

Stock Code: 603605

Abbreviation: Proya

Bond Code: 113634

Bond Abbreviation: Proya convertible bond



Proya Cosmetics Co., Ltd.

Annual Report 2021

Important Notes

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

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

III. Pan-China Certified Public Accountants (Special General Partnership) has issued a standard unqualified audit report to the Company.

IV. Hou Juncheng, chairman of the Company, Wang Li, CFO of the Company represent and warrant that the financial report in the Annual Report is authentic, accurate and complete.

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

Based on the total share capital as of the record date for dividend distribution, the Company plans to distribute to all shareholders registered on the record date a cash dividend of RMB8.60 (tax inclusive) per 10 shares and proposes to convert the capital reserve into share capital in the proportion of four4 shares for every 10 shares without bonus shares. Based on a total of 201,009,966 shares on December 31, 2021, the estimated cash dividend amounts to RMB172,868,570.76 (tax inclusive) and 80,403,986 shares will be issued through the capital reserve capitalization. In case of a change in the Company's total share capital prior to before the record date for equity distribution, the Company would maintain the said distribution and conversation ratios and yet adjusted the total distribution and conversion amounts and would otherwise announce such adjustments.

VI. Disclosure of risks involved in forward-looking statements

" Applicable" " Not applicable"

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

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

No

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

No

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

No

X. Major risk tips

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

XI. Others

Applicable" " Not applicable"

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	Financial statements signed and sealed by the legal representative, the CFO of the Company, and the head of accounting department
Documents Available for Inspection	Original copy of the auditors' report with the auditing firm's chop affixed, signed and sealed by certified public accountants.
	Original copies of all documents and announcements of the Company disclosed during the reporting period in newspapers designated by the China Securities Regulatory Commission.

Section I Definitions

I. Definitions

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

Definition		
Proya Cosmetics, this Company or the Company	shall mean	Proya Cosmetics Co., Ltd.
Huzhou Branch	shall mean	Huzhou Branch of Proya Cosmetics Co., Ltd., a branch of the Company
Proya Trading	shall mean	Hangzhou Proya Trading Co., Ltd., a wholly-owned subsidiary of the Company
Korea Hanna	shall mean	Hanna Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Hanya (Huzhou)	shall mean	Hanya (Huzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of Korea Hanna
Yueqing Laiya	shall mean	Yueqing Laiya Trading Co., Ltd., a wholly-owned subsidiary of the Company
Huzhou Uzero	shall mean	Huzhou Uzero Trading Co., Ltd., a wholly-owned subsidiary of the Company
Mijing Siyu (Hangzhou)	shall mean	Mijingsiyu (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Meiligu	shall mean	Zhejiang Meiligu Electronic Commerce Co., Ltd., a wholly-owned subsidiary of the Company
Chuangdai Electronics	shall mean	Huzhou Chuangdai E-commerce Co., Ltd., a wholly-owned subsidiary of Meiligu
Hapsode (Hangzhou)	shall mean	Hapsode (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Korea Hapsode	shall mean	Hapsode Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Huzhou Hapsode	shall mean	Huzhou Hapsode Trading Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Danyang Hapsode	shall mean	Danyang Hapsode Cosmetics Trading Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Proya Commercial	shall mean	Hangzhou Proya Commercial Management Co., Ltd., a wholly-owned subsidiary of the Company
Tiedingxian	shall mean	Hangzhou Tiedingxian Catering Management Co., Ltd., a holding subsidiary of Proya Commercial

