	January 14, 2021

ZHANG Yefeng	34,020	14,580	0	19,440	Initial grant under the 2018 Restricted Share Incentive Plan	January 14, 2021
WANG Li	41,230	17,670	0	23,560	Grant with reserve under the 2018 Restricted Share Incentive Plan	January 14, 2021
18 grantees being granted initially under the 2018 Restricted Share Incentive Plan	461,645	172,685	0	288,960	Initial grant under the 2018 Restricted Share Incentive Plan	January 14, 2021
10 grantees being granted with reserve under the 2018 Restricted Share Incentive Plan	141,720	58,840	0	82,880	Grant with reserve under the 2018 Restricted Share Incentive Plan	January 14, 2021
Total	747,425	293,265	0	454,160	/	/

II. Shareholders

(I) Total Number of Shareholders:

Total number of common shareholders by the end of the Reporting Period (person)	17,050
Total number of preferred shareholders with voting rights by the end of the Reporting Period (person)	0

(II) Shareholding of Top Ten Shareholders and Top Ten Outstanding Shareholders (or Unrestricted Shareholders) by the End of the Reporting Period

Unit: share

Shareholding of top ten shareholders							
Name of shareholder (full name)	Increase or decrease during the Reporting Period	Number of shares held at the closing of the period	Ratio (%)	Number of restricted shares	Pledge, marking or freezing		Nature of shareholder
					Share status	Number	

HOU Juncheng	-764,869	71,875,631	35.74	0	/		Domestic natural person
FANG Yuyou	-2,607,427	42,211,691	20.99	0	Pledged	11,920,000	Domestic natural person
Hong Kong Securities Clearing Company Limited	13,759,263	30,518,946	15.17	0	/		Other
CAO Liangguo	-81,000	4,043,938	2.01	0	/		Domestic natural person
XU Junqing	-2,111,591	3,832,210	1.91	0	/		Domestic natural person
LI Xiaolin	-2,741,312	3,502,910	1.74	0	/		Domestic natural person
Industrial and Commercial Bank of China Limited - Jingshun Changcheng Emerging Growth Hybrid Securities Investment Fund	-799,766	1,700,000	0.85	0	/		Other
Aberdeen Standard Investment Management (Asia) Co., Ltd. - Aberdeen Standard - China A-share Equity Fund	1,069,326	1,069,326	0.53	0	/		Other
Abu Dhabi Investment Authority		997,598	0.50	0	/		Other
China CITIC Bank Co., Ltd. - ABC Huili Strategy Selected Hybrid Securities Investment Fund	-93,400	935,541	0.47	0	/		Other
Shareholding of top ten unrestricted shareholders							
Name of shareholder				Number of unrestricted shares held	Type and number of shares		
					Type	Number	
HOU Juncheng				71,875,631	RMB common stock		71,875,631

FANG Yuyou	42,211,691	RMB common stock	42,211,691
Hong Kong Securities Clearing Company Limited	30,518,946	RMB common stock	30,518,946
CAO Liangguo	4,043,938	RMB common stock	4,043,938
XU Junqing	3,832,210	RMB common stock	3,832,210
LI Xiaolin	3,502,910	RMB common stock	3,502,910
Industrial and Commercial Bank of China Limited - Jingshun Changcheng Emerging Growth Hybrid Securities Investment Fund	1,700,000	RMB common stock	1,700,000
Aberdeen Standard Investment Management (Asia) Co., Ltd. - Aberdeen Standard - China A-share Equity Fund	1,069,326	RMB common stock	1,069,326
Abu Dhabi Investment Authority	997,598	RMB common stock	997,598
China CITIC Bank Co., Ltd. - ABC Huili Strategy Selected Hybrid Securities Investment Fund	935,541	RMB common stock	935,541
Description of special accounts for repurchase among top ten shareholders	None		
Description of the above shareholders delegating, being delegated and waiving voting rights	None		
Description of the association relationship or concerted action of the above shareholders	FANG Yuyou is the younger brother of HOU Juncheng's spouse FANG Aiqin, so HOU Juncheng and FANG Yuyou are related.		
Description of preferred shareholders with voting rights and the number of shares held thereby	None		

Number of shares held by the top ten restricted shareholders and the restrictions

Applicable N/A

Unit: share

S/N	Name of restricted shareholder	Number of restricted shares held	Listing and trading of restricted shares		Restrictions
			Tradable time	Number of new tradable shares	
1	Grantees of equity incentives	454,160			See the note for details
Description of the association relationship or concerted action of the above shareholders		None			

Note: The restricted shares held by the grantees of equity incentives refer to the shares granted initially and with reserve under the Company's 2018 Restricted Share Incentive Plan, of which, the shares initially granted shall be subject to a restriction period of 36 months from completion of the registration of such shares in Shanghai Branch of China Securities Depository and Clearing Corporation Limited (September 10, 2018), and the shares granted with reserve shall be subject to a restriction period of 37 months from completion of the registration thereof in Shanghai Branch of China Securities Depository and Clearing Corporation Limited (September 10, 2018).

(III) Strategic Investors or General Legal Persons Becoming the Top Ten Shareholders due to Placement of New Shares

Applicable N/A

III. Directors, Supervisors and Officers**(I) Changes in Shareholding of Current Directors, Supervisors and Officers, Including Those Leaving Office, During the Reporting Period**√ Applicable N/A

Unit: share

Name	Position	Number of shares held at the opening of the period	Number of shares held at the closing of the period	Increase and decrease of shares during the Reporting Period	Reasons for increase or decrease
HOU Juncheng	Director	72,640,500	71,875,631	-764,869	Reduction in response to personal capital demand
FANG Yuyou	Director	44,819,118	42,211,691	-2,607,427	Reduction in response to personal capital demand
CAO Lianguo	Director	4,124,938	4,043,938	-81,000	Reduction in response to personal capital demand

Other descriptions

 Applicable N/A**(II) Equity Incentives Granted to Directors, Supervisors and Officers during the Reporting Period** Applicable N/A**(III) Other Descriptions** Applicable N/A**IV. Changes in Controlling Shareholders or De Facto Controllers** Applicable N/A**Section VIII Preferred Stock** Applicable N/A**Section IX Bonds****I. Debentures, Corporate Bonds and Non-financial Business Debt Financing Instruments** Applicable N/A**II. Convertible Corporate Bonds** Applicable N/A

Section X Financial Report

I. Auditor's Report

Applicable N/A

II. Financial Statements

Consolidated Balance Sheet

June 30, 2021

Prepared by: Proya Cosmetics Co., Ltd

Unit: Yuan Currency: RMB

Item	Note	June 30, 2021	December 31, 2020
Current assets:			
Cash and bank balances	VII.1	1,236,337,706.75	1,416,654,640.93
Balances with clearing agencies			
Placements with banks and other financial institutions			
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	VII.5	174,316,681.46	284,878,419.58
Receivable financing	VII.6	5,263,729.60	5,531,997.32
Prepayments	VII.7	89,183,962.68	82,742,815.92
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Other receivables	VII.8	47,275,902.55	48,733,527.35
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	VII.9	356,282,644.43	468,641,017.75
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VII.13	45,267,333.55	35,235,811.27
Total current assets		1,953,927,961.02	2,342,418,230.12
Non-current assets:			
Loans and advances to customers			
Debt investments			
Other debt investments			

Long-term receivables			
Long-term equity investments	VII.17	186,592,634.00	58,220,059.60
Other investments in equity instruments	VII.18	20,580,000.00	20,580,000.00
Other non-current financial assets			
Investment properties	VII.20	71,819,415.95	72,237,610.10
Fixed assets	VII.21	553,956,322.47	565,864,152.62
Construction in progress	VII.22	115,081,293.14	47,324,523.36
Bearer biological assets			
Oil and gas assets			
Right of use assets			
Intangible assets	VII.26	380,925,301.67	314,643,323.97
Development expenditure			
Goodwill			31,034,161.20
Long-term prepaid expenses	VII.29	38,161,082.81	50,576,793.53
Deferred income tax assets	VII.30	50,977,297.40	46,660,550.76
Other non-current Assets	VII.31	5,731,163.01	87,322,780.03
Total non-current assets		1,423,824,510.45	1,294,463,955.17
Total assets		3,377,752,471.47	3,636,882,185.29
Current liabilities:			
Short-term borrowings	VII.32	200,000,000.00	299,280,435.09
Loans from the central bank			
Taking from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	VII.35	63,672,739.08	64,580,000.00
Accounts payable	VII.36	346,738,059.11	515,832,031.27
Receipts in advance			
Contract liabilities	VII.38	52,820,185.37	30,618,778.99
Financial assets sold under repurchase agreements			
Customer deposits and deposits from banks and other financial institutions			
Funds from securities trading agency			
Funds from underwriting securities agency			
Employee benefits payable	VII.39	52,909,015.47	70,828,239.70
Taxes payable	VII.40	73,837,489.98	71,335,290.77
Other payables	VII.41	73,609,323.68	75,546,323.32
Including: Interest payable			
Dividends payable			
Fees and commissions payable			
Amounts payable under			

reinsurance contracts			
Held-for-sale liabilities			
Non-current liabilities due within one years			
Other current liabilities	VII.44	2,149,196.85	1,439,262.02
Total current liabilities		865,736,009.54	1,129,460,361.16
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions	VII.50	6,052,681.88	10,190,099.22
Deferred income	VII.51	7,455,808.33	8,495,353.33
Deferred income tax liabilities	VII.30	6,141,332.95	6,874,105.45
Other non-current liabilities			
Total non-current liabilities		19,649,823.16	25,559,558.00
Total liabilities		885,385,832.70	1,155,019,919.16
Owner's equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII.53	201,116,925.00	201,116,925.00
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital reserve	VII.55	841,032,150.17	837,034,836.69
Less: Treasury shares	VII.56	7,361,933.60	12,653,905.25
Other comprehensive income	VII.57	-665,661.47	-269,066.13
Special reserve			
Surplus reserve	VII.59	100,634,780.00	100,634,780.00
General risk reserve			
Retained profits	VII.60	1,346,968,993.49	1,265,671,865.63
Total owners' equity (or shareholders' equity) attributable to equity holders of the parent company		2,481,725,253.59	2,391,535,435.94
Minority interests		10,641,385.18	90,326,830.19
Total owners' equity (or shareholders' equity)		2,492,366,638.77	2,481,862,266.13
Total liabilities and owners' equity (shareholders' equity)		3,377,752,471.47	3,636,882,185.29

Person in charge of the Company: HOU Juncheng Chief Financial Officer: WANG Li Head of the Accounting Organization: WANG Li

Balance Sheet of the Parent Company

June 30, 2021

Prepared by: Proya Cosmetics Co., Ltd

Unit: Yuan Currency: RMB

Item	Note	June 30, 2021	December 31, 2020
Current Assets:			
Cash and bank balances		460,108,856.64	498,358,108.55
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII.1	487,476,860.98	565,037,411.15
Receivable financing		3,391,723.00	
Prepayments		28,408,424.58	9,389,481.27
Other receivables	XVII.2	233,121,481.53	236,585,409.48
Including: Interest receivable			
Dividends receivable			
Inventories		176,120,027.88	227,126,018.70
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		36,361,283.47	15,543,206.01
Total current assets		1,424,988,658.08	1,552,039,635.16
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XVII.3	378,673,104.59	347,372,956.06
Other investments in equity instruments		20,580,000.00	20,580,000.00
Other non-current financial assets			
Investment properties		337,269,798.16	339,018,465.70
Fixed assets		283,280,852.93	291,193,420.67
Construction in progress		110,818,849.59	46,993,562.96
Bearer biological assets			
Oil and gas assets			
Right of use assets			
Intangible assets		377,215,032.72	308,401,627.24
Development expenditure			
Goodwill			
Long-term prepaid expenses		27,410,563.79	34,817,495.54
Deferred income tax assets		13,453,027.69	15,889,636.90
Other non-current Assets		5,995,408.95	87,545,799.42

Total non-current assets		1,554,696,638.42	1,491,812,964.49
Total assets		2,979,685,296.50	3,043,852,599.65
Current liabilities:			
Short-term borrowings		200,000,000.00	200,163,972.59
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		63,672,739.08	64,580,000.00
Accounts payable		254,020,691.00	403,605,887.84
Receipts in advance			
Contract liabilities		59,127,134.06	10,212,194.96
Employee benefits payable		26,187,595.81	29,624,549.78
Taxes payable		52,346,310.37	34,953,057.88
Other payables		19,378,091.27	24,771,086.23
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		674,732,561.59	767,910,749.28
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		7,455,808.33	8,495,353.33
Deferred income tax liabilities		5,627,540.89	6,283,428.68
Other non-current liabilities			
Total non-current liabilities		13,083,349.22	14,778,782.01
Total liabilities		687,815,910.81	782,689,531.29
Owner's equity (or shareholders' equity):			
Paid-in capital (or share capital)		201,116,925.00	201,116,925.00
Other equity instruments			
Including: Preferred stock			
Perpetual bonds			
Capital reserve		838,006,964.60	837,075,425.32
Less: Treasury shares		7,361,933.60	12,653,905.25
Other comprehensive income			
Special reserve			

Surplus reserve		100,634,780.00	100,634,780.00
Retained profits		1,159,472,649.69	1,134,989,843.29
Total owners' equity (or shareholders' equity)		2,291,869,385.69	2,261,163,068.36
Total liabilities and owners' equity (or shareholders' equity)		2,979,685,296.50	3,043,852,599.65

Person in charge of the Company: HOU Juncheng Chief Financial Officer: WANG Li Head of the Accounting Organization: WANG Li

Consolidated Income Statement

January to June, 2021

Unit: Yuan Currency: RMB

Item	Note	First half of 2021	First half of 2020
I. Total operating income	VII.61	1,917,718,497.60	1,384,323,848.88
Including: Operating income	VII.61	1,917,718,497.60	1,384,323,848.88
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		1,667,751,364.94	1,148,706,930.06
Including: Operating costs	VII.61	695,558,289.19	555,120,455.16
Interest expenses			
Fee and commission expenses			
Surrenders			
Claims and policyholder benefits (net of amounts recoverable from reinsurers)			
Charges in insurance contract reserves (net of reinsurers' share)			
Insurance policyholder dividends			
Expenses for reinsurance accepted			
Taxes and levies	VII.62	19,290,055.27	11,499,023.35
Selling expenses	VII.63	807,204,631.76	457,414,432.20
General and administrative expenses	VII.64	116,191,173.05	100,182,355.15
Research and development expenses	VII.65	31,371,344.46	31,865,144.96
Financial expenses	VII.66	-1,864,128.79	-7,374,480.76
Including: Interest expenses		5,082,866.57	2,502,979.38
Interest income		11,723,066.05	8,171,010.26
Add: Other income	VII.67	10,159,807.90	8,526,648.97
Investment income (Loss is indicated by "-")	VII.68	-2,378,652.94	2,318,347.17
Including: Income from		-2,375,106.70	-208,988.41

investments in associates and joint ventures			
Income from derecognition of financial assets measured at amortized cost			
Foreign exchange gains (Loss is indicated by “-”)			
Net exposure hedging income (Loss is indicated by “-”)			
Income from changes in fair value (Loss is indicated by “-”)			
Impairment losses of credit (Loss is indicated by “-”)	VII.71	2,955,792.59	-1,142,266.22
Impairment losses of assets (Loss is indicated by “-”)	VII.72	-8,625,168.59	-9,651,315.34
Income from disposal of assets (Loss is indicated by “-”)	VII.73	-1,416.28	
III. Operating profit (Loss is indicated by “-”)		252,077,495.34	235,668,333.40
Add: Non-operating income	VII.74	114,443.12	405,868.31
Less: Non-operating expenses	VII.75	60,174.49	15,505,794.81
IV. Total profit (Total losses are indicated by “-”)		252,131,763.97	220,568,406.90
Less: Income tax expenses	VII.77	43,482,270.58	46,884,003.64
V. Net profit (Net loss is indicated by “-”)		208,649,493.39	173,684,403.26
(I) Categorized by the nature of continuing operation			
1. Net profit from continuing operations (Net loss is indicated by “-”)		208,649,493.39	173,684,403.26
2. Net profit from discontinued operations (Net loss is indicated by “-”)			
(II) Categorized by ownership			
1. Net profit attributable to shareholders of the parent company (Net loss is indicated by “-”)		226,101,313.86	178,767,020.76
2. Profit or loss attributable to minority interests (Net loss is indicated by “-”)		-17,451,820.47	-5,082,617.50
VI. Other comprehensive income, net of tax		-396,595.34	-136,681.49
(I) Other comprehensive income attributable to owners of the parent company, net of tax		-396,595.34	-136,681.49
1. Other comprehensive income that cannot be subsequently reclassified to profit or loss			
(1) Changes 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 fair value of other investments in equity instruments			
(4) Changes in fair value of			

enterprises' own credit risks			
2. Other comprehensive income that will be reclassified to profit or loss		-396,595.34	-136,681.49
(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		-396,595.34	-136,681.49
(7) Others			
(II) Other comprehensive income attributable to minority interests, net of tax			
VII. Total comprehensive income		208,252,898.05	173,547,721.77
(I) Total comprehensive income attributable to owners of the parent company		225,704,718.52	178,630,339.27
(II) Total comprehensive income attributable to minority interests		-17,451,820.47	-5,082,617.50
VIII. Earnings per share			
(I) Basic earnings per share (RMB/share)		1.13	0.89
(II) Diluted earnings per share (RMB/share)		1.12	0.89

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

Person in charge of the Company: HOU Juncheng Chief Financial Officer: WANG Li Head of the Accounting Organization: WANG Li

Income Statement of the Parent Company

January to June, 2021

Unit: Yuan Currency: RMB

Item	Note	First half of 2021	First half of 2020
I. Total operating income	XVII.4	896,751,013.59	793,053,800.28
Less: Operating costs	XVII.4	456,588,246.62	364,806,553.96
Taxes and levies		9,582,635.63	6,466,005.47
Selling expenses		81,296,635.42	91,431,939.35
General and administrative expenses		93,298,483.53	73,330,062.18

Research and development expenses		33,738,875.24	34,152,355.31
Financial expenses		-5,242,699.84	-9,282,936.64
Including: Interest expenses		3,673,688.51	1,536,524.31
Interest income		11,002,950.08	6,719,468.13
Add: Other income	XVII.5	2,487,852.60	7,155,816.18
Investment income (Loss is indicated by “-”)		-2,511,473.64	1,995,502.53
Including: Income from investments in associates and joint ventures		-2,511,473.64	-270,798.84
Income from derecognition of financial assets measured at amortized cost (Loss is indicated by “-”)			
Net exposure hedging income (Loss is indicated by “-”)			
Income from changes in fair value (Loss is indicated by “-”)			
Impairment losses of credit (Loss is indicated by “-”)		-29,471,176.41	-10,545,554.20
Impairment losses of assets (Loss is indicated by “-”)		-1,596,258.57	-4,475,027.17
Income from disposal of assets (Loss is indicated by “-”)			
II. Operating profit (Loss is indicated by “-”)		196,397,780.97	226,280,557.99
Add: Non-operating income		5,363.22	6,666.00
Less: Non-operating expenses		9,975.00	15,071,217.24
III. Total profit (Total losses are indicated by “-”)		196,393,169.19	211,216,006.75
Less: Income tax expenses		27,106,176.79	33,677,060.59
IV. Net profit (Net loss is indicated by “-”)		169,286,992.40	177,538,946.16
(I) Net profit from continuing operation (Net loss is indicated by “-”)		169,286,992.40	177,538,946.16
(II) Net profit from discontinued operations (Net loss is indicated by “-”)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss			
1. Changes 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 fair value of other investments in equity instruments			
4. Changes in fair value of enterprises' own credit risks			
(II) Other comprehensive income			

that will be reclassified to profit or loss			
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			
7. Others			
VI. Total comprehensive income		169,286,992.40	177,538,946.16
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Person in charge of the Company: HOU Juncheng Chief Financial Officer: WANG Li Head of the Accounting Organization: WANG Li

Consolidated Cash Flow Statement

January to June 2021

Unit: Yuan Currency: RMB

Item	Note	First half of 2021	First half of 2020
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		2,222,119,171.48	1,482,166,082.91
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 payments for claims and policyholders' benefits under direct insurance contracts			
Net cash receipts from reinsurance business			
Net cash receipts from policyholders' deposits and investment contract liabilities			

Cash receipts 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		8,644,521.51	3,862,697.97
Other cash receipts relating to operating activities	VII.78 (1)	41,759,657.98	27,345,841.54
Sub-total of cash inflows from operating activities		2,272,523,350.97	1,513,374,622.42
Cash payments for goods purchased and services received		715,847,620.70	644,518,449.15
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 payments for claims and policyholders' benefits under direct insurance contracts			
Net increase in placements with banks and other financial institutions			
Cash payments for interest, fees and commissions			
Cash payments for insurance policyholder dividends			
Cash payments to and on behalf of employees		237,264,313.77	185,549,039.74
Payments of various types of taxes		208,417,814.87	179,671,843.97
Other cash payments relating to operating activities	VII.78 (2)	844,818,022.81	467,070,910.68
Sub-total of cash outflows from operating activities		2,006,347,772.15	1,476,810,243.54
Net cash flow from operating activities		266,175,578.82	36,564,378.88
II. Cash flows from investing activities:			
Cash receipts from disposals and recovery of investments			211,450,000.00
Cash receipts from investment income			4,145,309.14
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,000.00	
Net cash receipts from disposals of subsidiaries and other business entities			

Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities		1,000.00	215,595,309.14
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		98,334,802.52	42,817,591.52
Cash payments to acquire investments		31,206,800.00	66,580,000.00
Net increase in pledged loans receivables			
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities.	VII.78 (4)	61,087,857.19	1,579,710.89
Sub-total of cash outflows from investing activities		190,629,459.71	110,977,302.41
Net cash flow from investing activities		-190,628,459.71	104,618,006.73
III. Cash flows from financing activities:			
Cash receipts from capital contributions		450,000.00	976,300.00
Including: cash receipts from capital contributions from minority owners of subsidiaries		450,000.00	976,300.00
Cash receipts from borrowings		200,000,000.00	299,000,000.00
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		200,450,000.00	299,976,300.00
Cash repayments of borrowings		299,000,000.00	212,186,065.10
Cash payments for distribution of dividends or profits or settlement of interest expenses		149,594,422.10	118,930,785.34
Including: payments for distribution of dividends or profits to minority owners of subsidiaries			
Other cash payments relating to financing activities	VII.78 (6)	486,631.52	
Sub-total of cash outflows from financing activities		449,081,053.62	331,116,850.44
Net cash flow from financing activities		-248,631,053.62	-31,140,550.44
IV. Impact of foreign exchange rate changes on cash and cash equivalents		-396,595.34	-1,139,318.32
V. Net increase in cash and cash equivalents		-173,480,529.85	108,902,516.85
Add: Opening balance of cash and cash equivalents		1,401,850,754.88	1,099,092,785.07
VI. Closing balance of cash and cash equivalents		1,228,370,225.03	1,207,995,301.92

Person in charge of the Company: HOU Juncheng Chief Financial Officer: WANG Li Head of the Accounting Organization: WANG Li

Cash Flow Statement of the Parent Company
January to June, 2021

Unit: Yuan Currency: RMB

Item	Note	First half of 2021	First half of 2020
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		1,080,660,581.18	1,077,057,503.42
Receipts of tax refunds		2,938,756.09	3,677,812.11
Other cash receipts relating to operating activities		68,370,736.09	34,759,684.89
Sub-total of cash inflows from operating activities		1,151,970,073.36	1,115,495,000.42
Cash payments for goods purchased and services received		553,972,561.93	436,078,293.13
Cash payments to and on behalf of employees		94,985,032.15	64,111,165.24
Payments of various types of taxes		88,642,861.24	119,952,712.41
Other cash payments relating to operating activities		172,843,455.28	368,745,462.06
Sub-total of cash outflows from operating activities		910,443,910.60	988,887,632.84
Net cash flow from operating activities		241,526,162.76	126,607,367.58
II. Cash flows from investing activities:			
Cash receipts from disposals and recovery of investments		506,383.08	210,000,000.00
Cash receipts from investment income			4,145,309.14
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			
Net cash receipts from disposals of subsidiaries and other business entities			
Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities		506,383.08	214,145,309.14
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		92,347,046.32	42,775,628.79
Cash payments to acquire investments		32,256,800.00	68,130,000.00
Net cash payments for			

acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities.			
Sub-total of cash outflows from investing activities		124,603,846.32	110,905,628.79
Net cash flow from investing activities		-124,097,463.24	103,239,680.35
III. Cash flows from financing activities:			
Cash receipts from capital contributions			
Cash receipts from borrowings		200,000,000.00	200,000,000.00
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		200,000,000.00	200,000,000.00
Cash repayments of borrowings		200,000,000.00	85,130,289.87
Cash payments for distribution of dividends or profits or settlement of interest expenses		148,641,547.10	117,856,762.75
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		348,641,547.10	202,987,052.62
Net cash flow from financing activities		-148,641,547.10	-2,987,052.62
IV. Impact of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-31,212,847.58	226,859,995.31
Add: Opening balance of cash and cash equivalents		484,019,222.50	255,868,964.43
VI. Closing balance of cash and cash equivalents		452,806,374.92	482,728,959.74

Person in charge of the Company: HOU Juncheng Chief Financial Officer: WANG Li Head of the Accounting Organization: WANG Li

Consolidated Statement of Changes in Owners' Equity
January to June, 2021

Unit: Yuan Currency: RMB

Item	First half of 2021														Minority interests	Total owners' equity
	Equity attributable to owners of the parent company												Sub-total			
	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 profit	Others				
	Preferred stock	Perpetual bonds	Others													
I. Closing balance of the preceding 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																
Corrections of prior period errors																
Business combination involving enterprises under common control																
Others																
II. Opening balance of the current year	201,116,925.00				837,034,836.69	12,653,905.25	-269,066.13		100,634,780.00		1,265,671,865.63		2,391,535,435.94	90,326,830.19	2,481,862,266.13	
III. Changes for the period (decrease is indicated by "-")					3,997,313.48	-5,291,971.65	-396,595.34				81,297,127.86		90,189,817.65	-79,685,445.01	10,504,372.64	
(I) Total							-396,595.34				226,101.3		225,704.7	-17,451.8	208,252	

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comprehensive income											13.86		18.52	20.47	,898.05
(II) Owners' contributions and reduction in capital					2,262,18.91	-5,291,971.65							7,554,090.56	700,000.00	8,254,090.56
1. Common stock contributed by owners						-5,291,971.65							5,291,971.65	700,000.00	5,991,971.65
2. Capital contribution from holders of other equity instruments															
3. Share-based payment recognized in owners' equity					2,262,18.91								2,262,118.91		2,262,118.91
4. Others															
(III) Profit distribution											-144,804,186.00		-144,804,186.00		-144,804,186.00
1. Transfer to surplus reserve															
2. Transfer to general risk reserve															
3. Distributions to owners (or shareholders)											-144,804,186.00		-144,804,186.00		-144,804,186.00
4. Others															
(IV) Transfers within owners' equity															
1. Capitalization of capital reserve															
2.															