Tielexin Aini	shall mean	Hangzhou Tieluoxin Aini Catering Management Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Xiake Bar	shall mean	Hangzhou Xiake Bar Catering Management Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Luxiaotie	shall mean	Hangzhou Luxiaotie Fitness Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Hong Kong Keshi	shall mean	Hong Kong Keshi Trading Co., Ltd., a holding subsidiary of the Company
Hong Kong Xinghuo	shall mean	Hong Kong Xinghuo Industry Limited, a wholly-owned subsidiary of the Company
Hong Kong Zhongwen	shall mean	Hong Kong Zhongwen Electronic Commerce Co., Limited, a wholly-owned subsidiary of Hong Kong Xinghuo
Hong Kong Xuchen	shall mean	Hong Kong Xuchen Trading Limited, a wholly-owned subsidiary of Hong Kong Xinghuo
Proya Luxembourg	shall mean	Proya Europe SARL, a wholly-owned subsidiary of Hong Kong Xinghuo
Shanghai Zhongwen	shall mean	Shanghai Zhongwen Electronic Commerce Co., Ltd., a wholly-owned subsidiary of the Company
Huzhou Niuke	shall mean	Huzhou Niuke Technology Co., Ltd., a holding subsidiary of the Company
Hangzhou Wanyan	shall mean	Hangzhou Wanyan Culture Media Co., Ltd., a wholly-owned subsidiary of Huzhou Niuke
Hong Kong Wanyan	shall mean	Hong Kong Wanyan Electronic Commerce Co., Limited, a wholly-owned subsidiary of Huzhou Niuke
Huzhou Younimi	shall mean	Huzhou Younimi Cosmetics Co., Ltd., a holding subsidiary of the Company
Korea Younimi	shall mean	Korea Younimi Cosmetics Co., Ltd., a holding subsidiary of the Company
Ningbo Timage	shall mean	Ningbo Timage Cosmetics Co., Ltd., a holding subsidiary of the Company
Ningbo Keshi	shall mean	Ningbo Keshi Trading Limited, a holding subsidiary of the Company
Zhejiang Biyouiti	shall mean	Zhejiang Biyouiti Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Ningbo Proya	shall mean	Ningbo Proya Enterprise Consulting Management Co., Ltd., a wholly-owned subsidiary of the Company

Zhejiang Qingya	shall mean	Zhejiang Qingya Culture Art Communication Co., Ltd., a holding subsidiary of the Company
Boya (Hong Kong)	shall mean	BOYA (Hong Kong) Investment Management Co., Limited, a wholly-owned subsidiary of the Company
Japan OR	shall mean	Or Off&Relax, a holding subsidiary of Boya (Hong Kong)
Ningbo Tangyu	shall mean	Ningbo Tangyu Trading Co., Ltd., a wholly-owned subsidiary of Japan OR
Hangzhou Weiluo	shall mean	Hangzhou Weiluo Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Hangzhou Yizhuo	shall mean	Hangzhou Yizhuo Culture Media Co., Ltd., a wholly-owned subsidiary of the Company
Hangzhou Oumisi	shall mean	Hangzhou Oumisi Trading Co., Ltd., a wholly-owned subsidiary of the Company
Huzhou Poyun	shall mean	Huzhou Poyun Electronic Commerce Co., Ltd., a holding subsidiary of the Company
Guangzhou Qianxi	shall mean	Guangzhou Qianxi Network Technology Co., Ltd., a wholly-owned subsidiary of the Company
Xuzhou Proya	shall mean	Xuzhou Proya Information Technology Co., Ltd., a wholly-owned subsidiary of the Company
Proya (Hainan)	shall mean	Proya (Hainan) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Singuladerm (Hangzhou)	shall mean	Shenggelan (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
CSRC	shall mean	China Securities Regulatory Commission
SSE	shall mean	Shanghai Stock Exchange
Pan-China	shall mean	Pan-China Certified Public Accountants (Special General Partnership)
CSC	shall mean	China Securities Co., Ltd.
Company Law	shall mean	Company Law of the People's Republic of China
Securities Law	shall mean	Securities Law of the People's Republic of China
Articles of Association	shall mean	Articles of Association of Proya Cosmetics Co., Ltd.
RMB/RMB10,000	shall mean	RMB/RMB10,000
Reporting Period	shall mean	January 1, 2021 to December 31, 2021

Section II Company Profile and Key Financial Indicators

I. Company Information

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

II. Contact Details

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

III. General Information

Registered address	No. 588, Xixi Road, Liuliu Street, Xihu District, Hangzhou City, Zhejiang Province
Historical changes in the Company's registered address	310023
Office address of the Company	Proya Building, No. 588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Postal code of registered address	310023
Company website	http://www.proya-group.com
Email	proyazq@proya.com

IV. Information Disclosure and Place for Obtaining the Report

Media for the Company's information disclosure	<i>Shanghai Securities News, Securities Times</i>
CSRC's designated website for the Company's Annual Report disclosure	http://www.sse.com.cn

The Company's Annual Report may be obtained at	Board of Director's Office, Proya Building, No.588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
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V. Stock Information

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

VI. Other Relevant Information

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

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

(I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2021	2020	Year-on-year change (%)	2019
Operating revenue	4,633,150,538.43	3,752,386,849.02	23.47	3,123,520,211.77
Net profit attributable to shareholders of the listed company	576,119,025.56	476,009,298.41	21.03	392,681,976.58
Net profit attributable	568,092,480.38	469,935,904.22	20.89	386,170,257.02

to shareholders of the listed company net of non-recurring profit and loss				
Net cash flow from operating activities	829,670,943.82	331,550,109.14	150.24	235,961,328.34
	As of the end of 2021	As of the end of 2020	Year-on-year change (%)	As of the end of 2019
Net assets attributable to shareholders of the listed company	2,876,975,835.98	2,391,535,435.94	20.30	2,029,687,883.68
Total assets	4,633,049,783.03	3,636,882,185.29	27.39	2,979,365,076.82

(II) Key financial indicators

Key financial indicators	2021	2020	Year-on-year change (%)	2019
Basic earnings per share (RMB/share)	2.87	2.37	21.10	1.96
Diluted earnings per share (RMB/share)	2.81	2.37	18.57	1.96
Basic earnings per share net of non-recurring Profit or loss (RMB/share)	2.83	2.34	20.94	1.93
Weighted average ROE (%)	22.25	21.82	Up by 0.43 percentage points	21.24
Weighted average ROE net of non-recurring profit and loss (%)	21.94	21.54	Up by 0.40 percentage points	20.89

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

"□ Applicable" "√ Not applicable"

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

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

"□ Applicable" "√ Not applicable"

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

Applicable" Not applicable"

(III) Description of differences between domestic and foreign accounting standards:

Applicable" Not applicable"

IX. Major Financial Data for 2021 by Quarter

Unit: Yuan Currency: RMB

	Q1 (January - March)	Q2 (April - June)	Q3 (July - September)	Q4 (October - December)
Operating revenue	905,464,673.13	1,012,253,824.47	1,094,533,358.54	1,620,898,682.29
Net profit attributable to shareholders of the listed company	109,895,944.66	116,205,369.20	138,195,475.24	211,822,236.46
Net profit attributable to shareholders of the listed company net of non-recurring profit and loss	107,715,991.57	112,564,401.71	136,116,085.45	211,696,001.65
Net cash flow from operating activities	55,030,968.90	211,144,609.92	224,312,917.94	339,182,447.06

Notes: Major reasons for fluctuations in operating revenue and net profit attributable to shareholders of the listed company among quarters: Quarterly sales fluctuated in cosmetics industry due to vulnerability to seasonal factors and holiday activities. For example, Q4 garnered peak sales such as for the National Day, Double Eleven, and Double Twelve shopping festivals. As a result, operating revenue and net profit were higher in Q4 than in other quarters.

Description of differences among quarterly data and disclosed regular reporting data

Applicable" Not applicable"

X. Non-recurring Profit and Loss Items and Amounts

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Non-recurring profit and loss item	Amount for 2021	Notes (if applicable)	Amount for 2020	Amount for 2019
Gain or loss on disposal of non-current assets	-112,183.24		150,560.30	43,245.67
Unauthorized approval, no formal approval, or occasional tax refund or reduction				8,167.37
Government grants included in the current profit and loss, except those closely related to the Company's normal operations and continuously enjoyed in line with national policies and regulations and up to some limits or in fixed amounts	15,448,962.01		12,198,410.18	7,913,746.66
Fund occupation fees charged from non-financial businesses included in current profit and loss				27,000.00
Gains arising from investment costs for acquisition of subsidiaries, associates and joint ventures less than the fair value of attributable identifiable net assets of the invested entity at the time of acquisition				
Gain or loss from exchange of non-monetary assets				
Gain or loss on entrusted investment or asset management				
Provision for various asset impairments due to force majeure factors such as natural disasters				
Gain and loss from restructuring of debts				
Restructuring expenses, such as re-settlement cost, integration cost, etc.				
Profit or loss of the part exceeding fair				