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Capitalization of surplus reserve															
3. Loss offset by surplus reserve															
4. Retained earnings carried forward from changes in defined benefit plans															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Transfer to special reserve in the current period															
2. Amount utilized in the current period															
(VI) Others					1,735,194.57							1,735,194.57	-62,933,624.54	-61,198,429.97	
VI. Closing balance of the current period	201,116,925.00				841,032,150.17	7,361,933.60	-665,661.47		100,634,780.00		1,346,968,993.49	2,481,725,253.59	10,641,385.18	2,492,366,638.77	

Item	First half of 2020
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	Equity attributable to owners of the parent company												Minority interests	Total owners' equity	
	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 profit	Others			Sub-total
		Preferred stock	Perpetual bonds	Others											
I. Closing balance of the preceding year	201,269,560.00				835,353,615.48	15,769,051.20	-212,628.22		100,634,780.00		908,411,607.62		2,029,687,883.68	40,370,159.89	2,070,058,043.57
Add: Changes in accounting policies															
Corrections of prior period errors															
Business combination involving enterprises under common control															
Others															
II. Opening balance of the current year	201,269,560.00				835,353,615.48	15,769,051.20	-212,628.22		100,634,780.00		908,411,607.62		2,029,687,883.68	40,370,159.89	2,070,058,043.57
III. Changes for the period (decrease is indicated by "-")					13,104,738.35		-136,681.49				60,017,980.36		72,986,037.22	-4,857,970.57	68,128,066.65
(I) Total comprehensive income							-136,681.49				178,767,020.76		178,630,339.27	-5,082,617.50	173,547,721.77
(II) Owners' contributions and reduction in capital					5,103,364.67								5,103,364.67		5,103,364.67
I. Common stock															

from changes in defined benefit plans																
5. Retained earnings carried forward from other comprehensive income																
6. Others																
(V) Special reserve																
1. Transfer to special reserve in the current period																
2. Amount utilized in the current period																
(VI) Others					8,001,373.68								8,001,373.68	224,646.93	8,226,020.61	
VI. Closing balance of the current period	201,269,560.00				848,458,353.83	15,769,051.20	-349,309.71		100,634,780.00		968,429,587.98		2,102,673,920.90	35,512,189.32	2,138,186,110.22	

Person in charge of the Company: HOU Juncheng Chief Financial Officer: WANG Li Head of the Accounting Organization: WANG Li

Statement of Changes in Owners Equity of the Parent Company

January to June, 2021

Unit: Yuan Currency: RMB

Item	First half of 2021										
	Paid-in capital (or share)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual bonds	Others							

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	capital)										
I. Closing balance of the preceding year	201,116,92 5.00				837,075,42 5.32	12,653,905 .25			100,634,7 80.00	1,134,989, 843.29	2,261,163, 068.36
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	201,116,92 5.00				837,075,42 5.32	12,653,905 .25			100,634,7 80.00	1,134,989, 843.29	2,261,163, 068.36
III. Changes for the period (decrease is indicated by “-”)					931,539.28	-5,291,971. 65				24,482,80 6.40	30,706,317 .33
(I) Total comprehensive income										169,286,9 92.40	169,286,99 2.40
(II) Owners’ contributions and reduction in capital					707,296.73	-5,291,971. 65					5,999,268. 38
1. Common stock contributed by owners						-5,291,971. 65					5,291,971. 65
2. Capital contribution from holders of other equity instruments											
3. Share-based payment recognized in owners’ equity					707,296.73						707,296.73
4. Others											
(III) Profit distribution										-144,804,1 86.00	-144,804,1 86.00
1. Transfer to surplus reserve											
2. Distributions to owners (or shareholders)										-144,804,1 86.00	-144,804,1 86.00
3. Others											
(IV) Transfers within owners’ equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Loss offset by surplus reserve											
4. Retained earnings carried forward from changes in											

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defined benefit plans											
5. Retained earnings carried forward from other comprehensive income											
6. Others											
(V) Special reserve											
1. Transfer to special reserve in the current period											
2. Amount utilized in the current period											
(VI) Others					224,242.55						224,242.55
VI. Closing balance of the current period	201,116,92 5.00				838,006,96 4.60	7,361,933. 60			100,634,7 80.00	1,159,472, 649.69	2,291,869, 385.69

Item	First Half of 2020										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual bonds	Others							
I. Closing balance of the preceding year	201,269,56 0.00				834,592,13 3.74	15,769,051 .20			100,634, 780.00	778,293,3 40.18	1,899,020, 762.72
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	201,269,56 0.00				834,592,13 3.74	15,769,051 .20			100,634, 780.00	778,293,3 40.18	1,899,020, 762.72
III. Changes for the period (decrease is indicated by "-")					16,147,546 .14					58,789,90 5.76	74,937,451 .90
(I) Total comprehensive income										177,538,9 46.16	177,538,94 6.16
(II) Owners' contributions and reduction in capital					5,103,364. 67						5,103,364. 67
1. Common stock contributed by owners											

2. Capital contribution from holders of other equity instruments											
3. Share-based payment recognized in owners' equity					5,103,364.67					5,103,364.67	
4. Others											
(III) Profit distribution									-118,749,040.40	-118,749,040.40	
1. Transfer to surplus reserve											
2. Distributions to owners (or shareholders)									-118,749,040.40	-118,749,040.40	
3. Others											
(IV) Transfers within owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Loss offset by surplus reserve											
4. Retained earnings carried forward from changes in defined benefit plans											
5. Retained earnings carried forward from other comprehensive income											
6. Others											
(V) Special reserve											
1. Transfer to special reserve in the current period											
2. Amount utilized in the current period											
(VI) Others					11,044,181.47					11,044,181.47	
VI. Closing balance of the current period	201,269,560.00				850,739,679.88	15,769,051.20			100,634,780.00	837,083,245.94	1,973,958,214.62

Person in charge of the Company: HOU Juncheng Chief Financial Officer: WANG Li Head of the Accounting Organization: WANG Li

III. Basic Information of the Company

1. Company profile

Applicable N/A

Proya Cosmetics Co., Ltd. (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 Province, the Company now holds its business license with the Unified Social Credit Code being 91330100789665033F, having its current registered capital amounting to RMB201.1169 million, and 201,116,925 shares (par value of RMB1 per share) in aggregate, comprising 454,160 A shares as restricted outstanding shares, and 200,662,765 A shares as unrestricted outstanding shares, which were listed for trading on SSE on November 15, 2017.

The Company is in the industry of Cosmetics stores, primarily engaged in R&D, production and sales of cosmetics, the main products: Cosmetics.

The financial statements herein have been approved for disclosure by the 20th meeting of the second Board of Directors on August 24, 2021.

2. Scope of consolidated financial statements

Applicable N/A

42 subsidiaries including Hangzhou Proya Trade Co., Ltd., Hanya (Huzhou) Cosmetics Co., Ltd., Zhejiang Meili Valley E-commerce Co., Ltd., Huzhou Chuangdai E-commerce Co., Ltd., Leqing Laiya Trading Co., Ltd. and Hapsode (Hangzhou) Cosmetics Co., Ltd. have been included by the Company into the scope of consolidated financial statements in the Reporting Period. For details, please refer to the descriptions of VIII “Changes in the Consolidation Scope” and IX “Interests in Other Entities” in Section X Financial Report hereof.

IV. Basis of Preparation of Financial Statements

1. Basis of preparation

The Company’s financial statements are prepared on a going-concern basis.

2. Going concern

Applicable N/A

The Company has involved in no events or circumstances that may cast significant doubt upon its ability to continue as a going concern within 12 months from the end of the Reporting Period.

V. Significant Accounting Policies and Accounting Estimates

Prompts on specific accounting policies and accounting estimates:

Applicable N/A

Please refer to “44. Changes in significant accounting policies and accounting estimates” in “V. Significant Accounting Policies and Accounting Estimates” in “Section X Financial Report” hereof.

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

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises, truly and completely reflecting the Company’s financial position, operating results, and cash flows, among others.

2. Accounting period

The accounting year of the Company commences from January 1 and ends on December 31 in each calendar year.

3. Operating cycle

Applicable N/A

The Company has a relatively short operating cycle, and determines the liquidity of assets and liabilities on the basis of 12 months.

4. Functional currency

The Company adopts RMB as its functional currency.

5. Accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises not under common control

Applicable N/A

1. Accounting treatment of business combinations involving entities under common control

Assets and liabilities that are obtained by the Company in a business combination shall be measured at their carrying amounts in the consolidated financial statements of the ultimate controller at the combination date as recorded by the acquiree. The difference between the carrying amount of the owners’ equity of the acquiree as stated in the consolidated financial statements of the ultimate controller and the carrying amount of the total consideration paid or total par value of the shares issued in connection with the combination is treated as an adjustment to the capital reserve. In case the capital reserve is insufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

2. Accounting treatment of business combinations involving entities not under common control

Where the cost of the combination exceeds the Company’s share of the fair value of the acquiree’s identifiable net assets, the difference is recognized as goodwill on the date of acquisition. Where the cost of combination is lower than the Company’s share of the fair value of the acquiree’s identifiable net

assets, the Company reviews the measurement of the fair value of each of the identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the cost of combination, and if the cost of combination as reviewed is still lower than the Company's share of the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period.

6. Method for preparation of financial statements

Applicable N/A

The parent company includes all of its controlled subsidiaries in its consolidated financial statements. The consolidated financial statements are prepared by the parent company in accordance with the *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*, on the basis of the respective financial statements of the parent company and its subsidiaries, by reference to other relevant data.

7. Classification of joint arrangements and accounting treatment of joint operations

Applicable N/A

1. Joint arrangements are classified into joint operations and joint ventures.

2. When the Company is a party to a joint operation, it recognizes the following items relating to its interest in the joint operation:

(1) The assets individually held by the Company, and the Company's share of the assets held jointly;

(2) The liabilities incurred individually by the Company, and the Company's share of the liabilities incurred jointly;

(3) The Company's revenue from the sale of its share of output of the joint operation;

(4) The Company's share of revenue from the sale of assets by the joint operation; and

(5) The expenses incurred individually by the Company, and the Company's share of the expenses incurred jointly.

8. Recognition of cash and cash equivalents

The cash listed in the cash flow statement refers to the cash on hand and deposits that are available for payment at any time. The cash equivalents refer to the short-term and highly liquid investments held by the enterprise that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

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

Applicable N/A

1. Translation of foreign currency transactions

Upon initial recognition, foreign currency transactions are translated into RMB at the approximate rate of spot rate on the transaction dates. On the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from such translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets and accrued interest. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the approximate rate of spot rate on the transaction dates, without adjusting the amounts in RMB. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates prevailing on the dates the fair value was determined, and exchange differences arising from such translations are recognized in profit or loss for the current period or other comprehensive income.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet are translated at the spot exchange rates on the balance sheet date. The owners' equity items other than "retained profits" are translated at the spot exchange rates on the transaction dates. The income and expense items in the income statements are translated at the approximate spot exchange rates on the transaction dates. Exchange differences arising from such translations are recognized in other comprehensive income.

10. Financial instruments

Applicable N/A

1. Classification of financial assets and financial liabilities

Upon initial recognition, financial assets are classified into: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss.

Upon initial recognition, financial liabilities are classified into: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities arising from the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred; (3) financial guarantee contracts not falling under items (1) and (2), and loan commitments not falling under item (1) at interest rate below the market level; and (4) financial liabilities at amortized cost.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

(1) Recognition and initial measurement of financial assets and financial liabilities

When the Company becomes a party to a financial instrument contract, a financial asset or liability is recognized. Financial assets and liabilities are initially measured at fair value. Transaction costs relating to financial assets or liabilities at fair value through profit or loss are directly recognized in profit or loss for the current period. Transaction costs relating to other kinds of financial assets or liabilities are included in their initially recognized amount. However, where the accounts that do not contain any significant financing component or are recognized by the Company without taking into consideration the significant financing components under the contracts with a term of less than one year

upon initial recognition are initially measured at transaction price defined in the *Accounting Standard for Business Enterprises No. 14—Revenue*.

(2) Subsequent measurement of financial assets

1) Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Gains or losses on financial assets at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition, reclassification, amortization using the effective interest method or recognition of impairment.

2) Investments in debt instruments at fair value through other comprehensive income

Investments in debt instruments at fair value through other comprehensive income are subsequently measured at fair value. Interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed out from other comprehensive income and included in profit or loss for the current period.

3) Investments in equity instruments at fair value through other comprehensive income

Investments in debt instruments at fair value through other comprehensive income are subsequently measured at fair value. Dividends received (other than those received as recovery of investment cost) are recognized in profit or loss for the current period, and other gains or losses are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously included in other comprehensive income is removed out from other comprehensive income and included in retained earnings.

4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subsequently measured at fair value. Gains or losses thereon, including interest and dividend income, are recognized in profit or loss for the current period, except the financial assets belonging to any hedging relationship.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives classified as financial liabilities), and financial liabilities directly designated as at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities designated as at fair value through profit or loss arising out of changes in the Company's credit risk are recognized in other comprehensive income, unless such treatment will result in or increase any accounting mismatch in profit or loss. Other gains or losses on such financial liabilities, including interest expenses and changes in fair value not arising out of changes in the Company's credit risk, are recognized in profit or loss for the current period, except the financial liabilities belonging to any hedging relationship. Upon derecognition, the aggregate gains or losses previously recognized in other comprehensive income are transferred to retained earnings.

2) Financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred

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

3) Financial guarantee contracts not falling under items 1) and 2) above, and loan commitments not falling under item 1) above at below-market interest rate

Such financial liabilities are subsequently measured at the higher of ① provision for impairment losses determined according to the policy for impairment of financial instruments; and ② balance of the initially recognized amount after deduction of the accumulated amortization determined in accordance with *Accounting Standard for Business Enterprises No. 14 - Revenue*.

4) Financial liabilities at amortized cost

Such financial liabilities are measured at amortized cost using the effective interest method. Gains or losses on financial liabilities at amortized cost that do not belong to any hedging relationship are recognized in profit or loss for the current period upon derecognition or amortization using the effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

① The contractual right to receive cash flows from the financial assets has expired; or

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

2) A financial liability (or part thereof) is derecognized when all or part of the outstanding obligations thereon have been discharged.

3. Determination and measurement of financial assets transferred

When a financial asset of the Company is transferred, if substantially all the risks and rewards incidental to the ownership of the financial asset have been transferred, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities. If the Company retains substantially all the risks and rewards of ownership of a financial asset, the Company shall not derecognize the financial asset. If the Company neither transferred nor retained a substantial portion of all risks and rewards incidental to the ownership of the financial asset, then: (1) if the Company does not retain control over the financial asset, the financial asset is derecognized, and the rights and obligations incurred or retained in such transfer are separately recognized as assets or liabilities; and (2) if the Company retains control over the financial asset, the financial asset continues to be recognized to the extent of the Company's continuing involvement in the financial asset transferred, and a corresponding liability is recognized.

If an entire transfer of a financial asset meets the criteria for derecognition, the difference between (1) the carrying amount of the financial asset transferred on the date of derecognition; and (2) the sum of the consideration received from the transfer and the portion of the cumulative amount of changes in fair

value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period. If part of a financial asset is transferred and the part transferred entirely meets the criteria for derecognition, the total carrying amount of the financial asset immediately prior to the transfer is allocated between the part derecognized and the part not derecognized in proportion to their relative fair value on the date of transfer, and the difference between (1) the carrying amount of the part derecognized and (2) the sum of the consideration received from the transfer of the part derecognized and the portion of the cumulative amount of changes in fair value directly recorded as other comprehensive income originally that corresponds to the part derecognized (where the financial asset transferred is an investment in debt instruments at fair value through other comprehensive income) is recognized in profit or loss for the current period.

4. Determination of fair value of financial assets and financial liabilities

The Company adopts the valuation techniques applicable to the current situations and with sufficient data available and support of other information to determine the fair value of financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques in the following levels and uses them in turn:

(1) Level 1 inputs: quoted market price (unadjusted) in an active market for an identical asset or liability available on the date of measurement;

(2) Level 2 inputs: inputs other than those included within Level 1 that are observable directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, observable inputs other than quoted prices (such as interest rate and yield curves observable during regular intervals of quotation), and inputs validated by the market;

(3) Level 3 inputs: inputs that are unobservable, including interest rate or stock volatility that cannot be directly observed or validated by observable market data, future cash flows from retirement obligation incurred in business combinations, and financial forecasts made using own data.

5. Impairment of financial instruments

(1) Measurement and accounting treatment of impairment of financial instruments

The Company determines the impairment and assesses provision for impairment losses of financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income, lease receivable, loan commitments other than financial liabilities designated at fair value through profit or loss, and financial guarantee contracts other than financial liabilities designated at fair value through profit or loss and financial liabilities arising as a result of the transfer of financial assets not meeting the criteria for derecognition or continuing involvement in the financial assets transferred, on the basis of expected credit losses.

Expected credit loss is the weighted average of credit losses on financial instruments taking into account the possibility of default. Credit loss is the present value of the difference between all

contractual cash flows receivable under the contract and estimated future cash flows discounted at the original effective interest rate, i.e., the present value of all cash shortage, wherein the Company's purchased or originated financial assets that have become credit impaired are discounted at their credit-adjusted effective interest rate.

With respect to purchased or originated financial assets that have become credit impaired, on the balance sheet date, the Company recognizes a loss allowance equal to the cumulative amount of changes in lifetime expected credit losses since initial recognition.

With respect to accounts receivable and contract assets that arise from the transactions regulated under the *Accounting Standard for Business Enterprises No. 14 - Revenue* and do not contain any significant financing component or are recognized by the Company without taking into account the significant financing components under the contracts with a term of less than one year, the Company uses the simple measurement method and recognizes a loss allowance equal to the lifetime expected credit losses.

With respect to lease receivable, as well as accounts receivable and contract assets that arise from the transactions regulated under the *Accounting Standard for Business Enterprises No. 14 - Revenue* containing significant financing components, the Company uses the simple measurement method and recognizes a loss allowance equal to the lifetime expected credit losses.

With respect to financial assets not using the measurement methods stated above, on each balance sheet date, the Company assesses whether the credit risk has increased significantly since initial recognition, and recognizes a loss allowance equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or to the expected credit losses within the next 12 months if the credit risk has not increased significantly since initial recognition.

The Company uses reasonable and supportable information, including forward-looking information, and compares the possibility of default on the balance sheet date with the possibility of default upon initial recognition, to determine whether the credit risk of the financial instruments has increased significantly since initial recognition.

On the balance sheet date, if the Company determines that a financial instrument has low credit risk, the Company assumes that its credit risk has not increased significantly since initial recognition.

The Company assesses expected credit risk and measures expected credit losses of financial instruments individually or by portfolio. When assessing the financial instruments by portfolio, the Company divides the financial instruments into different portfolio according to their common risk characteristics.

At each balance sheet date, the Company re-assesses the expected credit losses, with the amount of increase in or reversal of loss allowance recognized in profit or loss for the current period as impairment losses or gains. With respect to a financial asset at amortized cost, its carrying amount recorded in the balance sheet is written off against the loss allowance. With respect to an investment in debt instruments at fair value through other comprehensive income, the Company recognizes the loss allowance in other comprehensive income, without reducing its carrying amount.

6. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability shall be offset, and the net amount presented in the balance sheet when both of the following conditions are satisfied: (1) the Company has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (2) the Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company do not offset the transferred financial asset and the associated liability.

11. Notes receivable**Determination and accounting treatment of expected credit losses for notes receivable**

Applicable N/A

12. Accounts receivable**Determination and accounting treatment of expected credit losses for accounts receivable**

Applicable N/A

1) Measurement of expected credit losses by portfolio: the expected credit losses are calculated by reference to historic credit loss experience, and preparation of the comparison table of the age of accounts receivable and rate of lifetime expected credit loss, taking into account the current situations and prediction of future economic conditions.

2) Accounts receivable - comparison table of the age of accounts receivable and rate of lifetime expected credit loss

Aging	Accounts receivable
	Rate of expected credit loss (%)
Within 1 year (inclusive, the same below)	5
1-2 years	30
2-3 years	50
More than 3 years	100

13. Receivables financing

Applicable N/A

Measurement of expected credit losses by portfolio: the expected credit losses are calculated according to the default risk exposure and rate of lifetime expected credit loss by reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions.

14. Other receivables**Determination and accounting treatment of expected credit losses for other receivables**√ Applicable N/A

Evaluation of expected credit risks and measurement of expected credit losses by portfolio: the expected credit losses are calculated according to the default risk exposure and the expected credit loss rate of the period within the future 12 months or the lifetime by reference to historic credit loss experience, and taking into account the current situations and prediction of future economic conditions.

15. Inventories√ Applicable N/A

1. Classification of inventories

Inventories include finished goods or merchandise held by the Company for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.

2. Pricing methods of inventories in transit

Inventories in transit are priced using the moving weighted average method.

3. Determination basis of net realizable value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realizable value, and the provision for decline in value of inventories is determined by the difference between the higher cost and the net realizable value of a single inventory. For inventories available for sales, in the ordinary production and operation process, their realizable net value is determined at the estimated selling price of these inventories less the estimated costs necessary to make the sale and relevant taxes; for the inventories that need to be processed, in the ordinary production and operation process, their realizable net value is determined at the estimated selling price of finished products less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. On the balance sheet date, where a part of an inventory is subject to the contract price agreement and other parts of the same inventory has no such agreement, their realizable net value is determined separately, and by comparing them with their corresponding cost, the amount made for or reversal of the provision for decline in value of inventories is determined separately.

4. Inventory systems for inventories

A perpetual inventory system is adopted for the inventories.

5. Amortization of low-value consumables and packing materials

(1) Low-value consumables

The low-value consumables are amortized using immediate write-off method.

(2) Packing materials

The packing materials are amortized using immediate write-off method.

16. Contract assets**(1). Methods and standards for recognizing contract assets**

Applicable N/A

The Company presents contract assets or liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company shall set off the contract assets and contract liabilities under the same contract and present them on a net basis.

The Company presents its owned right to unconditionally (that is, only depending on the passage of time) receive consideration from customers as the accounts receivable, and the right to receive the consideration for which the goods that have been transferred to customers (that is, depending on factors other than the passage of time) as the contract assets.