value generated from transactions with unreasonable transaction price				
Net profit or loss of subsidiaries generated from the merger of companies under common control from the beginning of the period to the date of merger				
Profit or loss generated from contingencies unrelated to the Company's normal operations				
Profit or loss from changes in fair value arising from holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment gain from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, except for effective hedging related to the Company's normal operations			2,266,301.37	4,653,362.83
Reversal of provision for impairment of receivables and contract assets individually tested for impairment				
Profit or loss from entrusted loans				
Profit and loss arising from changes in the fair value of investment property subsequently measured with the fair value model				
Impact of one-time adjustments to the current profit and loss according to the requirements of tax and accounting laws and regulations on the current profit and loss				
Custody fee income from entrusted operations				
Other non-operating revenue and	-3,078,442.83		-6,810,805.57	-5,128,895.30

expenses other than the above items				
Other profit or loss items under the definition of non-recurring profit or loss				
Less: Income tax impact	1,917,310.27		1,042,102.64	1,192,155.21
Impact of minority shareholder equity (after tax)	2,314,480.49		688,969.45	-187,247.54
Total	8,026,545.18		6,073,394.19	6,511,719.56

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

Applicable" Not applicable"

XI. Items Measured at Fair Value

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Ending balance	Current change	Amount of impact on the current profit
Receivables financing	5,531,997.32	3,242,000.00	-2,289,997.32	0.00
Investment in other equity instruments	20,580,000.00	56,402,400.00	35,822,400.00	0.00
Total	26,111,997.32	59,644,400.00	33,532,402.68	0.00

XII. Others

Applicable" Not applicable"

Section III Management Discussion and Analysis

I. Business Discussion and Analysis

1. Year-on-year growth in operating revenue

RMB4.633 billion RMB operating revenue, up by 23.47% YOY

Including RMB4.62 billion prime operating revenue, up by 23.28% YOY

RMB12.72 million non-operating revenue

Prime operating revenue:

(1) Divided by channel

Channels	Amount	Change in	Change in	Change in			

		(RMB100 million)	2021 over the previous year YOY (%)	2020 over the previous year YOY (%)	2019 over the previous year YOY (%)	Percentage in 2021 (%)	Percentage in 2020 (%)	Percentage in 2019 (%)
Online	Direct sales	28.03	76.16	79.63	88.25	60.66	42.45	28.42
	Distribution	11.21	8.56	34.36	37.95	24.27	27.56	24.67
	Subtotal	39.24	49.54	58.59	60.97	84.93	70.01	53.09
Offline	Cosmetics store	5.03	-40.52	-19.28	4.42	10.88	22.56	33.61
	Others	1.94	-30.50	-32.81	26.33	4.19	7.43	13.30
	Subtotal	6.96	-38.03	-23.12	9.82	15.07	29.99	46.91
Total		46.20	23.28	20.26	32.11	100.00	100.00	100.00

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

(2) Divided by brand

By brand	Amount (RMB100 million)	Change in 2021 over the previous year YOY (%)	Change in 2020 over the previous year YOY (%)	Change in 2019 over the previous year YOY (%)	Percentage in 2021 (%)	Percentage in 2020 (%)	Percentage in 2019 (%)	
Own brands	Proya	38.29	28.25	12.43	26.81	82.87	79.66	85.21
	Timage	2.46	103.48	-	-	5.33	3.23	0.00
	Other brands	4.09	-5.96	36.91	19.74	8.85	11.59	10.18
	Subtotal	44.84	26.63	19.11	26.02	97.05	94.48	95.39
Agency brands	Cross-border agency brands	1.36	-34.04	44.09	-	2.95	5.52	4.61
Total		46.20	23.28	20.26	32.11	100.00	100.00	100.00

Note: The proportion of sales of each brand is the proportion of its sales in prime operating revenue.

Among other self-owned brands, Timage achieved RMB246 million.

(3) Divided by category

Category	Amount (RMB100 million)	Change in 2021 over the previous year YOY (%)	Change in 2020 over the previous year YOY (%)	Change in 2019 over the previous year YOY (%)	Percentage in 2021 (%)	Percentage in 2020 (%)	Percentage in 2019 (%)
Skincare (including cleansing)	39.78	22.70	11.38	24.89	86.10	86.50	93.40
Make-up	6.18	32.97	181.91	482.43	13.38	12.41	5.29
Others	0.24	-41.05	0.47	-	0.52	1.09	1.31
Total	46.20	23.28	20.26	32.11	100.00	100.00	100.00

2. Year-on-year growth in net profit

RMB576 million net profit attributable to shareholders of the listed company, up by 21.03% YOY