(2). Determination and accounting treatment of expected credit losses for contract assets

Applicable N/A

17. Held-for-sale assets

Applicable N/A

18. Debt investments**Determination and accounting treatment of expected credit losses for debt investments**

Applicable N/A

19. Other debt investments**Determination and accounting treatment of expected credit losses for other debt investments**

Applicable N/A

20. Long-term receivables**Determination and accounting treatment of expected credit losses for long-term receivables**

Applicable N/A

21. Long-term equity investments

Applicable N/A

1. Judgment criteria of joint control and significant influence

Joint control is the agreed sharing of control over an arrangement, and the relevant activities of such arrangement must be decided upon the unanimous consent of the parties sharing control. Significant influence is the power of the investing enterprise to participate in the financial and operating

policy decisions of an investee, but is not control or joint control with other parties over the establishment of those policies.

2. Determination of investment cost

(1) In case of an equity investment acquired through a business combination involving entities under common control, if the acquirer pays consideration for the business combination by cash, transfer of non-monetary assets, assumption of liabilities or issuance of equity securities, the initial investment cost of the long-term equity investment is the Company's share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller on the date of combination. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration paid for the combination or the total par value of the shares issued (as applicable) is treated as an adjustment to the capital reserve. In case the capital reserve is insufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

In case of a long-term equity investment acquired through a business combination involving entities under common control and through multiple transactions by steps, the Company judges whether they constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the initial investment cost is the Company's post-combination share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controller on the date of combination; The difference between the initial investment cost of the long-term equity investment on the date of combination and the sum of the carrying amount of long-term equity investment before the combination and the carrying amount of the consideration paid for acquisition of the additional shares on the date of combination is adjusted against the capital reserve. In case the capital reserve is insufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

(2) In case of an equity investment acquired through a business combination not involving enterprises under common control, the initial investment cost is the fair value of the carrying amount of the consideration paid for the combination on the date of acquisition.

With respect to a long-term equity investment acquired through a business combination not involving enterprises under common control that is achieved through multiple transactions by steps, the accounting treatment thereof in the separate financial statements is different from that in the consolidated financial statements as stated below:

1) In the separate financial statements, the initial investment cost for which the Company changes to the cost method is the sum of the carrying amount of the long-term equity investment originally held and the new investment cost.

2) In the consolidated financial statements, the Company judges whether the transactions constitute a "package deal" or not. If they belong to a "package deal", the Company accounts for all transactions as one transaction to acquire control. If such transactions do not constitute a "package deal", the Company re-measures the fair value of the equity held in the acquiree prior to the date of acquisition, and records

the difference between the fair value and the carrying amount as investment income for the current period; if the equity held in the acquiree prior to the date of acquisition involves other comprehensive income under equity method, such other comprehensive income is transferred to the income of the period in which the date of acquisition falls, except for other comprehensive income arising from re-measurement by the investee of changes in net liabilities or net assets of defined benefit plans.

(3) In case of an equity investment not acquired through business combination, the initial investment cost is the purchase price actually paid if it is acquired by cash, or the fair value of the equity securities issued if it is acquired through issuance of equity securities, or is determined in accordance with the *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring* if it is acquired through debt restructuring, or in accordance with the *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets* if it is acquired through exchange of non-monetary assets.

3. Subsequent measurement and recognition of profit of loss

Long-term equity investments in investees are measured using the cost method. Long-term equity investments in associates and joint ventures are measured using the equity method.

4. Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary

(1) Separate financial statements

The difference between the carrying amount of the equity disposed of and the proceeds of disposal actually received is recognized in profit or loss for the current period. If the remaining equity empowers the Company to exercise significant influence or joint control over the investees, the remaining equity is accounted for using the equity method; if the remaining equity does not empower the Company to exercise control, joint control or significant influence over the investees, the remaining equity is accounted for in accordance with the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*.

(2) Consolidated financial statements

1) Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary which do not constitute a “package deal”

Prior to the loss of control, the difference between the proceeds from disposal and the share owned by the Company in the net assets of the subsidiary in relation to the long-term equity investment disposed of that is calculated continuously from the date of acquisition or combination is adjusted against the capital reserve (capital premium). In case the capital premium is insufficient to absorb the difference, the remaining balance is adjusted against the retained earnings.

When losing control over an original subsidiary, the remaining equity is re-measured at its fair value on the date of loss of control. The sum of the consideration received from the disposal of the equity and the fair value of the remaining equity, net of the share owned by the Company in the net assets of the subsidiary in relation to the long-term equity investment disposed of as calculated continuously from the date of acquisition or combination according to the previous shareholding ratio, is recognized in the investment income for the period in which the control is lost, and the goodwill is

reduced accordingly. Other comprehensive income relating to the equity investment in the original subsidiary should be transferred to the investment income for the period in which the control is lost.

2) Disposal of investment in a subsidiary through multiple transactions by steps until loss of control over the subsidiary which constitute a “package deal”

The Company accounts for such transactions as one transaction to dispose of and lose its control over the subsidiary. However, the difference between the proceeds from each disposal before loss of control and the share owned by the Company in the net assets of the subsidiary in relation to the investment disposed of is recognized in other comprehensive income in the consolidated financial statements, which is wholly transferred to the profit or loss in the period in which the control is lost.

22. Investment properties

(1). Measured at cost

1. The investment properties include land use rights that have been leased out, land use rights that are held and read to be transferred after appreciation and buildings that have been leased out.

2. Investment properties are initially measured at cost, subsequently measured using the cost model, and depreciated or amortized by following the same policies as those of fixed assets and intangible assets.

23. Fixed assets

(1). Criteria for recognition

√Applicable □N/A

Fixed assets are tangible assets held for production of goods, rendering of service, lease or operation and management with a useful life of more than one accounting year. A fixed asset is recognized if the economic benefits relating to it are very likely to flow to the Company and its cost can be reliably measured.

(2). Method of depreciation

√Applicable □N/A

Category	Depreciation methods	Depreciation periods (years)	Residual value rate	Annual depreciation rate
Housing and buildings	Straight-line depreciation	10 or 30	5%	9.50% or 3.17%
General equipment	Straight-line depreciation	3-10	5%	31.67%-9.50%
Special equipment	Straight-line depreciation	5-10	5%	19.00%-9.50%
Transportation facility	Straight-line depreciation	5	5%	19.00%

(3). Identification basis, pricing and depreciation methods of fixed assets leased in under financing leases

Applicable N/A

24. Construction in progress

Applicable N/A

1. A construction in progress is recognized if the economic benefits relating to it are very likely to flow to the Company and its cost can be reliably measured. A construction in progress is measured at the actual cost incurred for bringing the asset to working condition for its intended use.

2. The construction in progress is transferred to fixed assets at its actual construction cost when meeting working conditions for its intended use. If a project under construction has not undergone final accounts for completion when the project meets the working condition for its intended use, the project is transferred to fixed assets at the estimated value, and after final accounts for completion are handled, the original value provisionally estimated is adjusted at the actual cost, but no adjustment is made to originally provided depreciation.

25. Borrowing costs

Applicable N/A

1. Recognition of capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset. The amounts of other borrowing costs incurred are expensed when incurred and included in profit or loss for the current period.

2. Period of capitalization of borrowing costs

(1) A borrowing cost is capitalized when all of the following conditions are satisfied: 1) the expenditures on the asset have already been incurred; 2) the borrowing cost has already been incurred; and 3) the acquisition, construction or production activities necessary to prepare the asset for its intended use or sale have already commenced.

(2) Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months. The borrowing costs incurred during these periods are recognized as an expense for the current period until the acquisition, construction or production is resumed.

(3) When the qualifying asset being acquired, constructed or produced has become ready for its intended use or sale, the capitalization ceases.

3. Rate and amount of capitalization of borrowing costs

If funds are borrowed under a specific-purpose borrowing for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period (including amortized discount or premium determined using the effective interest method) less any bank interest earned from depositing the borrowed funds before

being used on the asset or any investment income on the temporary investment of those funds. If funds are borrowed under general-purpose borrowings and are utilized for the acquisition, construction or production of a qualifying asset, the Company determines the amount of interest to be capitalized on such borrowings by multiplying a capitalization rate of the utilized general-purpose borrowings by the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings.

26. Biological assets

Applicable N/A

27. Oil and gas assets

Applicable N/A

28. Use of right assets

Applicable N/A

29. Intangible assets

(1). Pricing methods, useful lives and impairment tests

Applicable N/A

1. Intangible assets include land use rights, patent rights and nonpatented technology, which are initially measured at cost.

2. The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic and rational basis over its useful life in the pattern in which the asset's economic benefits are expected to be realized. If that pattern cannot be determined reliably, the straight-line method is used. The specific life is shown as follows:

Item	Amortization periods (years)
Land use rights	40 or 50
Nonpatented technology	5
Office software	3-10
Patent rights	5
Customer resources	3
Trademark rights	10

(2). Accounting policies for internal research and development expenditure

Applicable N/A

Expenditure on the research phase of an internal research and development project is recognized in profit or loss in the period in which it is incurred. Expenditure on the development phase of an internal research and development project is recognized as an intangible asset only when the Company demonstrates all of the following: (1) the technical feasibility of completing the intangible asset so that it

will be available for use or sale; (2) the intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate economic benefits. Among 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 to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

30. Impairment of long-term assets

Applicable N/A

With respect to long-term equity investments, investment properties measured at the cost model, fixed assets, construction in progress, intangible assets with a finite useful life and other long-term assets, if there's an indication of impairment at the balance sheet date, the Company assesses their recoverable amount. Goodwill arising in a business combination and an intangible asset with an indefinite useful life are tested for impairment annually, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, goodwill is considered together with the related asset portfolio or sets of asset portfolio.

The the recoverable amount of the long-term asset above is lower than its carrying amount, the difference is measured as impairment loss of the asset and recognized in profit or loss for the current period.

31. Long-term prepaid expenses

Applicable N/A

Long-term prepaid expenses that have already been incurred but should be amortized over a period of more than one year (exclusive) are accounted for. Long-term prepaid expenses are stated as the amount actually incurred and are amortized evenly by stages within the benefit period or specified period. If an item of long-term deferred expenses will not benefit the subsequent periods, the amortized value of the item that has not yet been amortized is wholly transferred to profit or loss in the period in which it is actually incurred.

32. Contract liabilities

Recognition methods of contract liabilities

Applicable N/A

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

33. Employee benefits

(1). Accounting for short-term benefits

Applicable N/A

The Company recognizes the short-term benefits actually incurred during the accounting period when the employees provide services for the Company as liabilities, and includes same in profit or loss

for the current period or the cost of related assets.

(2). Accounting for post-employment benefits

√Applicable N/A

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

(1) During the accounting period in which the employees serve the Company, the amounts payable under the defined contribution plan are recognized as liabilities, and charged to profit or loss for the current period or the cost of related assets.

(2) The accounting treatment of a defined benefit plan generally involves the following steps:

1) According to the projected unit credit method, use the unbiased and consistent actuarial assumptions to estimate demographic variables and financial variables, measure the obligations arising from the defined benefit plan and determine the period to which the relevant obligations belong. Meanwhile, discount the obligations arising from the defined benefit plan, in order to determine the present value of the benefit plan obligations and the current service cost;

2) If the defined benefit plan has assets, the deficit or surplus resulting after reducing the present value of the defined benefit plan obligation by the fair value of the defined benefit plan is recognized as a net liability or asset of the defined benefit plan. If the defined benefit plan has a surplus, the net assets of the defined benefit plan are measured at the lower of surplus in the defined benefit plan and asset ceiling;

3) At the end of the reporting period, the cost of employee benefits arising from the defined benefit plan is recorded as service cost, net interest on the net liabilities or net assets of the defined benefit plan, and changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan, wherein the service cost and the net interest on the net liabilities or net assets of the defined benefit plan are included in profit or loss for the current period or the cost of related assets, and the changes arising from re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income, which will not be converted back to profit or loss in subsequent periods, but may be transferred within the scope of equity.

(3). Accounting for termination benefits

√Applicable N/A

The employee benefit liabilities arising from recognition of termination benefits offered to employees are recognized in profit or loss for the current period on the earlier of: (1) when the Company can no longer withdraw the offer of termination benefits as a result of termination of employment or redundancy; or (2) when the Company recognizes the restructuring costs or expenses relating to payment of termination benefits.

(4). Accounting for other long-term employee benefits

√Applicable N/A

Other long-term employee benefits offered to employees are accounted for in accordance with the provisions applicable to defined contribution plans if they are qualified as defined contribution plans,

otherwise, they are accounted for in accordance with the provisions applicable to defined benefit plans. In order to simplify the accounting treatment, the total net amount of the cost of employee benefits arising from the defined benefit plans that is recorded as service cost, net interest on the net liabilities or net assets of other long-term employee benefits, changes arising from re-measurement of the net liabilities or net assets of other long-term employee benefits and other components is included in profit or loss for the current period or the cost of related assets.

34. Lease liabilities

Applicable N/A

35. Provisions

Applicable N/A

1. An obligation arising from any external guarantee, litigations, product quality warranty, onerous contract or other contingencies is recognized as a provision if it is a present obligation assumed by the Company, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured.

2. Provisions are initially measured according to the best estimates of the expenditures required to settle the related present obligations. The carrying amount of estimated liabilities is reviewed at the balance sheet date.

36. Share-based payments

Applicable N/A

1. Category of share-based payment

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment.

2. Accounting for implementation, modification and termination of share-based payment plans**(1) Equity-settled share-based payment**

If the equity instruments granted under an equity-settled share-based payment for services received from employees vest immediately following the grant, the Company shall, on grant date, recognize related costs or expenses at an amount equal to the fair value of the equity instruments, with a corresponding increase in capital reserve. If the rights under a share-based payment for services received from employees do not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, at each balance sheet date during the vesting period, the Company makes the best estimate of the number of equity instruments expected to vest, and based on this, recognizes the services received in the current period in the related costs or expenses at an amount equal to the fair value on the grant date, with a corresponding increase in capital reserve.

For the equity instruments granted under an equity-settled share-based payment for services from other parties, if the fair value of services received from other parties can be measured reliably, the fair value of the equity instruments is measured at the fair value of services from other parties on the grant date; if the fair value of services received from other parties cannot be measured reliably but the fair

value of the equity instruments can be measured reliably, the fair value of the equity instruments on the date on which services are received shall be recognized as related costs or expenses, with a corresponding increase in owners' equity.

(2) Cash-settled share-based Payment

If the right under the the cash-settled share-based payment for services from employees vests immediately following the grant, the Company, on grant date, recognizes related costs or expenses at an amount equal to the fair value of the liability assumed by the Company, with a corresponding increase in liability. If the rights under a cash-settled share-based payment for services from employees do not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Company, at each balance sheet date during the vesting period, recognize the services received for the current period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting.

(3) Modification and termination of share-based payment plans

If the modification increases the fair value of the equity instruments granted, the Company recognizes the increase in services received based on the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the Company recognizes the fair value of the increased equity instruments as the increase in services correspondingly; if the Company modifies the vesting conditions in a way that is beneficial to employees, the Company considers the revised vesting conditions when dealing with the vesting conditions.

If the modification reduces the fair value of the equity instruments granted, the Company continues to use the fair value of the equity instruments on the grant date as the basis to recognize the amounts of the service received, regardless of the decrease in the fair value of the equity instruments; if the modification reduces the number of equity instruments granted, the Company treats the reduced portion as the cancellation of the granted equity instruments; if the exercising conditions are modified in a way that is not conducive to the employees, the Company does not consider the revised vesting conditions when dealing with the exercising conditions.

If the Company cancels or settles the equity instruments granted during the vesting period (except as cancelled because vesting conditions are not satisfied), the Company treats the cancellation or settlement as the accelerated exercise, and the amount to be recognized during the remaining vesting period is immediately recognized.

37. Preferred shares, perpetual bonds and others financial instruments

Applicable N/A

38. Revenue

(1). The accounting policies adopted for the recognition and measurement of revenue

Applicable N/A

1. Revenue recognition

On the commence date of a contract, the Company evaluates the contract, identifies each individual performance obligation contained therein and determine whether each individual performance obligation

is performed over time or at a point in time.

When meeting one of the following criteria, it belongs to the obligation performed over time, otherwise it constitutes the obligation performed at a point in time: (1) the customer obtains and consumes the economic benefits generated by the Company's performance when the Company performs the contract; (2) the customer can control the products under construction in the process of the Company's performance; (3) the products produced in the process of the Company's performance have irreplaceable uses, and the Company has the right to collect payment for the cumulative performance that has been completed up to date throughout the term of the contract.

For the obligation performed over time, the Company recognizes the revenue based on the performance progress over time. When the performance progress cannot be reasonably determined, and the costs incurred are expected to be recoverable, revenue is recognized to the extent of costs incurred until the performance progress can be reasonably determined. For the obligation performed at a point in time, the revenue is recognized at the time point when the customer obtains the control of the related goods and services. When judging whether the customer has obtained the control of goods, the Company considers the followings signs: (1) the Company has the current right to receive payment for such goods, that is, the customer has the current obligation to make payment for such goods; (2) the Company has transferred the legal ownership of such goods to the customer, that is, the customer has the legal ownership of such goods; (3) the Company has transferred such goods to the customer physically, that is, the customer has taken possession of such goods physically; (4) the Company has transferred material risks and rewards of such goods to the customer, that is, the customer has obtained material risks and rewards of such goods; (5) the customer has accepted such goods; and (6) other signs that the customer has obtained control of such goods.

2. Revenue measurement

(1) The Company measures revenue based on the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration to which the Company is entitled arising from the transfer of goods or services to the customer, excluding the amount collected on behalf of a third party and expected to be returned to the customer.

(2) If there is variable consideration in the contract, the Company determines the best estimate of the variable consideration based on the expected value or the most likely amount. However, variable consideration is included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal of accumulatively recognized revenue in the future when the uncertainty has been subsequently resolved.

(3) If there is a major financing component in the contract, the Company determines the transaction price based on the presumed amount payable in cash when the customer obtains the control of goods or services. The difference between such transaction price and the contract consideration is amortized over the period of the contract using the effective interest method. If on the commence date of a contract, the Company expects that the customer's acquisition of control of goods or services is not more than one year from the customer's payment therefor, the major financing component in the contract will not be

considered.

(4) If the contract has two or multiple performance obligations, the Company, on the commence date of a contract, allocates the transaction price to each individual performance obligation in the contract by reference to relative standalone selling prices of goods promised thereby.

(2). Difference in the accounting policy for revenue recognition arising from adoption of different modes of operation for the same kind of business

√Applicable N/A

The Company mainly engages in sales of cosmetics. The Company adopts such methods as distribution, direct sales and agency sales.

(1) Distribution

The Company recognizes the sales revenue after delivering the products to a purchaser as agreed in the contract and upon inspection by the purchaser.

(2) Direct sales

The Company recognizes the sales revenue after it delivers the products to a customer and the customer confirms the acceptance and pays for the products.

(3) Agency sales

The Company recognizes the sales revenue after it delivers the products to an entrusted party and the entrust party realizes the sales and issues the list of agency sales to the Company.

39. Contract costs

√Applicable N/A

Assets related to contract costs include contract acquisition costs and contract performance costs.

If the incremental cost incurred by the Company to obtain a contract is expected to be recovered, it is recognized as an asset as the cost of obtaining a contract. If the amortization period of the cost of obtaining a contract does not exceed one year, such cost is directly included in the profit or loss for the current period.

The cost incurred by the Company to perform a contract is not be governed by the standards on inventories, fixed assets or intangible assets, and if meeting the following criteria, is recognized as an asset as the contract performance cost:

1. Such cost is directly related to an existing or expected contract, including expenses for direct labor, direct materials and manufacturing (or similar expenses), costs to be clearly borne by the customer and other costs incurred only due to the contract;
2. Such cost increases the the Company's future resources for fulfilling its performance obligations; and
3. Such cost is expected to be recovered.

The Company amortizes the asset related to the contract cost on the same basis as the recognition of the revenue of the goods or services related to the asset, and includes it into the profit or cost for the current period.

If the carrying amount of the asset related to the contract cost is higher than the remaining

consideration expected to be obtained due to the transfer of the goods or services related to the asset less the estimated cost, then the Company makes the provision for impairment of the excess and recognizes it as an impairment loss for the asset. If the impairment factors for prior periods have changed afterwards so that the remaining consideration expected to be obtained due to the transfer of the goods or services related to the asset less the estimated cost is higher than the carrying amount of the asset, then the Company reverses the provision for impairment originally made and includes it in the profit or loss for the current period, provided that the carrying amount after reverse shall not exceed the carrying amount the asset would have reached on the date of reverse had the provision for impairment been not made.

40. Government grants

√Applicable □N/A

1. Government grants are recognized if (1) the Company meets the conditions attaching to the government grants; and (2) the Company will receive the government grants. If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount.

2. Determination of and accounting for government grants related to assets

Government grants related to assets are government grants which are offered for purchasing, constructing or otherwise acquiring long-term assets as provided by the applicable government documents, or or in the absence of such express provision in the applicable government documents, government grants whose basic condition is that such grants judged to be offered for purchasing, constructing or otherwise acquiring long-term assets on the basis of basic conditions that must be met for acquisition of such grants. The government grants related to assets are offset against the carrying amount of the related assets or recognized as deferred income. Government grants related to assets, if recognized as deferred income, are included in profit or loss over the service life of the relevant assets on a reasonable and systemic basis. Government grants measured at nominal amount are directly recognized in profit or loss for the current period. In case of sale, transfer, retirement or damage of the relevant assets before the end of intended service life, the balance of the unallocated deferred income is transferred to profit or loss for the period in which the assets are disposed of.

3. Determination of and accounting for government grants related to income

Government grants related to income are government grants other than those related to assets. Government grants related to both assets and income in which it is difficult to make a distinction between the portion related to assets and the portion related to income are wholly classified as government grants related to income. Government grants related to income as compensation for expenses or losses to be incurred in subsequent periods are recognized as deferred income and in the period for recognizing the relevant costs, expenses or losses, included in profit or loss for the current period or offset against the relevant costs. Government grants related to income as compensation for expenses or losses already incurred are directly included in profit or loss for the current period or offset against the relevant costs.

4. Government grants related to day-to-day operations of the Company are recognized in other income or offset against the relevant costs and expenses depending on the nature of economic business. Government grants not related to day-to-day operations of the Company are recognized in non-operating revenues or expenses.

41. Deferred tax assets / deferred tax liabilities

Applicable N/A

1. The difference between the carrying amount of an asset or liability and the tax base (or in case of an item not recognized as asset or liability whose tax base can be determined according to the applicable tax law, the difference between the tax base and the carrying amount) is recognized as a deferred tax asset or deferred tax liability according to the tax rate applicable to the period in which the asset or liability is expected to be recovered or settled.

2. Deferred tax assets are recognized to the extent of the amount of income tax payable that will be available in future periods against which deductible temporary differences are deductible. At the balance sheet date, deferred tax assets not recognized in prior periods are recognized if there's conclusive evidence that it is probable that sufficient taxable income will be available in future periods against which the deductible temporary differences are deductible.

3. At the balance sheet date, the carrying amount of a deferred tax asset is reviewed. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred tax asset to be utilized. Any such reduction in amount is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

4. Current and deferred tax of the Company is recognized as income or an expense and included in profit or loss for the current period, except to the extent that the tax arises from: (1) business combination; or (2) a transaction or event which is recognized directly in owner's equity.

42. Leases

(1). Accounting for operating leases

Applicable N/A

(2). Accounting for financing leases

Applicable N/A

(3). Determination of and accounting for leases under new lease standards

Applicable N/A

1. Identification of leases

On the commencement date of a contract, the Company assesses whether the contract is a lease or includes a lease. Where a party to a contract transfers the right to control the use of one or more identified assets for a certain period of time in return for consideration, the contract is a lease or includes a lease. To determine whether the right to control the use of identified assets within a certain period of time under a contract has been transferred, the Company assesses whether a client in the contract has the

right to use almost all of the economic benefits arising from the use of the identified assets during the period of use, and has the right to control the use of identified assets during this period of use.

2. Identification of separate leases

Where a contract concurrently contains multiple separate leases, the Company splits the contract and conduct accounting treatment respectively for all separate leases. Where the following conditions are concurrently met, use of the rights of identified assets constitutes a separate lease in a contract: (1) a lessee may earn profits from separate use of the assets or joint use with other resources readily available; and (2) there is no high dependence or high correlation between the assets and other assets in the contract.

3. Accounting for leases to which the Company acts as a lessee

On the lease inception date, the Company considers a lease with a term of not more than 12 months and excluding the purchase option as a short-term lease, and a lease of a single leased asset with relatively low value when the single leased assets is a new asset as a low-value asset lease.

For all the short-term leases and low-value asset leases, the Company includes lease payments in the cost of related assets or profit or loss for the current period on a straight-line basis for each period during the lease term.

On the lease inception date, the Company recognizes the right-of-use assets and the lease liability for the lease, except for the short-term lease and low-value asset lease that are subject to simplified treatment.