RMB568 million net profit attributable to shareholders of the listed company net of non-recurring profit and loss, up by 20.89% YOY

Indicator	2021	2020	2019	Notes
1. Net profit margin	12.02%	12.04%	11.73%	
2. Gross profit margin	66.46%	63.55%	63.96%	1. Increased percentage of online sales; 2. Hero product strategy; 3. Increased percentage of online self-broadcasting.
3. Sales expense ratio	42.98%	39.90%	39.16%	Incubation of new brands (such as Timage, Correctors) and reshaping of brands (such as Hapsode), increased the expense in image promotion.
Where: Image promotion expense ratio	36.12%	32.68%	26.86%	
4. Administrative expense ratio	5.12%	5.44%	6.25%	
5. R&D expense ratio	1.65%	1.92%	2.39%	R&D expenses increased by RMB4.38 million YOY. The parent company's R&D expense ratio in 2021 was 3.55% (compared with 3.96% in the previous year).
6. Accounts receivable turnover rate (time/year)	21.88	15.53	21.74	Mainly because: (1) Revenue in 2021 increased by 23.47% YOY; (2) Accounts receivable as of the end of 2021 decreased by RMB146 million or 51.34% from the beginning of the year; the two factors above together increased the accounts receivable turnover rate.
7. Accounts receivable turnover days (days)	16.45	23.18	16.56	
8. Inventory turnover rate (time/year)	3.39	3.50	4.12	
9. Inventory turnover days (days)	106.19	102.86	87.38	

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

According to the *Guidelines for the Industry Classification of Listed Companies* by the CSRC, the Company falls under chemical raw material and chemical product manufacturing (classification code: C26); according to *Industrial Classifications and Codes of National Economic Activities* (GB/T 4754-2011), the Company falls under manufacture of daily chemical products (C268) and further under manufacture of cosmetics (C2682).

According to statistics from the National Bureau of Statistics, in 2021, the total retail sales of consumer goods reached RMB44,082.3 billion, up by 12.5% YOY; the total retail sales of cosmetics reached RMB402.6 billion, up by 14.0% YOY (covering consumer goods above designated units).

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

(I) Business operations

The Company seeks to build a new domestic cosmetics industry platform, primarily engaged in R&D, production, and sale of cosmetic products. Main brands owned by the company include Proya, Timage, Off&Relax, Hapsode, Correctors, Uzro, and Hanya. The Company's own brands have covered fields such as popular exquisite skincare, make-up, body & hair, and high-efficacy skincare:

1. Popular Exquisite Skincare

- (1) PROYA, focusing on skincare technology, designed for young white-collar female customers, priced at RMB200-400, sold both online and offline.
- (2) Hapsode, customized for young skin, especially for college students and other young female customers, priced at RMB50-100, sold mainly online.

2. Make-up

Timage, a professional make-up brand with a new Chinese style, priced at RMB150-200, sold online only.

3. Body & Hair

Off&Relax, developed and made in Japan, focusing on scalp care, priced at RMB150-200, sold mainly online.

4. High-efficacy skincare

Correctors, a high-efficacy skincare brand, priced at RMB260-600, sold online only.

(II) Business models

1. Sales models

Mainly online sales, supplemented by offline sales.

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

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

2. Production/R&D models

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

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

IV. Analysis of Core Competitiveness during the Reporting Period

"√ Applicable" "□ Not applicable"

The Company's core competitiveness is mainly embodied by:

A consolidated and deepened precise operation management system highlighting "R&D, products, contents, operation". Continuous development and optimization of a matrix of "hero products" on the basis of keen insight into consumer needs by strengthening independent R&D capabilities and integrating global R&D resources.

Construction of a self-driven organization highlighting "culture-strategy-mechanism-talents". A value-creation oriented organizational operation and performance management mechanism based on corporate culture and strategy to enhance organizational vitality and efficiency.

V. Main Operations during the Reporting Period

1. New product strategy

During the reporting period, the Company further optimized the product structure, deepened the hero product strategy, and created a matrix of hero products.