On the lease inception date, the Company recognizes the present value of the lease payments that have not been paid as a lease liability. When calculating the present value of the lease payments, the Company adopts the interest rate implicit in the lease as the discount rate, and adopts its incremental borrowing rate of the Company as the discount rate where it is unable to determine the interest rate implicit in the lease. The difference between the lease payment and its present value is regarded as an unrecognized financing expense. For each period during the lease term, the interest expense is recognized at the discount rate of the present value of the recognized lease payments and included in profit and loss for the current period. Variable lease payments not included in the measurement of lease liability are included in profit or loss in the period in which it is incurred.

On the lease inception date, in case of changes in substantial fixed payments, the residual value of the guarantee, the index or ratio used for determining the lease payments, the evaluation results and actual exercise of the purchase option, renewal option or termination of the lease option, the Company re-measures the lease liability at the present value of changed lease payments.

4. Accounting for the changed leases to which the Company acts as a lessee

1) Lease change as a separate lease

Where the lease changes and meets the following conditions, the Company conducts accounting treatment for the lease change as a separate lease: ① the lease change expands the lease scope by increasing the right to use one or more leased assets; ② the increased consideration is equivalent to the individual price of the expanded lease scope adjusted as per the contract.

2) Lease change not as a separate lease

On the effective date of the lease change, the Company re-determines the lease term and re-calculates the lease liability on the basis of the present value calculated as per the changed lease payments or revised discount rate. When calculating the present value of the lease payments after change, the Company adopts the interest rate implicit in the lease during the residual lease term as the discount rate, and its incremental borrowing rate on the effective date of the lease change as the discount rate, where it is unable to determine the interest rate implicit in the lease during the lease term.

The above effects of adjustment to the lease liability are accounted for separately by the Company according to the following circumstances:

① Where the lease change results in a narrower lease scope or a shorter lease term, the Company accordingly reduces the carrying amount of the right-of-use assets and includes the relevant gain or loss of the partially or fully terminated lease in profit and loss for the current period.

② Where other lease changes result in re-measurement of the lease liability, the Company accordingly adjusts the book value of the right-of-use assets.

5. Accounting for leases to which the Company acts as a lessor

The Company recognizes the receipts of leases in current profit or loss on a straight-line basis for each period during the lease term. The initial direct cost incurred by the Company is capitalized and apportioned on the same basis for the recognition of rental income, and be included in the current loss and profit in installments. Variable lease payments obtained by the Company in relation to operating leases but not included in the lease receipts are included in profit or loss in the period in which they are incurred.

6. Accounting for changed leases to which the Company acts as a lessor

In the event of any change in an operating lease, the Company regards it as a new lease for accounting treatment from the effective date of the change, and the advance or receivable lease receipts related to the lease prior to the change are regarded as receipts of a new lease.

43. Other significant accounting policies and accounting estimates

Applicable N/A

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

Applicable N/A

Changes in accounting policies and related reasons	Approval procedure	Note (name and amount of materially affected items of the statements)
The Company implements the revised <i>Accounting Standard for Business Enterprises No. 21 - Lease</i> ("New Lease Standard") from January 1, 2021.	The Company held the 19th meeting of the second board of directors and the 18th meeting of the second board of supervisors on April 21, 2021, reviewing and approving the <i>Proposal on</i>	1. The Company has not assessed whether or not it is a lease or includes a lease for contracts that existed prior to January 1, 2021. 2. As the lessee, the Company shall not adjust the information

	<p><i>Change of Accounting Policies</i>, and the independent directors of the Company gave the independent opinions on consent. The Company's changes of accounting policy do not need to be submitted to the general meeting of shareholders for review. For details, please refer to No. 2021-012, No. 2021-013 and 2021-016 Announcements of the Company.</p>	<p>for the comparable period in accordance with the relevant regulations on the convergence of old and new standards, and the differences arising from the implementation of new lease standard on the first implementation date is retrospectively adjusted to the amount of retained earnings and other related items in the financial statements at the beginning of the reporting period.</p>
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Other descriptions:

(1) The implementation of new lease standards has no impact on the financial statements on January 1, 2021.

(2) The operating leases prior to January 1, 2021 are accounted for in a simplified manner.

The Company regards the leases completed within 12 months from the date of first implementation as short-terms for accounting treatment, include the lease payments in the cost of related assets or profit or loss for the current period on a straight-line basis for each period during the lease term.

(3) The Company does not retrospectively adjust the leases to which the Company acts as a lessor.

(2). Changes in significant accounting estimates

Applicable N/A

(3). Description of adjustments in opening balances of line items in financial statements of the current year due to first implementation of new lease standard since 2021

Applicable N/A

(4). Description of retrospective adjustments in comparative data in prior periods due to first implementation of new lease standard in 2021

Applicable N/A

45. Others

Applicable N/A

VI. Tax

1. Major categories of taxes and tax rates

Major categories of taxes and tax rates

Applicable N/A

Tax category	Taxation basis	Tax rate
VAT	VAT payable is the output tax based on the sales of goods and taxable labor income calculated pursuant to the tax law, net of the input tax that is allowed to be	13%, 9%, 6%

	deducted in the current period	
Consumption tax	Taxable sales turnover (volume)	15%
Business tax		
Urban maintenance and construction tax	Actually paid turnover tax	7%, 5%
Enterprise income tax	Taxable income	
Property tax	If it is levied on an ad valorem basis, the tax is calculated as 1.2% of the remaining value after being deducted 30% of the original value of the property; if it is levied subject to rent, the tax is calculated as 12% of the rental income.	1.2%, 12%
Education surcharges	Actually paid turnover tax	3%
Local education surcharges	Actually paid turnover tax	2%

Disclosure of taxpayers (if any) with different rates of enterprise income tax

√Applicable □N/A

Taxpayer	Rate of enterprise income tax (%)
Proya Cosmetics Co., Ltd.	15%
Y.N.M. Cosmetics Co., Ltd.	
HANNA COSMETICS CO., LTD.	
HAPSODE Co., Ltd.	
Hongkong Keshi Trading Limited	
Hongkong Xinghuo Industry Limited	
Hongkong Wanyan Electronic Commerce Co., Limited	
Hong Kong Zhongwen Electronic Commerce Co., Limited	
Hongkong Xuchen Trading Limited	
BOYA (Hong Kong) Investment Management Co., Limited	
Proya Europe SARL	
Off & Relax Co., Ltd.	
Tax payers other than those mentioned above [Note]	25%

[Note]: Y.N.M. Cosmetics Co., Ltd., HANNA COSMETICS CO., LTD. and HAPSODE Co., Ltd. pay the relevant taxes and fees in accordance with local tax regulations of South Korea; Hongkong Keshi Trading Limited, Hongkong Xinghuo Industry Limited, Hongkong Wanyan Electronic Commerce Co., Limited, Hong Kong Zhongwen Electronic Commerce Co., Limited, Hongkong Xuchen Trading Limited and BOYA (Hong Kong) Investment Management Co., Limited pay the relevant taxes and fees in accordance with local tax regulations of Hong Kong; Proya Europe SARL pays the relevant taxes and fees in accordance with local tax regulations of Luxembourg; Off & Relax Co., Ltd. pays the relevant taxes and fees in accordance with local tax regulations of Japan.

2. Tax incentives

√Applicable □N/A

The Company passed the high-tech enterprise review on December 1, 2020, obtained the High-tech Enterprise Certificate which is valid for three years, and enjoys tax preferences from 2020 to 2022. The Company paid the enterprise income tax at the reduced tax rate of 15% in 2021.

In accordance with the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (C.S. [2019] No. 13)* and the *Announcement of the State Administration of Taxation on Issues*

Concerning the Implementation of the Inclusive Income Tax Deduction and Exemption Policies for Small Low-Profit Enterprises (Announcement No. 2 [2019] of the State Administration of Taxation), the subsidiaries including Chaozhao Niuke Technology Co., Ltd. meet the tax payment standards as a micro and small enterprise, and the annual taxable income of a small low-profit enterprise that is not more than RMB 1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than RMB 1 million nor more than RMB 3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

In accordance with the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs in 2019)* jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, Hangzhou Proya Commercial Management Co., Ltd. as the subsidiary meets the conditions of general taxpayers in production and life service industry and thus is allowed to credit the amount of input tax deductible in the current period plus 10% thereof against the amount of taxes payable from April 1, 2019 to December 31, 2021.

3. Others

Application N/A

VII. Notes to consolidated financial statements

1. Cash

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	4,920.44	26,853.58
Deposits	1,211,789,299.48	1,368,800,012.77
Other currency funds	24,543,486.83	47,827,774.58
Total	1,236,337,706.75	1,416,654,640.93
Including: Total amount deposited aboard	95,782,171.06	83,771,568.02

Other descriptions:

Among the bank deposits at the end of the period, the security deposit of fixed time deposit for the transformer amounting to RMB 293,481.72, and the other currency funds including L/C security deposit of RMB 7,000,000.00, and Tmall and Alipay security deposit of RMB 674,000.00 are restricted in their use.

Among the bank deposits at the opening of the period, the security deposit of fixed time deposit for the transformer amounting to RMB 293,481.72, and other currency funds including land construction security deposit of RMB 7,036,404.33, L/C security deposit of RMB 7,000,000.00, ETC vehicle security deposit of RMB 69,000.00, and Tmall and Alipay security deposit of RMB 405,000.00 are restricted in their use.

2. Held-for-trading financial assets

Application N/A

3. Derivative financial assets

□Application ✓N/A

4. Notes receivable**(1). Notes receivable by category**

□Application ✓N/A

(2). Notes receivable that have been pledged at the closing of the period

□Application ✓N/A

(3). Notes receivable endorsed or discounted by the Company that are not matured at the balance sheet date

□Application ✓N/A

(4). Notes that are reclassified into accounts receivable by the Company at the closing of the period due to the default of the drawer

□Application ✓N/A

(5). Disclosure by category based on methods of determination of provision for bad debts

□Application ✓N/A

(6). Provision for debt debts

□Application ✓N/A

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

□Application ✓N/A

Other descriptions:

□Application ✓N/A

5. Accounts receivable**(1). Disclosure by aging**

✓Applicable □N/A

Unit: Yuan Currency: RMB

Aging	Gross carrying amount at the end of the period
Within 1 year	
Including: Subdivision within 1 year	
Sub-total within 1 year	180,297,431.50
1-2 years	16,855,014.19
2-3 years	4,806,673.54
Over 3 years	3,227,933.65
3-4 years	
4-5 years	
Above 5 years	
Total	205,187,052.88

(2). Disclosure by category based on methods of determination of provision for bad debts

✓Applicable □N/A

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Gross carrying amount		Provision for bad debts		Carrying amount	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts made individually: Including:	17,721,155.26	8.64	17,721,155.26	100.00		16,916,210.88	5.29	16,916,210.88	100.00	
Provision for bad debts made by portfolio: Including:	187,465,897.62	91.36	13,149,216.16	7.01	174,316,681.46	303,007,487.69	94.71	18,129,068.11	5.98	284,878,419.58
Total	205,187,052.88	/	30,870,371.42	/	174,316,681.46	319,923,698.57	/	35,045,278.99	/	284,878,419.58

Provision for bad debts made individually:

√Applicable □N/A

Unit: Yuan Currency: RMB

Name	Closing balance			Reasons for provisions
	Gross carrying amount	Provision for bad debts	Proportion (%)	
Provision for bad debts made individually	17,721,155.26	17,721,155.26	100.00	Expected to uncollectible
Total	17,721,155.26	17,721,155.26	100.00	/

Descriptions of provision for bad debts made individually:

□Applicable √N/A

Provision for bad debts made by portfolio:

√Applicable □N/A

Items of portfolio provision: aging portfolio

Unit: Yuan Currency: RMB

Name	Closing balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Aging portfolio	187,465,897.62	13,149,216.16	7.01
Total	187,465,897.62	13,149,216.16	7.01

Standards of provision for bad debts made by portfolio and descriptions thereof:

√Applicable □N/A

Accounts receivable for which the provide for bad debts is made by aging portfolio

Aging	Closing balance		
	Gross carrying amount	Provision for bad debts	Provision (%)
Within 1 year	180,159,562.31	9,007,978.10	5.00
1-2 years	4,360,229.05	1,308,068.72	30.00
2-3 years	225,873.85	112,936.93	50.00
Over 3 years	2,720,232.41	2,720,232.41	100.00

Sub-total	187,465,897.62	13,149,216.16	7.01
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If the provision for bad debts is made in accordance with the general model of expected credit losses, please refer to other receivables disclosure:

Applicable N/A

(3). Provision for bad debts

Applicable N/A

Unit: Yuan Currency: RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Removal/write-off	Other changes	
Provision for bad debts made individually	16,916,210.88	804,944.38				17,721,155.26
Provision for bad debts made by portfolio	18,129,068.11	-4,590,040.14		2,488.18	387,323.63	13,149,216.16
Total	35,045,278.99	-3,785,095.76		2,488.18	387,323.63	30,870,371.42

Other decrease of RMB387,323.63 in the current period on provision for bad debts made by portfolio is attributable to the disposal of the equity of Shanghai Healthlong Biochemical Technology Co., Ltd. (hereinafter referred to as Shanghai Healthlong Company), and the provision for bad debts of accounts receivable were transferred out accordingly.

Significant recovery or reversal of bad debt provision for the current period:

Applicable N/A

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

Applicable N/A

Unit: Yuan Currency: RMB

Item	Write-off amount
Accounts receivable actually written off	2,488.18

Descriptions of significant accounts receivable that are written off:

Applicable N/A

Descriptions of write-off of accounts receivable:

Applicable N/A

(5). Top five closing balances of accounts receivable categorized by debtor

Applicable N/A

Entity	Gross carrying amount	Proportion to the balance of accounts receivable (%)	Provision for bad debts
Beijing Jingdong Century Trade Co., Ltd.	48,927,371.11	23.85	2,446,368.56
Zhejiang Youcaihua Network	28,000,003.20	13.65	1,400,000.16

Technology Co., Ltd.			
Vipshop (China) Co., Ltd.	17,522,428.20	8.54	876,121.42
Zhejiang Tmall Network Technology Co., Ltd.	12,935,983.66	6.30	646,799.19
Jinhua Zhuangmei Cosmetics Co., Ltd.	6,703,225.88	3.27	335,161.29
Sub-total	114,089,012.05	55.61	5,704,450.62

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

Applicable N/A

(7). Assets and liabilities generated by the transfer of accounts receivable and continuing involvement therein

Applicable N/A

Other descriptions:

Applicable N/A

6. Receivable financing

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Notes receivable	5,263,729.60	5,531,997.32
Total	5,263,729.60	5,531,997.32

Increase or decrease of receivable financing for the current period and changes in its fair value

Applicable N/A

If the provision for bad debts is made in accordance with the general model of expected credit losses, please refer to other receivables disclosure:

Applicable N/A

Other descriptions:

Applicable N/A

Notes receivable endorsed or discounted at the end of the period by the Company that are not matured at the balance sheet date

Item	Balance derecognized at the end of the period
Bank acceptance bills	10,003,394.98
Sub-total	10,003,394.98

The acceptor of bank acceptance bills is a commercial bank with high credit, and the possibility that bank acceptance bills fail to be paid at maturity is low. Therefore, the Company derecognized the endorsed or discounted bank acceptance bills. However, if such notes fail to be paid when they are due, the Company will still be jointly and severally liable to the holders in accordance with the provisions of the *Negotiable Instruments Law*.

7. Prepayments**(1). Prepayments by aging**

Applicable N/A

Unit: Yuan Currency: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	88,000,110.35	98.67	81,149,897.32	98.07
1-2 years	250,958.21	0.28	802,393.47	0.97
2-3 years	932,894.12	1.05	790,525.13	0.96
Over 3 years				
Total	89,183,962.68	100.00	82,742,815.92	100.00

Reasons for overdue settlement of prepayments with significant amounts and aged more than 1 year:
None

(2). Top five closing balances of prepayments categorized by receivers

Applicable N/A

Entity	Gross carrying amount	Proportion to the balance of prepayments (%)
Beijing Linkworld Network Technology Co., Ltd.	14,906,011.57	16.71
Alipay (China) Network Technology Co., Ltd.	11,712,263.48	13.13
Guangxi Jingdong Xinjie E-commerce Co., Ltd.	11,034,497.87	12.37
Beauty Hi-tech Innovation Co., Ltd.	9,239,419.07	10.36
MEDICOS CO., LTD.	2,963,918.24	3.32
Sub-total	49,856,110.23	55.89

Other descriptions

Applicable N/A

8. Other receivables

Line items

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	47,275,902.55	48,733,527.35
Total	47,275,902.55	48,733,527.35

Other descriptions:

Applicable N/A

Interest receivable

(1). Classification of interest receivable

Applicable N/A

(2). Significant overdue interest

Applicable N/A

(3). Provision for bad debts

Applicable N/A

Other descriptions:

Applicable N/A

Dividends receivable**(1). Dividends receivable**

□Applicable √N/A

(2). Significant dividends receivable aged more than 1 year

□Applicable √N/A

(3). Provision for bad debts

□Applicable √N/A

Other descriptions:

□Applicable √N/A

Other receivables**(1). Disclosure by aging**

√Applicable □N/A

Unit: Yuan Currency: RMB

Aging	Gross carrying amount at the closing of the period
Within 1 year	
Including: Subdivision within 1 year	
Sub-total within 1 year	44,708,548.69
1-2 years	6,391,816.19
2-3 years	657,020.04
Over 3 years	1,126,431.27
3-4 years	
4-5 years	
Above 5 years	
Total	52,883,816.19

(2). Classification of other receivables by nature

√Applicable □N/A

Unit: Yuan Currency: RMB

Nature	Gross carrying amount at the closing of the period	Gross carrying amount at the opening of the period
Security deposit	23,068,954.00	15,177,436.77
Temporary payments receivable	27,640,452.53	39,073,769.81
Revolving fund	1,092,552.47	712,751.90
Others	1,081,857.19	744,011.86
Total	52,883,816.19	55,707,970.34

(3). Provision for bad debts

√Applicable □N/A

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as of January 1, 2021	2,141,110.96	3,171,320.29	1,662,011.74	6,974,442.99
In the current period, balance as				

at January 1, 2021				
-- transferred to Stage II	-528,624.19	528,624.19		
--transferred to Stage III		-970,286.21	970,286.21	
-- transferred back to Stage II				
-- transferred back to Stage I				
Provisions for the current period	1,240,174.06	442,086.89	-852,957.78	829,303.17
Reversal for the current period				
Removal for the current period				
Write-off for the current period				
Other changes	-617,233.34	-1,254,200.30	-324,398.88	-2,195,832.52
Balance as of June 30, 2021	2,235,427.49	1,917,544.86	1,454,941.29	5,607,913.64

Descriptions of the significant changes in the gross carrying amount of other receivables for which the changes in loss allowance occur for the current period:

Applicable N/A

Provision for bad debts in the current period and the basis for assessing whether the credit risk of financial instruments has increased significantly:

Applicable N/A

(4). Provision for bad debts

Applicable N/A

Unit: Yuan Currency: RMB

Category	Opening balance	Changes for the current period				Closing balance
		Provision	Recovery or reversal	Removal/write-off	Other changes	
Aging portfolio	6,974,442.99	829,303.17			-2,195,832.52	5,607,913.64
Total	6,974,442.99	829,303.17			-2,195,832.52	5,607,913.64

Other changes of RMB -2,195,832.52 related to the disposal of the equity of Shanghai Healthlong Company, and the provision for bad debts of other receivables were transferred out accordingly.

Significant recovery or reversal of provision for bad debts for the current period:

Applicable N/A

(5). Other receivables actually written off for the period

Applicable N/A

(6). Top five closing balances of other receivables categorized by debtor

Applicable N/A

Unit: Yuan Currency: RMB

Entity	Nature	Closing balance	Aging	Proportion to total closing balance of other receivables (%)	Closing balance of provision for bad debts
People's Government of Taixi Town, Wuxing District, Huzhou City	Security deposit	13,493,392.00	Within 1 year	25.52	674,669.60
EURL PHARMATICA [Note]	Temporary payments receivable	12,001,399.00	Within 1 year	22.69	600,069.95
SIKEROM EUROPE GMBH	Temporary payments receivable	7,857,909.71	Within 1 year	14.86	392,895.49
Hangzhou Property Maintenance Fund Management Center	Security deposit	4,708,614.72	1-2 years	8.90	1,412,584.42
Vipshop (China) Co., Ltd.	Security deposit	500,000.00	Within 1 year	0.95	25,000.00
Total	/	38,561,315.43	/	72.92	3,105,219.46

[Note] The amounts in the line of EURL PHARMATICA are combined amounts of EURL PHARMATICA, PARISEZHAN HK LIMITED, SARL ORTUS and S.A.S AREDIS, which are controlled by the same person.

(7). Receivables involving government grants

Applicable N/A

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

Applicable N/A

(9). Assets and liabilities generated by the transfer of other receivables and continuing involvement therein

Applicable N/A

Other descriptions:

Applicable N/A

9. Inventory

(1). Classification of inventories

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
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	Gross carrying amount	Provision for decline in value of inventories/ provision for decline in value of contract performance costs	Carrying amount	Gross carrying amount	Provision for decline in value of inventories/ provision for decline in value of contract performance costs	Carrying amount
Raw materials	16,756,263.44	930,262.55	15,826,000.89	25,023,198.10	790,191.51	24,233,006.59
Goods in process	13,068,407.69	279,667.64	12,788,740.05	19,699,809.41	333,215.45	19,366,593.96
Goods on hand	304,227,868.16	25,731,578.58	278,496,289.58	402,419,036.40	21,221,419.14	381,197,617.26
Revolving materials						
Consumable biological assets						
Contract performance costs						
Packing materials	39,795,929.46	1,789,866.25	38,006,063.21	32,988,469.32	1,383,453.99	31,605,015.33
Low-value consumables	1,350,048.61	209,956.27	1,140,092.34	2,643,028.64	268,617.88	2,374,410.76
Outsourcing gifts	11,858,116.84	1,832,658.48	10,025,458.36	11,494,429.58	1,630,055.73	9,864,373.85
Total	387,056,634.20	30,773,989.77	356,282,644.43	494,267,971.45	25,626,953.70	468,641,017.75

(2). Provision for decline in value of inventories and provision for decline in value of contract performance costs

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Increase for the current period		Decrease for the current period		Closing balance
		Provision	Others	Recovery or reversal	Others	
Raw materials	790,191.51	140,198.05			127.01	930,262.55
Goods in process	333,215.45	38,845.85		92,393.66		279,667.64
Goods on hand	21,221,419.14	7,122,040.90		2,173,222.75	438,658.71	25,731,578.58
Revolving materials						
Consumable biological assets						
Contract performance costs						
Packing	1,383,453.99	947,035.84		540,623.58		1,789,866.25

materials						
Low-value consumables	268,617.88	17,763.19		59,081.59	17,343.21	209,956.27
Outsourcing gifts	1,630,055.73	359,284.76		156,682.01		1,832,658.48
Total	25,626,953.70	8,625,168.59		3,022,003.59	456,128.93	30,773,989.77

The other decrease in the provision for decline in value of inventories for the period is RMB 456,128.93 in the current period because the equity of Shanghai Healthlong Company was disposed and provision for decline in value of inventories was reversed.

At the end of the period, the net realizable value of some products is lower than the corresponding cost, so the provision for decline in value of inventories is made based on the excess of the cost over the net realizable value.

(3). Descriptions of the closing balance of inventories including capitalized amount of borrowing costs

Applicable N/A

(4). Descriptions of amortization of contract performance costs for the current period

Applicable N/A

Other descriptions:

Applicable N/A

10. Contract assets

(1). Descriptions of contract assets

Applicable N/A

(2). Significant changes in the carrying amount during the reporting period and reasons therefor:

Applicable N/A

(3). Descriptions of the provision for impairment made for contract assets for the current period

Applicable N/A

Other descriptions:

Applicable N/A

11. Held-for-sale assets

Applicable N/A

12. Non-current assets due within 1 year

Applicable N/A

13. Other current assets

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Contract acquisition cost		
Cost of returns receivable	2,401,805.37	4,434,684.01
VAT input tax to be deducted	42,865,528.18	24,162,220.64

Pre-paid taxes		6,638,906.62
Total	45,267,333.55	35,235,811.27

Other descriptions:

None

14. Debt investments

(1). Descriptions of debt investments

Applicable N/A

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

Applicable N/A

(3). Provisions for impairment

Applicable N/A

15. Other debt investments

(1). Descriptions of other debt investments

Applicable N/A

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

Applicable N/A

(3). Provision for impairment

Applicable N/A

Other descriptions:

Applicable N/A

16. Long-term receivables

(1) Descriptions of long-term receivables

Applicable N/A

(2) Provision for bad debts

Applicable N/A

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

Applicable N/A

(4) Assets and liabilities generated by the transfer of long-term receivables and continuing involvement therein

Applicable N/A

Other descriptions:

Applicable N/A

17. Long-term equity investments

Applicable N/A

Unit: Yuan Currency: RMB

Investee	Beginni-	Increase or Current decrease	Closing	Closing
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	ing balance	Additional investment	Decreased investment	Investm- ent gains or losses under equity method	Adjustme- nt in other comprehe nsive income	Other equity changes	Declared cash dividends or profits	Provisions for impairment	Others	balance	balance of provisions for impairment
I. Joint ventures											
Huzhou Panrui Industrial Investment Partnership (LP)	3,306,63 0.57			-5,579. 63						3,301,050 .94	
Sub-total	3,306,63 0.57			-5,579. 63						3,301,050 .94	
II. Associates											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,985,51 1.35			-53,464 .43						2,932,046 .92	
Metis Information Technology (Guangzhou) Co., Ltd.	6,304,43 0.78			136,36 6.94						6,440,797 .72	
Jiaxing Woyong Investment Partnership (LP)	45,623,4 86.90	28,206,800 .00		-24,953 .93						73,805,33 2.97	
Zhuhai Healthlong Biotechnology Co., Ltd. [Note]		99,540,881 .10		-2,349, 263.38						97,191,61 7.72	
Beijing Xiushi Culture Development Co., Ltd.		3,000,000. 00		-78,212 .27						2,921,787 .73	
Sub-total	54,913,4 29.03	130,747,68 1.10		-2,369, 527.07						183,291,5 83.06	
Total	58,220,0 59.60	130,747,68 1.10		-2,375, 106.70						186,592,6 34.00	

Other descriptions

[Note] In April 2021, the Company increased the capital contribution to Zhuhai Healthlong Biotechnology Co., Ltd. in the form of 52% of equity held by it in Shanghai Healthlong Company. After the increase in capital contribution completes, Shanghai Healthlong Company becomes a wholly-owned subsidiary of Zhuhai Healthlong Biotechnology Co., Ltd., and the Company holds 10.00% of equity in Zhuhai Healthlong Biotechnology Co., Ltd. and has the right to appoint one director to Zhuhai Healthlong Biotechnology Co., Ltd..

18. Other equity investment**(1). Descriptions of other equity investment**

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Regenovo Biotechnology Co., Ltd.	20,580,000.00	20,580,000.00

Total	20,580,000.00	20,580,000.00
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(2). Descriptions of investments in non-trading equity instruments

Applicable N/A

Other descriptions:

Applicable N/A

The Company makes external equity investments based on its strategic investment purposes, and the investee will regard such investments made by the Company as an equity instrument. Therefore, the Company designates the aforesaid equity instrument as financial assets at fair value through other comprehensive income.

19. Other non-current financial assets

Applicable N/A

20. Investment property

Measurement of investment properties

(1). Investment properties measured at cost

Unit: Yuan Currency: RMB

Item	Housing and buildings	Land use rights	Construction in progress	Total
I. Original costs:				
1. Opening balance	76,860,032.10			76,860,032.10
2. Current increase	954,717.67			954,717.67
(1) Outsourcing				
(2) Transfer from inventories/fixed assets/construction in progress	954,717.67			954,717.67
(3) Increase due to business combinations				
3. Current decrease				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	77,814,749.77			77,814,749.77
II. Accumulated depreciation and amortization				
1. Opening balance	4,622,422.00			4,622,422.00
2. Current increase	1,372,911.82			1,372,911.82
(1) Provision or amortization	1,372,911.82			1,372,911.82
3. Current decrease				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	5,995,333.82			5,995,333.82
III. Provisions for impairment				
1. Opening balance				
2. Current increase				
(1) Provision				

3. Current decrease				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
VI. Carrying Amount				
1. Closing carrying amount	71,819,415.95			71,819,415.95
2. Opening carrying amount	72,237,610.10			72,237,610.10

(2). Investment properties whose title certificate has not completed:

□Applicable √N/A

Other descriptions:

□Applicable √N/A

21. Fixed assets**Line items**

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	553,956,322.47	565,864,152.62
Disposal of fixed assets		
Total	553,956,322.47	565,864,152.62

Other descriptions:

None

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

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Houses and buildings	Special equipment	Transportation facility		Total
I. Original costs:					
1. Opening balance	533,689,138.34	177,652,603.03	21,224,973.25	62,250,935.84	794,817,650.46
2. Current increase	4,729,102.52	4,584,670.52	51,327.43	3,314,473.03	12,679,573.50
(1) Purchase	1,111,363.72	4,584,670.52	51,327.43	3,314,473.03	9,061,834.70
(2) Transfer from construction in progress	3,617,738.80				3,617,738.80
(3) Increase due to business combinations					
3. Current decrease			1,612,387.59	2,459,613.77	4,072,001.36
(1) Disposal or retirement				88,459.72	88,459.72
(2) Other transfer-out [note]			1,612,387.59	2,371,154.05	3,983,541.64
4. Closing balance	538,418,240.86	182,237,273.55	19,663,913.09	63,105,795.10	803,425,222.60
II. Accumulated depreciation					
1. Opening balance	89,221,072.09	101,568,423.97	12,505,940.35	25,658,061.43	228,953,497.84

2. Current increase	9,747,892.79	6,479,920.33	960,417.13	4,801,042.96	21,989,273.21
(1) Provision	9,747,892.79	6,479,920.33	960,417.13	4,801,042.96	21,989,273.21
3. Current decrease			425,968.71	1,047,902.21	1,473,870.92
(1) Disposal or retirement				71,332.84	71,332.84
(2) Other transfer-out			425,968.71	976,569.37	1,402,538.08
4. Closing balance	98,968,964.88	108,048,344.30	13,040,388.77	29,411,202.18	249,468,900.13
III. Provisions for impairment					
1. Opening balance					
2. Current increase					
(1) Provision					
3. Current decrease					
(1) Disposal or retirement					
(2) Other transfer-out					
4. Closing balance					
VI. Carrying Amount					
1. Closing carrying amount	439,449,275.98	74,188,929.25	6,623,524.32	33,694,592.92	553,956,322.47
2. Opening carrying amount	444,468,066.25	76,084,179.06	8,719,032.90	36,592,874.41	565,864,152.62

[Note] Other transfer-out in the original costs of fixed assets amounts to RMB 3,983,541.64 and other transfer-out in the accumulated depreciation amounts to RMB 1,402,538.08 because the equity in Shanghai Healthlong Company was disposed, and the original costs and accumulated depreciation of fixed assets were transferred out correspondingly.

(2). Temporarily idle fixed assets

Applicable N/A

(3). Fixed assets leased in under financing leases

Applicable N/A

(4). Fixed assets leased out under operating leases

Applicable N/A

(5). Fixed assets whose title certificate has not completed

Applicable N/A

Other descriptions:

Applicable N/A

Disposal of fixed assets

Applicable N/A

22. Construction in progress

Line items

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	115,081,293.14	47,324,523.36
Project material		
Total	115,081,293.14	47,324,523.36

Other descriptions:

None

Construction in progress

(1). Descriptions of construction in progress

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Decoration project	1,544,747.89		1,544,747.89	1,725,308.02		1,725,308.02
Makeup factory	27,281,335.63		27,281,335.63	28,236,822.35		28,236,822.35
Proya building						
Longwu R&D center construction project	9,009,078.59		9,009,078.59			
Huzhou production base expansion construction project (phase I)	53,035,577.18		53,035,577.18			
Other sporadic projects	24,210,553.85		24,210,553.85	17,362,392.99		17,362,392.99
Total	115,081,293.14		115,081,293.14	47,324,523.36		47,324,523.36

(2). Changes in significant construction in progress for the period

√Applicable □N/A

Unit: Yuan Currency: RMB

Items	Expected amount	Opening balance	Current increase	Amount reclassified into fixed assets for the period	Other decreases for the period	Closing balance	Proportion of accumulated project investments to the budget (%)	Project progress	Accumulated amount of interest capitalization	Including: Accumulated amount of interest capitalization for the period	Rate of interest capitalization for the current period (%)	Funding source
Makeup factory	66,110,000	28,236,822.35	405,575.23	1,361,061.95		27,281,335.63	90.70	97.31				Self-collected
Proya building	458,936,300		4,572,456.47	3,617,738.80	954,717.67		83.22	100.00	9,206,186.05			Self-collected
Longwu R&D center construction project	217,744,500		9,009,078.59			9,009,078.59	4.14	4.14				Self-collected
Huzhou expansion production base construction project (phase I)	437,525,400		53,035,577.18			53,035,577.18	12.12	12.12				Self-collected
Total	1,180,316,200	28,236,822.35	67,022,687.47	4,978,800.75	954,717.67	89,325,914.40	/	/	9,206,186.05		/	

(3). Provision for decline in value of construction in progress for the period

□Applicable √N/A

Other descriptions

□Applicable √N/A

Project materials

□Applicable √N/A

23. Bearer biological assets**(1). Bearer biological assets measured at cost**

□Applicable √N/A

(2). Bearer biological assets measured at fair value

□Applicable √N/A

Other descriptions

□Applicable √N/A

24. Oil and gas assets

□Applicable √N/A

25. Use of right assets

□Applicable √N/A

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

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Land use rights	Software	Patent rights	Nonpatented technology	Customer recourses	Trademark right	Total
I. Original costs:							
1. Opening balance	376,212,928.47	19,559,130.84	420,000.00	659,500.00	12,833,684.00	137,131.75	409,822,375.06
2. Current increase	71,073,394.50	4,199,366.07					75,272,760.57
(1) Purchase	71,073,394.50	4,115,295.27					75,188,689.77
(2) Internal research and development							
(3) Increase due to business combinations							
(4) Transfer-in from construction in progress		84,070.80					84,070.80
3. Current decrease		427,966.61		126,900.00			554,866.61
(1) Disposal							
(2) Other transfer-out [note]		427,966.61		126,900.00			554,866.61
4. Closing	447,286,3	23,330,5	420,000	532,600.00	12,833,6	137,131.	484,540,

balance	22.97	30.30	.00		84.00	75	269.02
II. Accumulated amortization							
1. Opening balance	68,955,031.99	17,764,824.37	420,000.00	528,525.00	7,486,315.67	24,354.06	95,179,051.09
2. Current increase	5,633,846.55	935,930.62		1,630.00	2,138,947.33	13,637.37	8,723,991.87
(1) Provision	5,633,846.55	935,930.62		1,630.00	2,138,947.33	13,637.37	8,723,991.87
3. Current decrease		288,075.61					288,075.61
(1) Disposal							
(2) Other transfer-out [Note]		288,075.61					288,075.61
4. Closing balance	74,588,878.54	18,412,679.38	420,000.00	530,155.00	9,625,263.00	37,991.43	103,614,967.35
III. Provisions for impairment							
1. Opening balance							
2. Current increase							
(1) Provision							
3. Current decrease							
(1) Disposal							
4. Closing balance							
VI. Carrying Amount							
1. Closing carrying amount	372,697,444.43	4,917,850.92		2,445.00	3,208,421.00	99,140.32	380,925,301.67
2. Opening carrying amount	307,257,896.48	1,794,306.47		130,975.00	5,347,368.33	112,777.69	314,643,323.97

[Note] Other transfer-out in the original costs of fixed assets amounts to RMB 554,866.61 and other transfer-out in the accumulated depreciation amounts to RMB 288,075.61 because the equity in Shanghai Healthlong Company was disposed, and the original costs and accumulated depreciation of fixed assets were transferred out correspondingly.

Proportion of intangible assets generated from the Company's internal research and development to the balance of intangible assets at the closing of the period: 0.00%

(2). The right to use the land whose title certificate has not completed

Applicable N/A

Other descriptions: none

Applicable N/A

27. Development expenditure

Applicable N/A

28. Goodwill**(1). Original costs of goodwill**√Applicable N/A

Unit: Yuan Currency: RMB

Investee or event forming goodwill	Opening balance	Current increase		Current decrease		Closing balance
		Formed by business combinations		Disposal		
Shanghai Healthlong Biochemical Technology Co., Ltd.	31,034,161.20			31,034,161.20		
Total	31,034,161.20			31,034,161.20		

(2). Provision for impairment of goodwillApplicable √N/A

Unit: Yuan Currency: RMB

Investee or event forming goodwill	Opening balance	Current increase		Current decrease		Closing balance
		Provision		Disposal		
Shanghai Healthlong Biochemical Technology Co., Ltd.						
Total						

(3). Relevant information regarding the asset portfolio and set of asset portfolios to which the goodwill belongsApplicable √N/A**(4). Descriptions of the process of goodwill impairment testing, key parameters (such as the growth rate of the forecast period, the growth rate of the stable period, the profit rate, the discount rate and the forecast period, etc. when the present value of future cash flows are expected, if applicable) and the recognition method of the impairment losses on goodwill:**Applicable √N/A**(5). Impacts of goodwill impairment testing**Applicable √N/A

Other descriptions:

Applicable √N/A**29. Long-term prepaid expenses**√Applicable N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Increase	Amortization	Other decreases	Closing balance
Decoration and rental fee	33,212,097.20	5,128,945.23	8,511,189.18	1,038,383.80	28,791,469.45
Endorsement fee	16,863,206.70		7,783,018.86		9,080,187.84
Garage usage fee	385,900.48		96,474.96		289,425.52
Software service fee	115,589.15	50,068.15	26,543.16	139,114.14	

Total	50,576,793.53	5,179,013.38	16,417,226.16	1,177,497.94	38,161,082.81
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Other descriptions:

Other decreases amount to RMB 1,177,497.94 because the equity in Shanghai Healthlong Company was disposed, and other long-term prepaid expenses were transferred out correspondingly.

30. Deferred tax assets / deferred tax liabilities

(1). Deferred income tax assets that are not offset

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income taxes Assets	Deductible temporary differences	Deferred income taxes Assets
Provision for impairment of assets				
Unrealized profits of in-house transactions	34,777,937.02	7,384,724.22	28,021,116.50	7,005,279.12
Deductible losses	54,823,543.17	13,705,885.79	14,342,610.24	3,585,652.56
Provision for bad debts of accounts receivable	22,958,476.78	5,739,196.02	27,188,715.77	6,796,972.50
Provision for decline in value of inventories	15,841,244.67	2,537,346.55	15,796,150.28	2,634,264.73
Effect of share-based payment	76,964,315.53	16,807,484.60	103,953,760.07	22,803,327.25
Government grants related to assets	7,455,808.33	1,118,371.25	8,495,353.33	1,274,303.00
Member credits not exchanged	8,836,723.45	2,209,180.86	4,487,591.14	1,121,897.79
Expected losses on return	5,900,432.41	1,475,108.11	5,755,415.21	1,438,853.81
Total	227,558,481.36	50,977,297.40	208,040,712.54	46,660,550.76

(2). Deferred tax liabilities that are not offset

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income taxes Liabilities	Taxable temporary differences	Deferred income taxes Liabilities
Value-added valuation of business combination not involving enterprises under common control				
Changes in fair value of other debt investments				
Changes in fair value of other investments in equity instruments				
One-time deduction of depreciation of fixed assets	39,572,107.58	6,141,332.95	44,252,231.66	6,874,105.45
Total	39,572,107.58	6,141,332.95	44,252,231.66	6,874,105.45

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

□Applicable √N/A

(4). Details of unrecognized deferred tax assets

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	28,452,553.38	25,362,258.78
Deductible losses	409,443,960.15	379,300,493.32
Total	437,896,513.53	404,662,752.10

(5). Deductible losses, for which no deferred tax assets are recognized, will expire in the following year

√Applicable □N/A

Unit: Yuan Currency: RMB

Year	Closing balance	Opening balance	Note:
2021	48,418,743.43	48,812,246.22	
2022	62,924,802.76	62,924,802.76	
2023	63,485,783.30	63,485,783.30	
2024	99,748,285.21	99,748,285.21	
2025	104,329,375.83	104,329,375.83	
2026	30,536,969.62		
Total	409,443,960.15	379,300,493.32	

Other descriptions:

□Applicable √N/A

31. Other non-current assets

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Contract acquisition cost						
Contract performance cost						
Cost of returns receivable						
Contract assets						
Prepayment for long-term asset purchase	5,731,163.01		5,731,163.01	87,322,780.03		87,322,780.03
Total	5,731,163.01		5,731,163.01	87,322,780.03		87,322,780.03

Other descriptions:
None

32. Short-term borrowings

(1). Classification of short-term borrowings

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Pledged borrowings		
Mortgaged borrowings		
Guaranteed borrowings		99,116,462.50
Credit borrowings	200,000,000.00	200,163,972.59
Total	200,000,000.00	299,280,435.09

Descriptions of classification of short-term borrowings:
None

(2). Descriptions of overdue short-term borrowings

Applicable N/A

Other descriptions:
Applicable N/A

33. Held-for-trading financial liabilities

Applicable N/A

34. Derivative financial liabilities

Applicable N/A

35. Notes payable

Applicable N/A

Unit: Yuan Currency: RMB

Category	Closing balance	Opening balance
Commercial acceptance bills		
Bank acceptance bills	63,672,739.08	64,580,000.00
Total	63,672,739.08	64,580,000.00

The total of notes payable due but not yet paid at the closing of the period is RMB 0.00.

36. Accounts payable

(1). Presentations of accounts payable

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Loan	277,661,939.49	428,697,891.17
Expenses payable	56,545,217.33	69,493,675.06
Engineering equipment payment	12,530,902.29	17,640,465.04
Total	346,738,059.11	515,832,031.27

(2). Significant accounts payable aged more than one year

Applicable N/A

Other descriptions:

Applicable N/A

37. Advances from customers

(1). Presentation of advances from customers

Applicable N/A

(2). Significant advances from customers aged more than one year

Applicable N/A

Other descriptions:

Applicable N/A

38. Contract liabilities

(1). Descriptions of contract liabilities

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Advances from customers	43,983,461.92	25,430,738.70
Member credits not exchanged	8,836,723.45	5,188,040.29
Total	52,820,185.37	30,618,778.99

(2). Significant changes in the carrying amount during the reporting period and reasons therefor

Applicable N/A

Other descriptions:

Applicable N/A

39. Employee benefits payable

(1). Presentation of employee benefits payable

Applicable N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Closing balance
I. Short-term benefits	70,254,622.82	210,468,522.10	228,089,801.82	52,633,343.10
II. Post-employment benefits - defined contribution plans	573,616.88	10,309,869.38	10,607,813.89	275,672.37
III. Termination benefits				
IV. Other benefits due within 1 year				
Total	70,828,239.70	220,778,391.48	238,697,615.71	52,909,015.47

(2). Presentation of short-term benefits

Applicable N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	68,643,838.60	191,612,938.58	208,338,101.90	51,918,675.28
II. Staff welfare	6,815.56	5,858,508.97	5,855,932.97	9,391.56
III. Social insurance;	882,228.00	7,172,419.81	7,638,847.11	415,800.70

Including: Medical care	776,190.95	6,812,844.77	7,207,183.76	381,851.96
Work-related injury	57,859.33	203,411.07	257,095.72	4,174.68
Maternity	48,177.72	156,163.97	174,567.63	29,774.06
IV. Housing funds;	721,740.66	5,425,796.06	5,858,061.16	289,475.56
V. Union running costs and employee education costs;		398,858.68	398,858.68	
VI. Short-term paid absences				
VII. Short-term profit share plan				
Total	70,254,622.82	210,468,522.10	228,089,801.82	52,633,343.10

(3). Presentation of defined benefit plan

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Closing balance
1. Basic endowment	546,117.72	9,957,166.67	10,237,307.78	265,976.61
2. Unemployment	27,499.16	352,702.71	370,506.11	9,695.76
3. Enterprise pension fund				
Total	573,616.88	10,309,869.38	10,607,813.89	275,672.37

Other descriptions:

□Applicable √N/A

40. Taxes payable

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
VAT	37,072,212.41	25,557,167.53
Consumption tax	465.21	359.31
Business tax		
Enterprise income tax	27,853,623.09	32,994,016.76
Individual Income Tax	1,143,757.11	1,193,830.42
Urban maintenance and construction tax	1,998,938.64	2,971,080.02
Property tax	4,052,264.13	5,822,344.89
Education surcharges	975,674.47	1,469,430.26
Local education surcharges	650,449.65	979,620.14
Stamp tax	84,218.47	330,703.60
Disability security fund	5,886.80	16,737.84
Total	73,837,489.98	71,335,290.77

Other descriptions:

None

41. Other payables**Line items**

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		
Dividends payable		

Other payables	73,609,323.68	75,546,323.32
Total	73,609,323.68	75,546,323.32

Other descriptions:
None

Interest payable

Applicable N/A

Dividends payable

Applicable N/A

Other payables**(1). Other payables by nature**

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Security deposit	54,254,673.00	54,289,062.52
Repurchase obligations of restricted shares	7,361,933.60	12,653,905.25
Others	11,992,717.08	8,603,355.55
Total	73,609,323.68	75,546,323.32

(2). Other significant payables aged more than one year

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Reasons for failure to be repaid or carried forward
Repurchase obligations of restricted shares	7,361,933.60	Repurchase obligations of restricted shares have not been fulfilled fully
Total	7,361,933.60	/

Other descriptions:

Applicable N/A

42. Held-for-sale liabilities

Applicable N/A

43. Non-current liabilities due within one year

Applicable N/A

44. Other current liabilities

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Short-term bonds payable		
Returns payable		

Pending output VAT	2,149,196.85	1,439,262.02
Total	2,149,196.85	1,439,262.02

Changes in short-term bonds payable:

Applicable N/A

Other descriptions: None

Applicable N/A

45. Long-term borrowings

(1). Classification of long-term borrowings

Applicable N/A

Other explanations, including interest rate range:

Applicable N/A

46. Bonds payable

(1). Bonds payable

Applicable N/A

(2). Changes in bonds payable (excluding preferred stocks, perpetual bonds and other financial instruments classified as financial liabilities)

Applicable N/A

(3). Descriptions of conversion condition and time for convertible corporate bonds

Applicable N/A

(4). Descriptions of other financial instruments classified as financial liabilities

Basic information of outstanding preferred shares, perpetual bonds and others financial instruments at the closing of the period

Applicable N/A

Table of changes in outstanding preferred shares, perpetual bonds and others financial instruments at the closing of the period

Applicable N/A

Basis for other financial instruments classified as financial liabilities

Applicable N/A

Other descriptions:

Applicable N/A

47. Lease liabilities

Applicable N/A

48. Long-term payables

Line items

Applicable N/A

Long-term payables

□Applicable ✓ N/A

Special payables

□Applicable ✓ N/A

49. Long-term employee benefits payable

□Applicable ✓ N/A

50. Estimated liabilities

✓ Applicable □N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Reason
Guarantees provided to outsiders			
Pending lawsuits			
Quality assurance			
Restructuring obligations			
Onerous contract to be performed			
Returns payable	10,190,099.22	6,052,681.88	Possible future losses on return expected
Others			
Total	10,190,099.22	6,052,681.88	/

Other descriptions, including those of important assumptions and estimation related to significant estimated liabilities:

None

51. Deferred income

Deferred income

✓ Applicable □N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Closing balance	Reason
Government grants	8,495,353.33		1,039,545.00	7,455,808.33	Allocated by the government
Total	8,495,353.33		1,039,545.00	7,455,808.33	/

Projects involving government grants

✓ Applicable □N/A

Unit: Yuan Currency: RMB

Liabilities	Opening balance	Additional government grants for the current period	Amount recognized in non-operating income for the current period	Amount recognized in other comprehensive income for the current period	Other changes	Closing balance	Related to assets/income
Subsidy for	8,495,353.33			1,039,545.00		7,455,808.33	Related to

technological innovation of cosmetics							assets
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Other descriptions:

Applicable N/A

The government subsidies recognized in profit or loss for the current period are seen in the VII. 84 Descriptions of government grants in Section X Financial Report for details.

52. Other non-current liabilities

Applicable N/A

53. Share capital

Applicable N/A

Unit: Yuan Currency: RMB

	Opening balance	Changes this time (+ or -)					Closing balance
		Issue of new shares	Bonus shares	Reserves Conversion of shares	Others	Sub-total	
Total shares	201,116,925						201,116,925

Other descriptions:

Descriptions of share pledge

As of June 30, 2021, the details of the frozen shares of majority shareholders of the Company are as follows:

Shareholder	Total number of shares held (share)	Number of frozen shares (share)	Freeze type
Fang Yuyou	42,211,691	11,920,000	Pledge
Sub-total	42,211,691	11,920,000	

54. Other equity instruments

(1) Basic information of outstanding preferred shares, perpetual bonds and others financial instruments at the closing of the period

Applicable N/A

(2) Table of changes in outstanding preferred shares, perpetual bonds and others financial instruments at the closing of the period

Applicable N/A

Changes in other equity instruments, reasons therefor and basis for relevant accounting treatment:

Applicable N/A

Other descriptions:

Applicable N/A

55. Capital reserve

Applicable N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Closing balance
Capital premium (share premium)	794,285,959.20	8,816,160.85	790,675.05	802,311,445.00
Other capital reserves	42,748,877.49	4,787,988.53	8,816,160.85	38,720,705.17
Total	837,034,836.69	13,604,149.38	9,606,835.90	841,032,150.17

Other descriptions, including changes for the current period and reasons therefor:

1) Changes in capital premium

The capital premium (share premium) for the period increased by RMB 8,816,160.85, because other capital reserves recognized during the vesting period for the vested portion of restricted shares issued under share incentive plan were transferred to the share premium.