- (1) Based on the increasingly mature digital management of the whole product life cycle, the Proya brand upgraded its matrix of existing hero products, and launched a new series of hero products. The Company upgraded the ingredients, formulas, and packaging materials of ruby essence and double-antibody essence, and launched version 2.0; mainly promoted hero products including Deep Ocean Energy Wrinkless and Firming Moisture Cream, Deep Ocean Energy Wrinkless and Firming Eye Cream, Elastic Brightening Youth Activating Eye Cream, and Elastic Brightening Youth Dual-Action Mask; newly launched hero products including Advanced Original Repair Concentrating Essence, PROYA Ultimate Repairing and SUN AROUND UV Protective Sunscreen Serum. By further highlighting the cutting-edge technology and youth orientation of our hero products, the Company sought to guide consumers' mindset in the decision-making process, increased the average revenue per account and repurchase rate, and enhanced brand loyalty.
- (2) Expanded the scope of promotion of hero products from vertical make-up customers to various pan-make-up customers; improved the promotional efficiency of hero products and optimized intervention in the whole chain from consumer contact, to arousing interest, to building trust and conversion into transactions; deepened the cooperation with talents and the content operation mechanism to form high-frequency communication with target users. Adopted cost-effective and efficient launch models and excellent products to meet consumer needs. Revised the mindset of consumers "Proya is now different" last year to "Proya is one of the top Chinese cosmetics brands comparable to international counterparts".

2. New marketing strategy

During the reporting period, the PROYA brand continued its "spirit of discovery", communicated with the public in a sincere and equal attitude, continuously paid attention to social hotspots and conveyed clear opinions, assumed social responsibility as a Chinese make-up brand and made a solid contribution to public welfare. The Company carried out brand marketing events as follows:

- (1) In January, "New Graduate Training", focused on the living conditions of new graduates, and encouraged and cared for young people.
- (2) In March, "No Gender Discrimination" on Women's Day was an insight into "gender prejudice", an in-depth reflection on "gender equality" and a strong message made by the brand together with *China Women's News*.
- (3) In May, the brand announced its cooperation with China Aerospace IP to pay tribute to the 65th anniversary of China Aerospace with "Marching to the Universe from China". The series was very well received by consumers.

On May 20, Proya, Owspace, and Shanghai Translation Publishing House co-organized a discussion on the expression of love. The brand conveyed a love proposition with emotional resonance, and also created a warm and healing brand image.

- (4) In June, the brand released the "Salute to All Discoverers" video, and invited well-known writer Hao Jingfang and People's Daily Online to pay tribute to the discoverers of each era. While inspiring the audience's national pride, the video conveyed the "spirit of discovery" of the brand.
- (5) In September, the brand focused on the theme of youth growth through the scenario of beginning of a new term, invited four bands to compose new songs, and discussed the meaning of growth with consumers.
- (6) In October, on World Mental Health Day, the brand launched the "Proya Youth Mental Health Charity Action - Echo Plan" together with China Youth Daily and xinli001.com, and released the feature film Don't Be Ashamed of Your Feelings, and jointly filmed four series of documentaries. It cooperated with the China Youth Development Foundation to carry out long-term charity projects.
- (7) At the end of the year, Proya collected suggestions and well-wishes to Proya from 76 users in the annual gratitude video, and sent New Year cards to users.

3. New channel strategy

Online:

- (1) Tmall:

During the reporting period, the Company enhanced the hero product strategy and refined operation.

- (2) TikTok and Kwai:

During the reporting period, the Company seized the opportunity of short videos and live streaming, strengthened brand self-broadcasting and optimized the product structure; cooperated with high-quality KOLs, expanded partners to medium-grade and non-vertical-category KOLs; increased the share of hero products and increased gross and net profit.

(3) JD:

During the reporting period, the Company further strengthened precise operation management, by innovating operations, optimizing the product structure, and launching a number of popular categories such as kits, essence and eye cream, better controlling launch expenses, and promoting the sales of hero products and new products.

(4) Other platforms:

The Company optimized operational content, adjusted the product structure, and strengthened the matching between products and platform users to attract targeted customers; implemented precise operations and increased the proportion of daily sales; deepened cooperation with leading KOLs, strengthened content recommendation, and used the brand reputation to promote the brand.

Offline:

- (1) Daily cosmetics stores: Adjusted and upgraded stores, and enhanced terminal service awareness.
- (2) Supermarkets: The Company focused on building the department store system covering Intime, Chongqing Department, and Rainbow Plaza, expanded other high-quality department store systems, adjusted shopping mall counters, and exported the power of branding.