The capital premium (share premium) for the period decreased by RMB 790,675.05, because: ① the decrease by RMB 706,570.34 was caused by purchase of the minority shareholders' equity of the subsidiary Shanghai Zhongwen Electronic Commerce Co., Limited, and was the difference between the payment and the share of the subsidiary's identifiable net assets calculated according to the newly-increased shareholding ratio; ② the decrease by RMB 84,104.71 was caused by purchase of the minority shareholders' equity of Hongkong Zhongwen Electronic Commerce Co., Limited by the subsidiary Hongkong Xinghuo Industry Limited, and was the difference between the payment and the share of the subsidiary's identifiable net assets calculated according to the newly-increased shareholding ratio.

2) Changes in other capital reserves

Other capital reserves for the period increased by RMB 4,787,988.53 because: ① the increase by RMB 3,763,087.45 included RMB 2,262,118.91 of the restricted share incentive expenses from January to June 2021 recognized pursuant to the Company's share incentive plan, which was charged to other capital reserves; and included RMB 1,500,968.54 of the deferred tax assets for the excess of the amount expected to be deductible before tax in the future periods over the recognized restricted share incentive expenses, which was charged to other capital reserves; ② the increase by RMB 1,024,901.08 was the difference between the actual deductible amount of the vested portion and the amount previously recognized, which was treated an adjustment to the capital reserve.

Other capital reserves for the period decreased by RMB 8,816,160.85, because the other capital reserves recognized during the vesting period for the vested portion of restricted shares issued under share incentive plan were transferred to the share premium.

56. Treasury stock

√ Applicable □ N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Closing balance
Restricted shares with repurchase obligations	12,653,905.25		5,291,971.65	7,361,933.60
Total	12,653,905.25		5,291,971.65	7,361,933.60

Other descriptions, including changes for the current period and reasons therefor:

The reason for the current decrease by RMB 5,291,971.65 was that: 1) the decrease by RMB 4,964,976.45 was caused by the release of 293,265 restricted shares (the grant price of RMB 17.95/share less RMB 1.02/share for accumulated dividends) by the Company pursuant to the *Proposal on the Satisfaction of Vesting Conditions for the Second Release Period of the Initially Granted Restricted Shares and the Granted Reserved Portion* under the 2018 Restricted Share Incentive Plan reviewed and approved by the 18th meeting of the second board of directors dated January 5, 2021; 2) the decrease by RMB 326,995.20 was caused by the distributed dividends of 454,160 restricted shares that have not been vested being offset against treasury shares and the corresponding adjustments to other payables.

57. Other comprehensive income

√ Applicable □ N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Amount for the current period						Closing balance
		Amounts before income tax for the current period	less: Amounts included in other comprehensive income for prior periods and transferred to the profit or loss for the current period	less: Amounts included in other comprehensive income for prior periods and transferred to the retained earnings for the current period	less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority interests after tax	
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss								
Including: Changes from re-measurement of defined benefit plans								
Other comprehensive income that cannot be reclassified to profit or loss under the equity method								
Changes in fair value of other investments in equity instruments								
Changes in fair value of enterprises' own credit risks								
II. Other comprehensive income that will be reclassified to profit or loss	-269,066.13	-396,595.34				-396,595.34		-665,661.47
Including: Other comprehensive income that will be reclassified to profit or loss under the equity method								
Changes in fair value of other debt investments								
Amounts of financial assets reclassified into other comprehensive income								
Provision for credit impairment of other debt investments								
Reserve for cash flow								

hedges								
Translation differences of financial statements denominated in foreign currencies	-269,066.13	-396,595.34				-396,595.34		-665,661.47
Total of other comprehensive income	-269,066.13	-396,595.34				-396,595.34		-665,661.47

Other descriptions, including adjustment of the effective part of the cash flow hedge gains and losses transferred to initially recognized amount of hedged items:

None

58. Special reserve

Applicable N/A

59. Surplus reserve

Applicable N/A

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Closing balance
Statutory surplus reserve	100,634,780.00			100,634,780.00
Discretionary surplus reserve				
Reserve funds				
Enterprise development fund				
Others				
Total	100,634,780.00			100,634,780.00

Descriptions of surplus reserve, including changes for the current period and reason therefor:

In accordance with the provisions of the *Company Law*, where the accumulated amount of the statutory surplus fund of the Company exceeds 50 percent of its registered capital, further allocation may be dispensed with.

60. Unappropriated profit

Applicable N/A

Unit: Yuan Currency: RMB

Item	Repayment for the period	Previous year
Adjustments to unappropriated profit at the closing of the period period	1,265,671,865.63	908,411,607.62
Total adjustments to unappropriated profits at the opening of the period (increase indicated by "+", or decrease indicated by "-")		
Unappropriated profit at the opening of the period after adjustment	1,265,671,865.63	908,411,607.62
Add: Net profit attributable to owners of the parent company for the current period	226,101,313.86	476,009,298.41
less: Appropriation to statutory surplus reserve		
Appropriation to discretionary surplus reserve		

Appropriation to general risk reserve		
Common stock dividends payable	144,804,186.00	118,749,040.40
Common stock dividends transferred to share capital		
Closing unappropriated profit	1,346,968,993.49	1,265,671,865.63

Details of adjustments to unappropriated profit at the opening of the period:

1. As a result of the retrospective adjustment under the *Accounting Standards for Business Enterprises* and related new regulations, unappropriated profit at the opening of the period were affected by RMB0.00.
2. Unappropriated profit at the opening of the period was affected by RMB0.00 due to changes in accounting policies.
3. Unappropriated profit at the opening of the period was affected by RMB0.00 due to the correction of significant accounting errors.
4. Unappropriated profit at the opening of the period was affected by RMB0.00 due to changes in the scope of consolidation resulting from business combination involving enterprises under common control.
5. Unappropriated profit at the opening of the period was affected by RMB0.00 in total due to other adjustments.

61. Revenue and cost of revenue

(1). Descriptions of revenue and cost of revenue

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Main operations	1,911,280,464.91	690,938,535.18	1,382,135,112.85	552,948,536.81
Other operations	6,438,032.69	4,619,754.01	2,188,736.03	2,171,918.35
Total	1,917,718,497.60	695,558,289.19	1,384,323,848.88	555,120,455.16

(2). Descriptions of revenue generated from contacts

Applicable N/A

(3). Descriptions of performance obligations

Applicable N/A

(4). Descriptions of allocation to remaining performance obligations

Applicable N/A

Other descriptions:

None

62. Taxes and surcharges

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Consumption tax	56,425.63	19,373.48
Business tax		

Urban maintenance and construction tax	7,913,902.31	4,642,273.84
Education surcharges	3,977,896.25	2,391,100.89
Resource tax		
Property tax	4,052,644.03	2,136,089.34
Land use taxes		
Vehicle and vessel use tax	2,670.00	3,210.00
Stamp Tax	634,586.22	712,908.54
Local education surcharges	2,651,930.83	1,594,067.26
Total	19,290,055.27	11,499,023.35

Other descriptions:

None

63. Selling expenses

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Image publicity and promotion	651,005,247.16	334,763,800.09
Employee benefits	127,270,225.97	97,805,241.40
Travel	6,519,683.82	6,426,413.51
Conference	5,684,285.16	2,382,019.59
Office	14,176,924.87	8,889,179.33
Investigation and consulting	513,801.62	5,697,435.22
Others	2,034,463.16	1,450,343.06
Total	807,204,631.76	457,414,432.20

Other descriptions:

None

64. General and administrative expenses

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Employee benefits and labor costs	64,177,881.74	47,708,602.55
Share-based payments	2,262,118.91	5,103,364.67
Depreciation, amortization and lease	22,632,216.20	23,380,666.23
Office and business entertainment	16,334,487.33	10,813,515.29
Consulting and intermediary agency	4,861,065.35	9,116,773.89
Travel, transportation and conference	996,613.03	956,944.85
Others	4,926,790.49	3,102,487.67
Total	116,191,173.05	100,182,355.15

Other descriptions:

None

65. Research and development expenses

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
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Labor costs	20,466,648.49	21,620,983.90
Entrusted research and development fees	8,826,262.44	5,508,591.48
Depreciation, amortization and lease fees	1,053,552.11	1,985,453.64
Direct investments	785,036.60	1,202,200.16
Others	239,844.82	1,547,915.78
Total	31,371,344.46	31,865,144.96

Other descriptions:

None

66. Financial expenses

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Interest expenses	5,082,866.57	2,502,979.38
Interest income	-11,723,066.05	-8,171,010.26
Handling costs	406,429.79	458,089.60
Foreign exchange gains or losses	4,369,640.90	-2,164,539.48
Total	-1,864,128.79	-7,374,480.76

Other descriptions:

None

67. Other income

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Government grants	9,370,319.81	8,020,757.76
Return of handling costs	467,054.66	394,975.03
Additional VAT input tax credit	322,433.43	110,916.18
Total	10,159,807.90	8,526,648.97

Other descriptions:

The government subsidies recognized in profit or loss for the current period are seen in the VII. 84 Descriptions of government grants in Section X Financial Report for details.

68. Investment income

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investment accounted for using the equity method	-2,375,106.70	-208,988.41
Income from disposal of long-term equity investments	-3,546.24	261,034.21
Investment income from held-for-trading financial assets during the holding period		
Dividend income from other equity investment instruments during the holding period		
Interest income from debt investment		

during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of held-for-trading financial assets		
Investment income from disposal of other investments in equity instruments		
Investment income from disposal of debt investments		
Investment income from disposal of other debt investments		
Income from wealth management products		2,266,301.37
Total	-2,378,652.94	2,318,347.17

Other descriptions:

None

69. Net exposure hedging income

Applicable N/A

70. Income from changes in fair values

Applicable N/A

71. Impairment losses of credit

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Losses on bad debts of notes receivable		
Losses on bad debts of accounts receivable	3,785,095.76	3,700,637.96
Losses on bad debts of other receivables	-829,303.17	-4,842,904.18
Losses on impairment of debt investments		
Losses on impairment of other debt investments		
Losses on bad debts of long-term receivables		
Losses on impairment of contract assets		
Total	2,955,792.59	-1,142,266.22

Other descriptions:

None

72. Asset impairment losses

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
I. Losses on bad debts	-8,625,168.59	
II. Losses on decline in value of		-9,651,315.34

inventories and on impairment of contract performance costs		
III. Losses on impairment of long-term equity investments		
IV. Losses on impairment of property		
V. Losses on impairment of fixed assets		
VI. Losses on impairment of project materials		
VII. Losses on impairment of construction in progress		
VIII. Losses on impairment of bearer biological assets		
IX. Losses on impairment on oil and gas assets		
X. Losses on impairment of intangible assets		
XI. Losses on impairment of goodwill		
XII. Others		
Total	-8,625,168.59	-9,651,315.34

Other descriptions:

None

73. Income from disposal of assets

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Income from disposal of fixed assets	-1,416.28	
Total	-1,416.28	

Other descriptions:

Applicable N/A

74. Non-operating income

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period	Amount included in the non-recurring profit or loss for the current period
Total gains or losses from disposal of non-current assets;			
Including: Gains from disposal of fixed assets			
Gain from disposal of intangible assets			
Gains from debt restructuring			

Gains from exchange of non-monetary assets			
Acceptance of donations			
Government grants			
Payments that do not need to be paid		258,167.68	
Income from confiscation and liquidated damages	54,435.00		54,435.00
Others	60,008.12	147,700.63	60,008.12
Total	114,443.12	405,868.31	114,443.12

Government grants included in current profit or loss

Applicable N/A

Other descriptions:

Applicable N/A

75. Non-operating expenses

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period	Amount included in the non-recurring profit or loss for the current period
Total losses on disposal of non-current assets;		2,541.25	
Including: Losses on disposal of fixed assets			
Losses on disposal of assets			
Losses on debt restructuring			
Losses on exchange of non-monetary assets			
Offer of donations		15,106,421.65	
Others	60,174.49	396,831.91	60,174.49
Total	60,174.49	15,505,794.81	60,174.49

Other descriptions:

None

76. Income tax expenses

(1) Table of income tax expenses

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Current income tax	46,005,920.10	48,977,958.94
Deferred income tax	-2,523,649.52	-2,093,955.30
Total	43,482,270.58	46,884,003.64

(2) Reconciliation of income tax expenses to the accounting profit

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period
Total profit	252,131,763.97
Income tax expenses calculated at legal/applicable tax rate	63,032,940.99
Effect of different tax rates among different subsidiaries on income tax expenses	-19,639,316.92
Effect of adjustments to income tax in prior periods	301,443.10
Effect of nontaxable income	
Effect of non-deductible costs, expenses and losses	269,390.94
Effect of deductible tax losses for which no deferred tax assets were recognized in prior periods	-1,024,901.08
Effect of deductible tax losses or deductible temporary differences for which no deferred tax asset was recognized in the current period	4,591,378.58
Additional deduction of R&D expense	-4,048,665.03
Income tax expenses	43,482,270.58

Other descriptions:

□Applicable √N/A

77. Other comprehensive income

√Applicable □N/A

For details, please see the Note VII 57 of Section X Financial Report.

78. Items in the cash flow statement**(1). Other cash receipts relating to operating activities**

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Bank deposit interest income	11,723,066.05	6,293,169.16
Government grants	2,840,774.81	7,066,546.09
Intercourse funds and others	27,195,817.12	13,986,126.29
Total	41,759,657.98	27,345,841.54

Descriptions of other cash receipts relating to operating activities:

None

(2). Other cash payments relating to operating activities

√Applicable □N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
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Image publicity and promotion	629,544,186.17	339,476,948.33
Other cash payments	165,528,596.63	60,364,118.72
Intercourse funds and others	49,745,240.01	67,229,843.63
Total	844,818,022.81	467,070,910.68

Descriptions of other cash payments relating to operating activities:

None

(3). Other cash receipts relating to investing activities

Applicable N/A

(4). Other cash payments relating to investing activities

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Net cash payments received from disposal of subsidiaries	61,087,857.19	1,579,710.89
Total	61,087,857.19	1,579,710.89

Descriptions of other cash payments relating to investing activities:

None

(5). Other cash receipts relating to financing activities

Applicable N/A

(6). Other cash payments relating to financing activities

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Payments for share repurchase		
Payments for minority shareholders' equity	486,631.52	
Total	486,631.52	

Descriptions of other cash payments relating to financing activities:

None

79. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Applicable N/A

Unit: Yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	208,649,493.39	173,684,403.26
Add: Provision for asset impairment	8,625,168.59	9,651,315.34
Losses on credit impairment	-2,955,792.59	1,142,266.22
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	23,362,185.03	21,086,926.72
Amortization of use of right assets		
Amortization of intangible assets	8,723,991.87	7,451,720.65

Amortization of long-term prepaid expenses	16,417,226.16	15,323,234.42
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain is indicated by “-”)	1,416.28	
Losses on retirement of fixed assets (gain is indicated by “-”)		2,541.25
Losses on changes in fair values (gain is indicated by “-”)		
Financial expenses (gain is indicated by “-”)	5,082,866.57	2,502,979.38
Investment losses (gain is indicated by “-”)	2,378,652.94	-2,318,347.17
Decrease in deferred tax assets (increase is indicated by “-”)	-1,790,877.02	-9,803,891.20
Increase in deferred tax liabilities (decrease is indicated by “-”)	-732,772.50	1,320,203.93
Decrease in inventories (increase is indicated by “-”)	94,250,565.71	-95,079,103.25
Decrease in receivables from operating activities (increase is indicated by “-”)	49,348,525.29	-42,304,967.59
Increase in payables from operating activities (decrease is indicated by “-”)	-145,185,070.90	-46,094,903.08
Others		
Net cash flow from operating activities	266,175,578.82	36,564,378.88
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets leased in under financing leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	1,228,370,225.03	1,207,995,301.92
less: Opening balance of cash	1,401,850,754.88	1,099,092,785.07
Add: Closing balance of cash equivalents		
less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-173,480,529.85	108,902,516.85

(2) Net cash payments paid for acquisitions of subsidiaries for the current period

□Applicable √N/A

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

√Applicable □N/A

Unit: Yuan Currency: RMB

	amount
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Net cash payments received in the current period from current disposal of subsidiaries	
Including: Shanghai Healthloog Company	
Less: Cash and cash equivalents held by subsidiaries on the date when the control is lost	61,087,857.19
Including: Shagnhai Healthloog Company	61,087,857.19
Add: Net cash payments received in the current period from prior disposal of subsidiaries	
Net cash payments received from disposal of subsidiaries	-61,087,857.19

Other descriptions:

1) In April 2021, the Company increased the capital contribution to Zhuhai Healthlong Biotechnology Co., Ltd. in the form of 52% of equity held by it in Shanghai Healthlong Company. After the increase in capital contribution completes, Shanghai Healthlong Company becomes a wholly-owned subsidiary of Zhuhai Healthlong Biotechnology Co., Ltd., and the Company holds 10.00% of equity in Zhuhai Healthlong Biotechnology Co., Ltd. and has the right to appoint one director to Zhuhai Healthlong Biotechnology Co., Ltd..

2) RMB 61,087,857.19 of cash and cash equivalents held by Shanghai Healthlong Company on the date when the control is lost is presented in the item "Other cash payments relating to investing activities" in the statements.

(4) Composition of cash and cash equivalents

√ Applicable □N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash	1,228,370,225.03	1,401,850,754.88
Including: Cash on hand	4,920.44	26,853.58
Cash at bank that can be readily drawn on demand	1,211,495,817.76	1,368,515,531.05
Other cash balances that can be readily drawn on demand	16,869,486.83	33,308,370.25
Other cash balances with the central bank that can be readily drawn on demand		
Interbank deposit		
Interbank loans		
II. Cash equivalents		
Including: Debt investments due within three months		
III. Closing balance of cash and cash equivalents	1,228,370,225.03	1,401,850,754.88
Including: Cash and cash equivalent with the limited use of the parent company or subsidiaries within the Group		

Other descriptions:

√ Applicable □N/A

Descriptions of supplementary information to the cash flow statement

Unit: Yuan Currency: RMB

Date	Balance of currency funds	Cash and cash equivalents	Difference	Reason

June 30, 2021	1,236,337,706.75	1,228,370,225.03	7,967,481.72	Closing bank deposits include RMB 293,481.72 of the security deposit of fixed time deposit for the transformer, and the other currency funds including RMB 7,000,000.00 of L/C security deposit, and RMB 674,000.00 of Tmall and Alipay security deposit
December 31, 2020	1,416,654,640.93	1,401,850,754.88	14,803,886.05	i.e. RMB 293,481.72 of security deposit of fixed time deposit for the transformer, RMB 69,000.00 of ETC vehicle security deposit, and RMB 7,036,404.33 of land construction security deposit, RMB 7,000,000.00 of L/C security deposit and RMB 405,000.00 of Tmall and Alipay security deposit

80. Notes to statement of changes in owners' equity

Descriptions of name of the item "Others" and amount adjusted for the balance at the end of the previous year:

Applicable N/A

81. Assets with restrictions in ownership or use right

Applicable N/A

Unit: Yuan Currency: RMB

Item	Carrying balance at the end of the period	Reasons for restriction
Currency funds	7,967,481.72	Security deposit for the transformer, L/C security deposit, and Tmall and Alipay security deposit, etc.
Notes receivable		
Inventories		
Fixed assets		
Intangible assets		
Total	7,967,481.72	/

Other descriptions:

None

82. Monetary items denominated in foreign currency**(1). Monetary items denominated in foreign currency**

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance of foreign currency	Exchange rate	Translated balance in RMB at the closing of the period
Currency funds	-	-	89,218,164.09
Including: USD	546,815.67	6.4601	3,532,483.91
EUR	10,773,685.74	7.6862	82,808,703.33
HKD	3,080,390.55	0.83208	2,563,131.37
JPY	2,080.00	0.058428	121.53

CHF	22,953.14	7.0134	160,979.55
KRW	26,727,215.68	0.005714939	152,744.40
Accounts receivable	-	-	10,600,782.49
Including: EUR	435,991.03	7.6862	3,351,114.25
HKD	57,139.03	0.83208	47,544.24
KRW	1,260,227,657.83	0.005714939	7,202,124.00
Long term loans	-	-	
Including: USD			
EUR			
HKD			
Other receivables	-	-	22,478,490.10
Including: USD	31,473.43	6.4601	203,321.51
EUR	2,865,596.08	7.6862	22,025,544.59
HKD	300,000.00	0.83208	249,624.00
Accounts payable	-	-	14,083,527.34
Including: USD	92,803.00	6.4601	599,516.66
EUR	1,700,134.55	7.6862	13,067,574.18
HKD	192,437.43	0.83208	160,123.34
KRW	44,849,676.83	0.005714939	256,313.16
Other payables	-	-	160,672.30
Including: HKD	5,975.00	0.83208	4,971.68
KRW	27,244,495.00	0.005714939	155,700.62

Other descriptions:

None

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

Applicable N/A

HAPSODE Co., Ltd., HANNA COSMETICS CO., LTD and Y.N.M. Cosmetics Co., Ltd. operate in South Korea and their operating income and costs are mainly denominated in KRW, so they use KRW as their functional currency; Hongkong Xinghuo Industry Limited, Hong Kong Zhongwen Electronic Commerce Co., Limited, Hong Kong Xuchen Trading Limited, Hongkong Keshi Trading Limited, BOYA (Hong Kong) Investment Management Co., Limited and Hongkong Wanyan Electronic Commerce Co., Limited operate in Hong Kong, with RMB as the accounting currency; Off & Relax Co., Ltd. is located in Japan, with business income and expenditure dominated by Japanese Yen, which is used as the accounting currency.

83. Hedging

Applicable N/A

84. Government grants

1. Basic information of government grants

Applicable N/A

Unit: Yuan Currency: RMB

Category	Amount	Line item	Amount included in profit or loss for the current period
Government subsidies related to assets	1,039,545.00	Other income	1,039,545.00
Government subsidies related to income	8,330,774.81	Other income	8,330,774.81

2. Return of government grants

Applicable N/A

Other descriptions

1) Government subsidies related to assets

Items	Opening deferred income	Newly-added grants for the period	Amortization for the period	Closing deferred income	Line items of amortization for the period	Note
Subsidy for technological innovation of cosmetics	8,495,353.33		1,039,545.00	7,455,808.33	Other income	
Sub-total	8,495,353.33		1,039,545.00	7,455,808.33		

According to the Decision on Awards for Technological Innovation of Proya Cosmetics Co., Ltd. Huzhou Branch by the People's Government of Daixi Town, Huzhou City, the Company received a technological innovation subsidy of RMB 14,561,400.00 from the People's Government of Daixi Town in 2014, which was apportioned evenly over the useful life of related assets resulted therefrom by the Company, and RMB 728,070.00 of which was recognized in other income for the current period.

According to the *Notice on Distributing the 2015 Industry-driven City Construction and Development Funds (First Batch)* (Hu Cai Qi [2015] No. 150) by Huzhou Finance Bureau and Huzhou Economic and Information Technology Commission, the Company received a technological innovation subsidy of RMB 2,350,000.00 from Huzhou Finance Bureau in 2015, which was apportioned evenly over the useful life of related assets resulted therefrom by the Company, and RMB 117,500.00 of which was recognized in other income for the current period.

According to the *Notice on Distributing 2014 Special Funds (Second Batch) for District "Machine Replacing People" Project* (Wu Fa Gai [2015] No. 18) by the Development Reform and Economic Commission of Wuxing District, Huzhou City and the Finance Bureau of Wuxing District, the Company received a technological innovation subsidy of RMB 500,000.00 from the Finance Bureau of Wuxing District in 2015, which was apportioned evenly over the useful life of related assets resulted therefrom by the Company, and RMB 25,000.00 of which was recognized in other income for the current period.

According to the *Notice on Distributing the 2018 Special Funds for Industrial Development in Huzhou City (Second Batch)* (Hu Cai Qi [2018] No. 319) by Huzhou Finance Bureau and Huzhou Economic and Information Technology Commission, the Company received a technological innovation subsidy of RMB 1,379,500.00 from Huzhou Finance Bureau in December 2018, which was apportioned evenly over the useful life of related assets resulted therefrom by the Company, and RMB 68,975.00 of which was recognized in other income for the current period.

According to the *Notice on Appropriation of Special Subsidy Funds for Demonstration Smart Workshops in Wuxing District in 2019* (Wu Cai Qi Han [2020] No. 145), issued by the Finance Bureau of Wuxing District and the Development Reform and Economic Commission of Wuxing District, the Company received a special subsidy for demonstration smart workshops of RMB 2,000,000.00 from the Finance Bureau of Wuxing District in May 2020, which was apportioned evenly over the useful life of related assets resulted therefrom by the Company, and RMB 100,000.00 of which was recognized in other income for the current period.

2) Government grants related to income as compensation for related expenses or losses of the Company to be incurred in subsequent periods

Project	Amount	Line item	Description
Subsidy for work-based trainings	294,500.00	Other income	According to the <i>Notice on Implementing Subsidies for Corporate Work-based Trainings</i> (Hang Ren She Fa [2020] No. 94) by Hangzhou Bureau of Human Resources and Social Security and Hangzhou Finance Bureau, Hangzhou Vocational Ability Building Guidance Service Center caused the special fund account for employment (funds for

			skill improvement actions) to allocate the subsidy to the Company.
Subsidy for invention patent	127,160.00	Other income	According to the <i>Notice of Zhejiang Department of Finance on Early Distributing 2020 Special Funds for Market Supervision and Intellectual Property</i> (Zhe Cai Hang [2019] No. 51), the Market Supervision and Administration of Xihu District, Hangzhou City allocated the subsidy to the Company.
Industry support subsidy	5,490,000.00	Other income	,The Finance Bureau of Meishan Free Trade Port Zone, Ningbo allocated the subsidy to the Company.
Special funds for scientific and technological development	250,000.00	Other income	According to the <i>Notice on Distributing the Second Batch of Special Funds for Scientific and Technological Development in 2021</i> (Zhe Cai Ke Jiao [2021] No. 11) by Zhejiang Department of Finance and Zhejiang Department of Science and Technology, the Finance Bureau of Wuxing District allocated the subsidy to the Company.
Awards for high and new technology enterprises that are supported by the State	200,000.00	Other income	According to the <i>Three-year Action Plan for the Cultivation of High-tech Enterprises in Hangzhou (2018-2020)</i> by the General Office of the Hangzhou Municipal People's Government, the Science and Technology Bureau of Xihu District, Hangzhou City allocated the subsidy to the Company.
Special funds for talent development	180,000.00	Other income	According to the <i>Notice on Distributing the Fifth Batch of Special Funds for Talent Development in 2020</i> by the Organization Department of the CPC Huzhou City Committee, the Finance Bureau of Wuxing District, Huzhou City allocated the subsidy to the Company.
Job stabilization subsidy, special fund subsidy for service enterprises, intellectual property subsidy, financial support fund from Finance Bureau of Qingpu, etc.	1,789,114.81	Other income	The Resources and Social Security Bureau of Wuxing District, Huzhou City, Hangzhou Employment Management Service Center, the Market Supervision and Administration of Xihu District, Hangzhou City, and the Finance Bureau of Qingpu District, Shanghai allocated the subsidy to the Company.
Sub-total	8,330,774.81		

3) RMB 9,370,319.81 of government grants was recognized in profit or loss for the current period.

85. Others

Applicable N/A

VIII. Changes in the Consolidation Scope

1. Business combination not involving enterprises under common control:

Applicable N/A

2. Business combination involving enterprises under common control

Applicable N/A

3. Reverse purchase

Applicable N/A

4. Disposal of subsidiaries

Was there any circumstance under which a single disposal of the investment in subsidiaries will lose control?

Applicable N/A

Other descriptions:

Applicable N/A

5. Changes in scope of consolidation due to other reasons

Descriptions of changes in scope of consolidation caused by other reasons (such as establishment of a new subsidiary and liquidation of a subsidiary, etc.) and their relevant information:

Applicable N/A

(I) Increase in the scope of consolidation

Company name	Method of equity acquisition	Time of equity acquisition	Capital contribution (RMB)	Contribution ratio
Xuzhou Proya Information Technology Co., Ltd.	Newly established subsidiary	January 2021	500,000.00	100.00%
Proya (Hainan) Cosmetics Co., Ltd.	Newly established subsidiary	January 2021		100.00%

(II) Decrease in the scope of consolidation

Company name	Method of disposal of equity	Time of disposal of equity	Daily net assets disposed (RMB)	Net profit from the opening of the period to the disposal date (RMB)
Shanghai Tiyu Cosmetics Co., Ltd.	Cancellation	April 2021	-2,729,077.89	-676.18
Shanghai Healthlong Biochemical Technology Co., Ltd.	[Note]	April 2021	131,743,692.10	-14,434,836.72

[Note] In April 2021, the Company increased the capital contribution to Zhuhai Healthlong Biotechnology Co., Ltd. in the form of 52% of equity held by it in Shanghai Healthlong Company. After the increase in capital contribution completes, Shanghai Healthlong Company becomes a wholly-owned subsidiary of Zhuhai Healthlong Biotechnology Co., Ltd., and the Company holds 10.00% of equity in Zhuhai Healthlong Biotechnology Co., Ltd. and has the right to appoint one director to Zhuhai Healthlong Biotechnology Co., Ltd..

6. Others

Applicable N/A

IX. Interests in Other Entities**1. Interests in subsidiaries****(1). Composition of enterprise group**

√ Applicable □N/A

Name of subsidiary	Main business place	Place of registration	Business nature	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Hangzhou Proya Trading Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Zhejiang Meili Valley E-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
HAPSOE (Hangzhou) Cosmetics Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Huzhou Youzilai 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
Ningbo TIMAGE Cosmetics Co., Ltd.	Ningbo	Ningbo	Wholesale and retail	61.36		Establishment

Descriptions of the difference between the shareholding ratio and the proportion of voting rights in a subsidiary:

None

Basis for holding half or less of the voting rights but still controlling the investee, and holding majority of the voting right but having no control over the investee:

None

Basis for control over significant structured entities included in consolidation scope:

None

Basis for determining whether the Company acts as the agent or the principal:

None

Other descriptions:

None

(2). Significant non-wholly subsidiaries

√ Applicable □N/A

Unit: Yuan Currency: RMB

Name of subsidiary	Shareholding of minority shareholders (%)	Profit or loss attributable to minority interests for the current period	Dividends declared for distribution to minority shareholders for the current period	Closing balance of minority interests
Ningbo TIMAGE Cosmetics Co., Ltd.	38.64	-3,270,441.67		-11,907,069.70

Descriptions of the difference between the shareholding ratio of minority shareholders and their proportion of voting rights in a subsidiary:

Applicable N/A

Other descriptions:

Applicable N/A

(3). Key financial information of significant non-wholly subsidiaries

Applicable N/A

Unit: Yuan Currency: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo TIMAGE Cosmetics Co., Ltd.	42,270,950.45	84,124.14	42,355,074.59	72,556,872.37		72,556,872.37	42,477,967.12	85,010.07	42,562,977.19	64,300,899.00		64,300,899.00

Name of subsidiary	Amount for the current period				Amount for the prior period			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Ningbo TIMAGE Cosmetics Co., Ltd.	116,044,099.29	-8,463,875.97	-8,463,875.97	-2,465,779.00	12,124,535.17	-4,341,954.94	-4,341,954.94	3,280,263.73

Other descriptions:

None

(4). Significant restrictions on the use of enterprise group assets and settlement of enterprise group debts:

Applicable N/A

(5). Financial supports or other supports offered for the structured entities included in the scope of consolidated financial statements:

Applicable N/A

Other descriptions:

Applicable N/A

2. Transactions through which the share of the owner's equity in the subsidiary has changed and the control on the subsidiary is still maintained

Applicable N/A

(1). Descriptions of changes in the share of owner's equity in the subsidiary

√ Applicable □ N/A

Name of subsidiary	Change time	Shareholding ratio prior to change	Shareholding ratio after change
Shanghai Zhongwen Electronic Commerce Co., Limited	January 2021	83.00%	100.00%
Hong Kong Zhongwen Electronic Commerce Co., Limited	January 2021	83.00%	100.00%

(2). Impacts of transactions on minority interests and equity attributable to owners of the parent company

√ Applicable □ N/A

Unit: Yuan Currency: RMB

	Shanghai Zhongwen Electronic Commerce Co., Limited	Hong Kong Zhongwen Electronic Commerce Co., Limited
Purchase cost/disposal consideration		
--Cash		
-- Fair value of assets other than cash		
Total purchase costs/disposal considerations		
Less: Shares of net assets of the subsidiaries calculated at the acquired/disposed equity proportion	-706,570.34	-84,104.71
Difference	706,570.34	84,104.71
Including: Adjustments to capital reserve	706,570.34	84,104.71
Adjustments to surplus reserve		
Adjustments to unappropriated profits		

Other descriptions

□ Applicable √ N/A

3. Interests in joint ventures or associates

√ Applicable □ N/A

(1). Significant joint ventures or associates

□ Applicable √ N/A

(2). Key financial information of significant joint ventures

□ Applicable √ N/A

(3). Key financial information of significant associates

□ Applicable √ N/A

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

√ Applicable □ N/A

Unit: Yuan Currency: RMB

	Closing balance / Amount for the current period	Opening balance / Amount for the prior period
Joint ventures:		
Total investment carrying amount	3,301,050.94	3,306,630.57
Total of the following items calculated based on the shareholding ratio		
--Net profit	-5,579.63	-3,033.40
--Other comprehensive income		
--Total comprehensive income	-5,579.63	-3,033.40
Associates:		
Total investment carrying amount	183,291,583.06	54,913,429.03
Total of the following items calculated based on the shareholding ratio		
--Net profit	-2,369,527.07	-205,955.01
--Other comprehensive income		
--Total comprehensive income	-2,369,527.07	-205,955.01

Other descriptions

None

(5). Descriptions of significant restrictions on the ability of joint ventures or associates to transfer funds to the CompanyApplicable N/A**(6). Excess losses incurred by joint ventures or associates**Applicable N/A**(7). Unrecognized commitments related to investments in joint ventures**Applicable N/A**(8). Contingent liabilities related to investments in joint ventures or associates**Applicable N/A**4. Significant joint operations**Applicable N/A**5. Interests in structured entities not included in the scope of consolidated financial statements**

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

Applicable N/A**6. Others**Applicable N/A**X. Risks Related to Financial Instruments**Applicable N/A

As the goal of risk management, the Company intends to strike a balance between risks and returns, minimize the negative impact of risks on the Company's operating performance, and maximize the

interests of shareholders and other equity investors. Based on this risk management goal, the Company's basic risk management strategy is to identify and analyze the its exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

The Company is exposed to various risks associated with financial instruments in its daily routines, primarily including credit risk, liquidity risk and market risk. The management has reviewed and approved policies to manage these risks, summarized as below.

(I) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Management of credit risk

(1) Evaluation of credit risk

The Company assesses at each balance sheet date whether the credit risk of the underlying financial instruments has increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including quantitative and qualitative analysis based on historical data, ranking of external credit risks and forward-looking information. The Company compares the risk of a default occurring on a financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on individual financial instrument or financial instruments portfolio with similar credit risk characteristic, to determine the change of the risk of a default occurring on a financial instrument over the expected life.

The Company considers that the credit risk of financial instruments has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion primarily refers to a certain percentage of increase in the probability of default over the remaining life of the financial instruments as of the balance sheet date when comparing with that at initial recognition of the financial instruments;

2) The qualitative criteria include, inter alia, adverse material changes in business or financial conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations, and an actual or expected significant adverse change in the technological, market, economic, or legal environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

(2) Definition of defaulted or credit-impaired assets

A financial asset is defined as defaulted when the financial instrument meets one or more conditions stated as below, and the criteria of defining defaulted asset is consistent with the that of defining credit-impaired asset:

- 1) significant financial difficulty of the debtor;
- 2) a breach of contract terms with binding force by the debtor;
- 3) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

or/and

4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider.

2. Measurement of expected credit loss ("ECL")

Key parameters to measure ECL include the probability of default, loss given default and the exposure at default. The Company established models of the probability of default, loss given default and the exposure at default on the basis of qualitative analysis on historical statistical data (such as counterparty ranking, guarantee methods, collateral category, and repayment way) and forward-looking information.

3. Details of reconciliation of the opening balance and the closing balance of provision for impairment of financial instruments can refer to the Notes VII 5, VII. 6 and VII. 8 of Section X Financial Report in this report.

4. Credit risk exposure and credit risk concentration

The Company's credit risk is primarily from currency funds and receivables. In order to control the risks associated with aforementioned items, the Company has taken the following measures.

(1) Currency funds

The credit risk of the Company is limited because the Company has deposited bank deposits and other monetary funds in banks with high credit ratings.

(2) Receivables

The Company continually evaluates the creditworthiness of its customers with deals on credit, and selects to deal with approved and creditworthy customers subject to the results of the credit assessment with monitoring the balance of its receivables, so as to ensure that the Company is not exposed to significant risk of bad debt.

No collaterals are required since the Company only deals with third parties that are approved and creditworthy. The concentrated credit risks are managed by customers. As of June 30, 2021, the Company was exposed to certain concentration of credit risks, as the Company's accounts receivable from top 5 customers have accounted for 55.61% of the total balance of accounts receivable (December 31, 2020: 49.92%). The Company held no collaterals or other credit ranking measures for the balance of accounts receivable.

The maximum exposure to the Company is the carrying amount of each financial asset in the balance sheet.

(II) Liquidity Risk

Liquidity risk refer to the risk that the Company is in shortage of funds in performing obligations that are settled by delivering cash or another financial asset. Liquidity risk may derive from the inability to sell financial assets at fair value as soon as possible, or from the other party's inability to repay its contractual debt, or from debt that matures early or from the inability to generate expected cash flows.

In order to control this risk, the Company balances the continuity and flexibility of financing by using various financing measures such as notes settlement and bank loans comprehensively and adopting

both long-term and short-term financing methods to optimize the financing structure. The Company has received credit facilities from a number of commercial banks to satisfy its working capital requirements and capital expenditures.

Financial liabilities classified by remaining duration

Item	Closing balance				
	Carrying amount	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Bank borrowings	200,000,000.00	206,774,520.55	206,774,520.55		
Notes payable	63,672,739.08	63,672,739.08	63,672,739.08		
Accounts payable	347,238,059.11	347,238,059.11	347,238,059.11		
Other payables	73,609,323.68	73,609,323.68	73,609,323.68		
Sub-total	684,520,121.87	691,294,642.42	691,294,642.42		

(Continued)

Item	Closing amount for the prior year				
	Carrying amount	Undiscounted contract amount	Within 1 year	1-3 years	Over 3 years
Bank borrowings	299,280,435.09	306,965,009.72	306,965,009.72		
Notes payable	64,580,000.00	64,580,000.00	64,580,000.00		
Accounts payable	515,832,031.27	515,832,031.27	515,832,031.27		
Other payables	75,546,323.32	75,546,323.32	75,546,323.32		
Sub-total	955,238,789.68	962,923,364.31	962,923,364.31		

(III) Market Risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly includes interest rate risk and currency risk.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest-bearing financial instruments with fixed interest rates expose the Company to fair value interest rate risk, and interest-bearing financial

instruments with floating interest rates expose the company to cash flow interest rate risk. The Company determines the ratio of fixed-rate and floating-rate financial instruments based on the market environment, and maintains an appropriate portfolio of financial instruments through regular review and monitoring.

2. Foreign currency risks

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the currency risk is primarily associated with the Company's monetary assets and liabilities dominated in foreign currencies. Since the Company mainly operates in Mainland China with its principal activities denominated in RMB, the Company's exposure to the currency risk due to changes in market is not material.

The closing balance of the Company's monetary assets and liabilities dominated in foreign currencies is seen in Note VII 82 of Section X Financial Report in this report.

XI. Disclosure of Fair Value

1. Closing balance of the fair value of assets and liabilities measured at fair value

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance of fair value			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement				
(I) Held-for-trading financial assets				
1. Financial assets at fair value through profit or loss				
(1) Investments in debt instruments				
(2) Investments in equity instruments				
(3) Derivative financial assets				
2. Financial assets, at fair value through profit or loss				
(1) Investments in debt instruments				
(2) Investments in equity instruments				
(II) Other debt investments				
(III) Other investments in equity instruments			20,580,000.00	20,580,000.00
(IV) Investment properties				
1. A land use right that is used to be leased out.				

2. A building that is leased out.				
3. A land use right held for transfer upon capital appreciation.				
(V) Biological assets				
1. Consumable biological assets				
2. Bearer biological assets				
Receivable financing			5,263,729.60	5,263,729.60
Total assets continuously measured at fair value			25,843,729.60	25,843,729.60
(VI) Held-for-trading financial liabilities				
1. Financial liabilities at fair value through profit or loss				
Including: Issued tradable bonds				
Derivative financial liabilities				
Others				
2. Financial liabilities designated as 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. Basis for determining the market price of continuous and non-continuous level 1 fair value measurement items

Applicable N/A

3. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 2 fair value measurement items

Applicable N/A

4. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 3 fair value measurement items

Applicable N/A

- For the held notes receivable, the par value is used to determine their fair value.
- The fair value of other equity instrument investments of the Company is determined according to the actual capital contribution.

5. Reconciliation between opening and closing carrying amounts and sensitivity analysis of unobservable parameters for continuous level 3 fair value measurement items

Applicable N/A

6. In case of transfers among levels for the current period, explain the transfer reasons and policies for determining transfer time point for continuous fair value measurement items

Applicable N/A

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

Applicable N/A

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

Applicable N/A

9. Others

Applicable N/A

XII. Related Party and Related Party Transactions**1. Parent company of the Company**

Applicable N/A

2. Subsidiaries of the Company

For details of the subsidiaries of the Company, please see the notes.

Applicable N/A

The details of the subsidiaries of the Company are set out in Note IX of Section X in this report.

3. Joint ventures and associates of the Company

For details of the significant joint ventures or associates of the Company, please see the notes.

Applicable N/A

The details of other joint ventures or associates having related party transactions and balances with the Company in the current period or prior periods are as follows:

Applicable N/A

4. Other related parties of the Company

Applicable N/A

Name of other related parties	Relationship between other related parties and the Company
Zhejiang Leqing Rural Commercial Bank Co., Ltd.	Others
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Others
Xiongke Culture Media (Hangzhou) Co., Ltd.	Others
Beijing Mitangpai Cosmetics Co., Ltd. [Note 1]	Others
Metis Information Technology (Guangzhou) Co., Ltd.	Others
Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Others
Zhuhai Healthlong Biotechnology Co., Ltd.	Others
Shaoqing City Keqiao District Qingteng Culture	Others

Investment Co., Ltd.	
Parisezhan HK Limited	Others
EURL PHARMATICA	Others
SARL ORTUS	Others
S.A.S AREDIS	Others
YOKIPLUS Co., Ltd.	Others
Shanghai YOKIPLUS Brand Management Co., Ltd.	Others
Pan Xiang	Others

Other descriptions

[Note 1] Beijing Mitangpai Cosmetics Co., Ltd. was revoked in August 2020.

[Note 2] Zhuhai Healthlong Biotechnology Co., Ltd. was a minority shareholder of Shanghai Healthlong Company. In April 2021, the Company increased the capital contribution to Zhuhai Healthlong Biotechnology Co., Ltd. in the form of 52% of equity held by it in Shanghai Healthlong Company. After the increase in capital contribution completes, Shanghai Healthlong Company becomes a wholly-owned subsidiary of Zhuhai Healthlong Biotechnology Co., Ltd., and the Company holds 10.00% of equity in Zhuhai Healthlong Biotechnology Co., Ltd. and has the right to appoint one director to Zhuhai Healthlong Biotechnology Co., Ltd..

5. Related party transactions

(1). Sales and purchase of goods, rendering and receipt of services

Table of purchase of goods/ receipt of services

√ Applicable □N/A

Unit: RMB0'000 Currency: RMB

Related parties	Details of related party transactions	Amount for the current period	Amount for the prior period
Zhuhai Healthlong Biotechnology Co., Ltd.	Purchase of goods	2,456.11	
EURL PHARMATICA	Purchase of goods		2,991.63
SARL ORTUS	Purchase of goods		959.72
S.A.S AREDIS	Purchase of goods		117.16
Metis Information Technology (Guangzhou) Co., Ltd.	Advertising and communication service fee		117.50
Xiongke Culture Media (Hangzhou) Co., Ltd.	Video production service		13.93

Table of sales of goods/ rendering of services

√ Applicable □N/A

Unit: RMB0'000 Currency: RMB

Related parties	Details of related party transactions	Amount for the current period	Amount for the prior period
Shanghai YOKIPLUS Brand Management Co., Ltd.	Sales of goods	3,485.85	2,425.55
YOKIPLUS Co., Ltd.	Sales of goods	91.16	239.92
Shaoqing City Keqiao District Qingteng Culture Investment Co., Ltd.	Sales of goods	2.62	
Zhejiang Leqing Rural Commercial Bank Co., Ltd.	Sales of goods	1.41	

Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Sales of goods	0.30	
Parisezhan HK Limited	Sales of goods		106.78
Beijing Mitangpai Cosmetics Co., Ltd.	Sales of goods		224.95

Descriptions of related party transactions with respect to the sales and purchase of goods, rendering and receipt of services

Applicable N/A

(2). Related entrusted management/contracting and entrusting management/outsourcing

Table of the entrusted management/contracting of the Company:

Applicable N/A

Descriptions of related trusteeship/outsourcing

Applicable N/A

Table of the entrusting management/outsourcing of the Company:

Applicable N/A

Descriptions of related management/outsourcing

Applicable N/A

(3). Related leases

The Company as the lessor:

Applicable N/A

The Company as the lessee:

Applicable N/A

Unit: RMB0'000 Currency: RMB

Name of lessors	Category of leased assets	Lease fees recognized in the current period	Lease fees recognized in the prior period
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Workshop	48.40	50.64
Shanghai YOKIPLUS Brand Management Co., Ltd.	Office premises	23.49	

Descriptions of related leases

Applicable N/A

(4). Related guarantees

The Company as the guarantor

Applicable N/A

The Company as the guaranteed party

Applicable N/A

Descriptions of guarantees with related parties

Applicable N/A

(5). Lending funds of related parties

Applicable N/A

(6). Asset transfer and debt restructuring between related parties

Applicable N/A

(7). Compensation for key management

Applicable N/A

Unit: RMB0'000 Currency: RMB

Item	Amount for the current period	Amount for the prior period
Compensation for key management	491.60	493.10

(8). Other related party transactions

Applicable N/A

The Company and its subsidiaries open bank accounts in Zhejiang Leqing Rural Commercial Bank Co., Ltd. and collect deposit interest according to market interest rates.

(1) Deposit with the related-party banks

Unit: RMB0'000

Related party	Descriptions of related-party transaction	Closing balance	Opening balance
Zhejiang Leqing Rural Commercial Bank Co., Ltd.	Bank deposit	14,929.61	14,390.77

(2) Collection of interest from related parties

Unit: RMB0'000

Related party	Descriptions of related-party transaction	Current amount	Prior amount
Zhejiang Leqing Rural Commercial Bank Co., Ltd.	Interest income	317.84	286.55

6. Amounts due from / to related parties

(1). Amounts due from related parties

Applicable N/A

Unit: Yuan Currency: RMB

Item	Related parties	Closing balance		Opening balance	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Account receivable					
	Shanghai YOKIPLUS Brand Management Co., Ltd.	1,183,869.84	59,193.49		
Sub-total		1,183,869.84	59,193.49		

Prepayments					
	Zhuhai Healthlong Biotechnology Co., Ltd.			21,432,452.28	
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	43,000.00		44,000.00	
	Shanghai YOKIPLUS Brand Management Co., Ltd.			39,150.95	
Sub-total		43,000.00		21,515,603.23	
Other receivables					
	EURL PHARMATICA [Note]	12,001,399.00	600,069.95	24,167,639.75	1,208,381.99
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	133,568.20	61,820.46	132,568.20	61,770.46
	Pan Xiang	75,000.00	22,500.00	75,000.00	22,500.00
Sub-total		12,209,967.20	684,390.41	24,375,207.95	1,292,652.45

[Note] The amounts in the line of EURL PHARMATICA are combined amounts of EURL PHARMATICA, PARISEZHAN HK LIMITED, SARL ORTUS and S.A.S AREDIS, which are controlled by the same person.

(2). Amount due to related parties

Applicable N/A

Unit: Yuan Currency: RMB

Item	Related parties	Gross carrying amount at the end of the period	Gross carrying amount at the beginning of the period
Accounts payable			
	Metis Information Technology (Guangzhou) Co., Ltd.		99,718.88
	S.A.S AREDIS		263,358.19
Sub-total			363,077.07
Contract liabilities			
	Shanghai YOKIPLUS Brand Management Co., Ltd.		34,200.00
Sub-total			34,200.00

7. Commitments of related parties

Applicable N/A

8. Others

Applicable N/A

XIII. Share-based Payment**1. Overview of shared-based payment**

√Applicable □N/A

Unit: Share Currency: RMB

Total amount of each type of equity instruments granted by the Company in the current period	N/A
Total amount of each type of equity instruments of the Company exercised in the current period	293,265.00
Total amount of each type of equity instruments of the Company lapsed in the current period	
Range of exercise prices and remaining contractual life of share options outstanding of the Company at the closing of the period	N/A
Range of exercise prices and remaining contractual life of other equity instruments outstanding of the Company at the closing of the period.	The grant price of the restricted shares granted is RMB 17.95 per share, and the term is 60 months from the grant date.

Other descriptions

On July 12, 2018, in accordance with the *Proposal on the Restricted Share Incentive Plan of the Company in 2018 (Draft) and Its Summary* reviewed and approved by the first extraordinary general meeting of the Company in 2018, and pursuant to the incentive plan, the Company proposed to grant no more than 1,467,200 shares of restricted shares to the grantees, of which 1,201,100 shares were granted for the first time, and 266,100 shares were reserved. The restricted shares were initially granted on July 12, 2018 to 32 persons including senior managers, middle managers and core backbones of the Company (excluding independent directors, supervisors and shareholders who individually or jointly hold more than 5% of the Company's shares, or the *de facto* controllers and their respective spouse, parents, children) at the price of RMB 17.95/share. The source of the underlying shares involved in this incentive plan is A-share common stock directionally by the Company to grantees. The effective period of this incentive plan is from the date when the registration of grant of the restricted shares is completed to the date when all the restricted shares granted to the grantees are vested or repurchased and cancelled, but subject to 60 months at the longest. The restricted shares granted will be vested in three installments within the next 36 months after the expiration of 12 months from the initially granted restricted shares at 30%, 30% and 40%. Performance vesting conditions for the first release period: based on the operating income and net profit in 2017, the growth rate of operating income and net profit in 2018 shall not be less than 30.8% and 30.1%, respectively; performance vesting conditions for the second release period: based on the operating income and net profit in 2017, the growth rate of operating income and net profit in 2019 shall not be less than 74.24% and 71.21%, respectively; performance vesting conditions for the third release period: based on the operating income and net profit in 2017, the growth rate of operating income and net profit in 2020 shall not be less than 132.61% and 131.99%, respectively.

On July 12, 2018, the 22nd meeting of the first board of directors of the Company reviewed and approved the *Proposal on the Initial Grant of Restricted Shares to Grantees*, determining the date July 12, 2018 as the initial grant date. In the actual subscription process, some grantees voluntarily gave up the subscription, and the Company actually granted 1,096,200 restricted shares.

On December 12, 2018, the 3rd meeting of the second board of directors of the Company reviewed and approved the *Proposal on the Grant of Reserved Restricted Shares to Grantees*, determining the date December 12, 2018 as the grant date of reserved restricted shares. In the actual subscription process, all the grantees completed the subscription, and the Company actually granted 266,100 restricted shares.

On December 30, 2019, the 10th meeting of the second board of directors of the Company reviewed and approved the *Proposal on the Satisfaction of Vesting Conditions for the First Release Period of the Initially Granted Restricted Shares and the Granted Reserved Portion under the 2018 Restricted Share Incentive Plan*, 369,500 restricted shares held by the grantees who meet the vesting conditions for the first release period were vested and circulated on January 6, 2020.

In accordance with the *Proposal on Repurchase and Cancellation of Restricted Shares That Have Been Granted but Have Not Vested by Unqualified Grantees* reviewed and approved by the 4th meeting of the second board of directors in 2019 and the first extraordinary general meeting of shareholders in 2019 and the *Proposal on Repurchase and Cancellation of Some Restricted Shares under Share*

Incentive Plan reviewed and approved by the 8th meeting of the second board of directors in 2019, the Company repurchased and cancelled 92,740 restricted shares and paid RMB 1,657,699.80 as repurchase payments because some grantees left the office or failed to meet all vesting conditions of restricted shares upon appraisal of performance for that period.

On July 6, 2020, in accordance with the *Proposal on Adjusting the 2020 Performance Appraisal Index at the Company Level in the 2018 Restricted Share Incentive Plan and Related Documents* reviewed and approved by the second extraordinary general meeting of shareholders of the Company in 2020, the Company revised the performance appraisal index for the third release period in original incentive plan as the following: based on the operating income in 2017, and the growth rate of operating income in 2020 shall not be less than 110.22% and based on net profit in 2017, the growth rate of net profit in 2020 shall not be less than 131.99%.

On August 24, 2020, in accordance with the *Proposal on Repurchase of Cancelled Restricted Shares under Share Incentive Plan* reviewed and approved by the 15th and 16th meetings of the second board of directors in 2020, and the 3rd extraordinary general meeting of shareholders in 2020, the Company repurchased and cancelled 152,635 restricted shares and paid RMB 2,584,110.55 as the repurchase payment because some grantees left the office or failed to meet all vesting conditions of restricted shares upon appraisal of performance for that period.

The Company's various equity instruments exercised for the current period were based on the *Proposal on the Satisfaction of Vesting Conditions for the Second Release Period of the Initially Granted Restricted Shares and the Granted Reserved Portion under the 2018 Restricted Share Incentive Plan* reviewed and approved by the 18th meeting of the second board of directors on January 5, 2021, and accordingly 293,265 restricted shares held by the grantees who meet the Vesting Conditions for the second release period were vested and circulated on January 14, 2021.

2. Equity-settled share-based payment

Applicable N/A

Unit: Yuan Currency: RMB

Method of determining the fair value of equity instruments on the grant date	Determined based on the share price on the grant date and grant price of restricted shares
Basis for determination of number of exercisable equity instruments	Estimated based on performance conditions of the release periods
Reasons for significant differences between estimates in the current period and those in the prior period	N/A
Accumulated amount of equity-settled share-based payment included in the capital reserve	34,211,501.90
Total expense recognized for the current period arising from equity-settled share-based payments.	2,262,118.91

Other descriptions

None

3. Cash-settled share-based payment

Applicable N/A

4. Modifications to and termination of share-based payment

Applicable N/A

5. Others

Applicable N/A

XIV. Commitments and Contingencies

1. Significant commitments

Applicable N/A

Significant commitments to outsiders as of the balance sheet data, and their nature and amount

On May 13, 2021, through being reviewed and approved by the 2020 annual general meeting of shareholders of the Company, the Company intends to apply for publicly issuing not more than RMB 803,500,000 A-share convertible corporate bonds, and the proceeds from issuance of convertible corporate bonds net of the issuance expenses will be used for the following projects:

Project	Total investments (RMB 0'000)	Proceeds to be invested
Huzhou production base expansion construction project (phase I)	43,752.54	33,850.00
Longwu R&D center construction project	21,774.45	19,450.00
Information system upgrade construction project	11,239.50	9,050.00
Replenishment of working capital	18,000.00	18,000.00
Total	94,766.49	80,350.00

2. Contingencies

(1). Significant contingencies as of the balance sheet date

Applicable N/A

(2). Please also make explanations thereof if the Company has no significant contingency to be disclosed:

Applicable N/A

3. Others

Applicable N/A

XV. Events After the Balance Sheet Date

1. Significant non-adjustment events

Applicable N/A

2. Profit distribution

Applicable N/A

3. Sales returns

Applicable N/A

4. Descriptions of other events after the balance sheet date

Applicable N/A

XVI. Other significant events

1. Corrections of previous accounting errors

(1). Retrospective restatement

Applicable N/A

(2). Prospective application

Applicable N/A

2. Debt restructuring

Applicable N/A

3. Replacement of assets**(1). Exchange of non-monetary assets**

Applicable N/A

(2). Replacement of other assets

Applicable N/A

4. Annuity plan

Applicable N/A

5. Discontinued operations

Applicable N/A

6. Segment information**(1). Determination basis and accounting policies of reporting segments**

Applicable N/A

The Company does not have diversified operations or cross-regional operations, so there is no reporting segment. The Company's main business income and costs classified by brand are as follows:

From January to June 2021

Brand	Main business income	Main business costs	Gross profit
Proya	1,487,120,837.44	508,232,715.85	978,888,121.59
Other brands	424,159,627.47	182,705,819.33	241,453,808.14
Sub-total	1,911,280,464.91	690,938,535.18	1,220,341,929.73

From January to June 2020

Brand	Main business income	Main business costs	Gross profit
Proya	1,131,438,646.00	393,086,772.23	738,351,873.77
Other brands	250,696,466.85	159,861,764.58	90,834,702.27
Sub-total	1,382,135,112.85	552,948,536.81	829,186,576.04

(2). Financial information of reporting segments

Applicable N/A

(3). If the Company has no reporting segment or is unable to disclose total assets and liabilities of each reporting segments, please give the reason therefor

Applicable N/A

(4). Other descriptions

Applicable N/A

7. Other significant transactions and events affecting the investors' decisions

Applicable N/A

8. Others

Applicable N/A

XVII. Notes to Key Items in the Financial Statements of the Parent Company**1. Accounts receivable****(1). Disclosure by aging**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

Aging	Gross carrying amount at the end of the period
Within 1 year	
Including: Subdivision within 1 year	
Sub-total within 1 year	473,628,112.49
1-2 years	44,732,356.05
2-3 years	12,435,009.76
Over 3 years	346,836.70
3-4 years	
4-5 years	
Above 5 years	
Total	531,142,315.00

(2). Disclosure by categories based on methods of determination of provision for bad debts

√ Applicable □ N/A

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Gross carrying amount		Provision for bad debts		Carrying amount	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts made individually										
Including:										
Provision for bad debts made by portfolio:										
Including:										
Aging portfolio	531,142,315.00	100.00	43,665,454.02	8.22	487,476,860.98	617,474,114.36	100.00	52,436,703.21	8.49	565,037,411.15
Total	531,142,315.00	/	43,665,454.02	/	487,476,860.98	617,474,114.36	/	52,436,703.21	/	565,037,411.15

Provision for bad debts made individually:

□ Applicable √ N/A

Provision for bad debts made by portfolio:

√ Applicable □ N/A

Items of portfolio provision: aging portfolio

Unit: Yuan Currency: RMB

Name	Closing balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Within 1 year	473,628,112.49	23,681,405.62	5.00
1-2 years	44,732,356.05	13,419,706.82	30.00
2-3 years	12,435,009.76	6,217,504.88	50.00
Over 3 years	346,836.70	346,836.70	100.00
Total	531,142,315.00	43,665,454.02	8.22

Standards of provision for bad debts made by portfolio and descriptions thereof:

□ Applicable √ N/A

If the provision for bad debts is made in accordance with the general model of expected credit losses, please refer to other receivables disclosure:

Applicable N/A

(3). Provision for bad debts

Applicable N/A

Unit: Yuan Currency: RMB

Category	Opening balance	Changes for the current period			Closing balance
		Provision	Recovery or reversal	Removal/write-off	
Provision for bad debts made by portfolio	52,436,703.21	-8,771,177.49		71.70	43,665,454.02
Total	52,436,703.21	-8,771,177.49		71.70	43,665,454.02

Significant recovery or reversal of bad debt provision for the current period:

Applicable N/A

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

Applicable N/A

Unit: Yuan Currency: RMB

Item	Write-off amount
Accounts receivable actually written off	71.70

Descriptions of significant accounts receivable that are written off:

Applicable N/A

Descriptions of write-off of accounts receivable:

Applicable N/A

(5). Top five closing balances of accounts receivable categorized by debtor

Applicable N/A

Unit: Yuan Currency: RMB

Unit	Gross carrying amount	Proportion to the balance of accounts receivable (%)	Provision for bad debts
Hangzhou Proya Trade Co., Ltd.	257,333,981.88	48.45	12,866,699.09
Huzhou Youzilai Trade Co., Ltd.	84,766,828.65	15.96	10,021,930.53
Zhejiang Meili Valley E-commerce Co., Ltd.	64,862,788.89	12.21	3,243,139.44
Hangzhou Proya Business Management Co., Ltd.	44,351,306.05	8.35	4,435,130.61
Ningbo TIMAGE Cosmetics Co., Ltd.	24,017,820.47	4.52	1,200,891.02
Sub-total	475,332,725.94	89.49	31,767,790.69

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

□Applicable ✓ N/A

(7). Assets and liabilities generated by the transfer of accounts receivable and continuing involvement therein

□Applicable ✓ N/A

Other descriptions:

□Applicable ✓ N/A

2. Other receivables**Line items**

✓ Applicable □N/A

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	233,121,481.53	236,585,409.48
Total	233,121,481.53	236,585,409.48

Other descriptions:

□Applicable ✓ N/A

Interest receivable**(1). Classification of interest receivable**

□Applicable ✓ N/A

(2). Significant overdue interest

□Applicable ✓ N/A

(3). Provision for bad debts

□Applicable ✓ N/A

Other descriptions:

□Applicable ✓ N/A

Dividends receivable**(1). Dividends receivable**

□Applicable ✓ N/A

(2). Significant dividends receivable aged more than 1 year

□Applicable ✓ N/A

(3). Provision for bad debts

□Applicable ✓ N/A

Other descriptions:

Applicable N/A

Other receivables

(1). Disclosure by aging

Applicable N/A

Unit: Yuan Currency: RMB

Aging	Gross carrying amount at the end of the period
Within 1 year	
Including: Subdivisions within 1 year	
Sub-total within 1 year	100,446,944.93
1-2 years	183,038,555.89
2-3 years	35,777,727.67
Over 3 years	123,559,056.72
3-4 years	
4-5 years	
Above 5 years	
Total	442,822,285.21

(2). Classification of other receivables by nature

Applicable N/A

Unit: Yuan Currency: RMB

Nature	Gross carrying amount at the end of the period	Gross carrying amount at the beginning of the period
Borrowings	423,287,910.34	402,005,709.08
Security deposit	17,784,706.72	5,100,314.72
Revolving funds	591,388.00	932,910.70
Others	1,158,280.15	4,924.76
Total	442,822,285.21	408,043,859.26

(3). Provision for bad debts

Applicable N/A

Unit: Yuan Currency: RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	Future 12-month ECL	Lifetime ECL (without credit impairment)	Lifetime ECL (with credit impairment)	
Balance as of January 1, 2021	8,005,556.84	2,792,224.42	160,660,668.52	171,458,449.78
In the current period, balance as at January 1, 2021				
-- transferred to Stage II	-7,875,997.27	7,875,997.27		
--transferred to Stage III		-13,879.80	13,879.80	
-- transferred back to Stage II				
-- transferred back to Stage I				
Current provision	1,585,733.49	36,601,641.74	54,978.67	38,242,353.90
Current reversal				

Current removal				
Current write-off				
Other changes				
Balance as of June 30, 2021	1,715,293.06	47,255,983.63	160,729,526.99	209,700,803.68

Descriptions of the significant changes in the gross carrying amount of other receivables for which the changes in loss allowance occur for the current period:

Applicable N/A

Provision for bad debts in the current period and the basis for assessing whether the credit risk of financial instruments has increased significantly:

Applicable N/A

(4). Provision for bad debts

Applicable N/A

Unit: Yuan Currency: RMB

Category	Opening balance	Current changes				Closing balance
		Provision	Recovery or reversal	Removal/write-off	Other changes	
Provisions for bad debts made individually	160,573,168.52					160,573,168.52
Provisions for bad debts by portfolio	10,885,281.26	38,242,353.90				49,127,635.16
Total	171,458,449.78	38,242,353.90				209,700,803.68

Significant recovery or reversal of provision for bad debts for the current period:

Applicable N/A

(5). Other receivables actually written off for the current period

Applicable N/A

Descriptions of significant other receivables that are written off:

Applicable N/A

(6). Top five closing balances of other receivables categorized by debtors

Applicable N/A

Unit: Yuan Currency: RMB

Entity	Nature	Closing balance	Aging	Proportion to total closing balance of other receivables (%)	Closing balance of provision for bad debts
Hapsode (Hangzhou) Cosmetics Co., Ltd.	Borrowings	249,730,591.44	[Note 1]	56.40	159,856,503.49

Hongkong Xinghuo Industry Limited	Borrowings	142,545,790.44	[Note 2]	32.19	41,432,595.43
Ningbo TIMAGE Cosmetics Co., Ltd.	Borrowings	16,304,983.36	[Note 3]	3.68	4,661,849.17
People's Government of Taixi Town, Wuxing District, Huzhou City	Security deposit	13,493,392.00	Within 1 year	3.05	674,669.60
Ningbo Keshi Trade Co., Ltd.	Borrowings	5,170,833.38	Within 1 year	1.17	258,541.67
Total	/	427,245,590.62	/	96.49	206,884,159.36

[Note 1] Within 1 year: RMB 66,096,979.69, 1-2 years: RMB 24,476,318.83, 2-3 years: RMB 35,731,461.67, and over 3 years: RMB 123,425,831.25.

[Note 2] Within 1 year: RMB 5,324,566.81, and 1-2 years: RMB 137,221,223.63.

[Note 3] Within 1 year: RMB RMB 918,583.36 and 1-2 years: RMB 15,386,400.

(7). Receivables involving government grants

Applicable N/A

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

Applicable N/A

(9). Assets and liabilities generated by the transfer of other receivables and continuing involvement therein

Applicable N/A

Other descriptions:

Applicable N/A

3. Long-term equity investments

Applicable N/A

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Investments in subsidiaries	230,062,149.41	42,500,000.00	187,562,149.41	337,957,327.24	42,500,000.00	295,457,327.24
Investments in associates and joint ventures	191,110,955.18		191,110,955.18	51,915,628.82		51,915,628.82
Total	421,173,104.59	42,500,000.00	378,673,104.59	389,872,956.06	42,500,000.00	347,372,956.06

(1) Investments in subsidiaries

√ Applicable □N/A

Unit: Yuan Currency: RMB

Investee	Opening balance	Current increase	Current decrease	Closing balance	Current provision for impairment	Closing balance of provision for impairment
Hangzhou Proya Trade Co., Ltd.	30,875,097.64	65,593.30		30,940,690.94		
HANNA COSMETICS CO., LTD.	2,094,048.00			2,094,048.00		
Zhejiang Meili Valley E-commerce Co., Ltd.	16,383,777.51	476,445.98		16,860,223.49		
Leqing 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 Youzilai Trade Co., LTD.	5,568,795.63	21,727.80		5,590,523.43		
Huzhou Niuke Technology Co., Ltd.	3,500,000.00			3,500,000.00		
Hangzhou Proya Business Management Co., Ltd.	5,000,000.00			5,000,000.00		
Huzhou Y.N.M. Cosmetics Co., Ltd.	20,308,163.00			20,308,163.00		
Shanghai Zhongwen Electronic Commerce Co., Ltd.	5,400,000.00			5,400,000.00		
Y.N.M. Cosmetics Co., Ltd.	5,046,455.61			5,046,455.61		
Hongkong	24,736,491.0			24,736,491.0		

Keshi Trading Limited	0			0		
Hongkong Xinghuo Industry Limited	10,185,924.00			10,185,924.00		
Ningbo TIMAGE Cosmetics Co., Ltd.	15,902,200.00			15,902,200.00		
Ningbo Keshi Trading Co., Ltd.	520,000.00			520,000.00		
Zhejiang Biyouiti Cosmetics Co., Ltd.	10,000,000.00			10,000,000.00		
Ningbo Proya Enterprise Consulting Management Co., Ltd.	4,186,374.85	991,055.09		5,177,429.94		
Hangzhou Yizhuo Culture Media Co., Ltd.	1,000,000.00			1,000,000.00		
Hangzhou Oumisi Trade Co., Ltd.	2,000,000.00			2,000,000.00		
Guangzhou Qianxi Network Technology Co., Ltd.	1,000,000.00			1,000,000.00		
Zhejiang Qingya Culture and Art Communication Co., Ltd.	550,000.00	550,000.00		1,100,000.00		
Huzhou Poyun E-commerce Co., Ltd.	1,200,000.00			1,200,000.00		
Shanghai Healthlong Biochemical Technology Co., Ltd.	110,500,000.00		110,500,000.00			
Hangzhou Weiluoke Cosmetics Co., Ltd.	500,000.00			500,000.00		
BOYA (Hong						

Kong) Investment Management Co., Limited						
Xuzhou Proya Information Technology Co., Ltd.		500,000.00		500,000.00		
Proya (Hainan) Cosmetics Co., Ltd.						
Total	337,957,327. 24	2,604,822. 17	110,500,000. 00	230,062,149. 41		42,500,000. 00

(2) Investments in associates and joint ventures

√ Applicable □ N/A

Unit: Yuan Currency: RMB

Other descriptions:

Investor	Opening balance	Current increase or decrease								Closing balance	Closing balance of provision for impairment
		Additional investment	Decreased investment	Investment gain or loss under equity method	Adjustment in other comprehensive income	Other equity changes	Declared cash dividends or profits	Provision for impairment	Others		
I. Joint ventures											
Huzhou Panrui Industrial Investment Partnership (LP)	3,306,630.57			-5,579.63						3,301,050.94	
Sub-total	3,306,630.57			-5,579.63						3,301,050.94	
II. Associates											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,985,511.35			-53,464.43						2,932,046.92	
Jiaxing Woyong Investment Partnership (LP)	45,623,486.90	28,206,800.00		-24,953.93						73,805,332.97	
Zhuhai Healthlong Biotechnology Co., Ltd.		110,500.00		-2,349.263.38						108,150,736.62	
Beijing Xiushi Culture Development Co., Ltd.		3,000,000.00		-78,212.27						2,921,787.73	
Sub-total	48,608,998.25	141,706,800.00		-2,505,894.01						187,809,904.24	
Total	51,915,628.82	141,706,800.00		-2,511,473.64						191,110,955.18	

□ Applicable √ N/A

4. Revenue and cost of revenue**(1). Descriptions of revenue and cost of revenue**

√ Applicable □N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Main operations	879,711,296.91	450,100,842.12	776,212,301.93	358,574,648.35
Other operations	17,039,716.68	6,487,404.50	16,841,498.35	6,231,905.61
Total	896,751,013.59	456,588,246.62	793,053,800.28	364,806,553.96

(2). Descriptions of revenue generated from contacts

□Applicable √N/A

(3). Descriptions of performance obligations

□Applicable √N/A

(4). Descriptions of allocation to remaining performance obligations

□Applicable √N/A

Other descriptions:

None

5. Investment income

√ Applicable □N/A

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the prior period
Long-term equity investments accounted for using the cost method		
Income from long-term equity investment accounted for using the equity method	-2,511,473.64	-270,798.84
Income from disposal of long-term equity investments		
Investment income from held-for-trading financial assets during the holding period		
Dividend income from other equity investment instruments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of held-for-trading financial assets		
Investment income from disposal of other investments in equity instruments		
Investment income from disposal of debt investments		

Investment income from disposal of other debt investments		
Income from wealth management products		2,266,301.37
Total	-2,511,473.64	1,995,502.53

Other descriptions:

None

6. Others

Applicable N/A

XVIII. Supplementary Information

1. Breakdown of non-recurring profit or loss for the current period

Applicable N/A

Unit: Yuan Currency: RMB

Item	Amount	Note
Gains or losses from disposal of non-current assets	-1,416.28	
Unauthorized examination and approval, or lack of official approval documents, or tax revenue return and abatement		
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 uniform standards)	9,370,319.81	
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 investee		
Gains or losses from exchange of non-monetary assets		
Gains or losses from entrusting others with investment or asset management		
Asset impairment provision made resulting from force majeure such as natural disasters		
Gains or losses from debt restructuring		
Enterprise restructuring fees, such as staffing expenses and integration fees		
Gains or losses that exceeds the fair value in transaction with unfair 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 and liabilities, 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	-3,545.22	
Reversal of impairment provision of accounts receivable and contract assets that have undergone impairment test alone		
Gains or losses from outward entrusted loaning		
Gains or losses from changes in the fair values of investment properties 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 income and expenses besides the above items	521,323.29	
Other items that conform to the definition of non-recurring profit or loss		
Effect of income tax	-2,222,932.24	
Effect of minority equity	-1,842,828.78	
Total	5,820,920.58	

Provide explanations for classifying non-recurring profit and loss items defined in the *Explanatory Announcement No. 1 for Public Company Information Disclosures – Non-recurring Profits and Losses*, and for classifying non-recurring profit and loss items listed in the *Explanatory Announcement No. 1 for Public Company Information Disclosures – Non-recurring Profits and Losses* as recurring profit and loss item.

Applicable N/A

2. Return on net assets and earnings per share

Applicable N/A

Profit for the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net loss attributable to the Company's ordinary shareholders	9.10	1.13	1.12
Net profit attributable to the parent company's shareholders, excluding non-recurring profit or loss	8.86	1.10	1.10

3. Differences arising from accounting standard of the PRC and the International Accounting Standards

Applicable N/A

4. Others

Applicable N/A

Board Chairman: HOU Juncheng

Date of Submission Approved by the Board: August 24, 2021

Revised information

Applicable N/A