4. New organizational strategy

- (1) The Company deepened the hero product strategy, and focused on building a digital middle-ground to enable the front-ground operations; launched middle-ground to accurately improve the ROI strategy, adopted the organizational form of R&D, product, launch, and operation of virtual projects, and opened up an end-to-end, efficient self-driven process organization.
- (2) The Company continuously promoted the talent supply chain mechanism for young and international talents based on business needs, accurately and rapidly identified, and efficiently utilized talents, and gradually built a dynamic, competent and self-driven talent team through actual tasks other than training.
- (3) The Company advocated a performance culture featuring high investment, high performance and high returns, established a performance management system emphasizing targets, process and results; established a diversified incentive system covering short-term (quarterly performance and project incentives), middle-term (annual performance dividends) and long-term (equity incentives and partners) incentives.

5. New R&D strategy

- (1) On the basis of the existing R&D Innovation Center, the Company set up an International Academy of Science to strengthen basic R&D, focusing on the development of cells, skin and raw materials, and to deepen research on functional raw materials
- (2) During the reporting period, the Company obtained 19 nationally authorized invention patents and applied for 11 new invention patents and 10 design patents. As of the end of the reporting period, the Company had 92 nationally authorized invention patents, 19 utility model patents, and 90

design patents, totaling 201 patents.

- (3) Participation in standard preparation: 10 national standards, 3 industry standards, and 13 group standards.
- (4) Certification and awards: The Company's testing center was CNAS certified by the China National Accreditation Service for Conformity Assessment and was awarded a Laboratory Accreditation Certificate; it won second prize of Zhejiang Provincial Science and Technology Progress Award for the project Key Technology and Industrialized Application of Value-added Processing of Seaweed Polysaccharide, jointly developed with the Zhejiang University of Technology.
- (5) Industry-university-research cooperation: Following strategic cooperation with BASF (China) Co., Ltd., the Company signed a strategic cooperation agreement with DSM (China) Co., Ltd., Ashland (China) Investment Co., Ltd., Evonik Specialty Chemicals (Shanghai) Co., Ltd., and Croda Chemicals (Shanghai) Co., Ltd.
- (6) Academic and research findings: The Company's supramolecular vitamin A alcohol paper *Improvement of Urban Eye Skin in Chinese Female by Supramolecular Retinol Plus Acmella Oleracea Extract-Containing Product* was published in the *Journal of Cosmetic Dermatology* (JCD, IF 2.696).

6. New supply chain guarantee

During the reporting period, the Company's supply chain, guided by customer needs, opened up the data information chain from the production end to the demand end through the continuous upgrading and transformation of supply chain automation, digitization and intelligence, and ensured stable product supply and logistics delivery for online and offline sales.

- (1) The Huzhou production base transformed its factory by adding multiple emulsification units to upgrade its production capacity; an intelligent storage logistics center was put into operation to upgrade the supply chain; multiple sub-warehouses were built across China to realize a precise logistics layout and to expand the logistics delivery channels and improve terminal satisfaction.
- (2) In terms of informatization construction, the Company built a supply chain informatization platform based on IoT, big data, and the 5G network. During the reporting period, the Company became a contractor of Innovative Supply Chain Collaboration Complex in Zhejiang Province.
- (3) In terms of production safety, the Company purchased dedicated safety facilities and emergency rescue equipment to provide a guarantee for emergency rescue in limited space; introduced an online monitoring system connected with the government video monitoring platform and incorporated it into the intelligent management.
- (4) The Huzhou Production Base continuously provided safety training programs for employees to strengthen their awareness of work safety laws and regulations and to promote accident prevention and emergency response measures.

(I) Analysis of main business**1. Analysis of changes in accounts in the Income Statement and the Cash Flow Statement**

Unit: Yuan Currency: RMB

Account	Amount for the current period	Amount for the same period last year	Change ratio (%)
Operating revenue	4,633,150,538.43	3,752,386,849.02	23.47
Operating cost	1,554,155,646.61	1,367,561,949.78	13.64
Sales expenses	1,991,534,076.73	1,497,058,943.34	33.03
Administrative expenses	236,988,519.23	204,279,378.68	16.01
Financial expenses	-7,484,395.13	-13,607,115.53	Not applicable
R&D expenses	76,583,650.83	72,200,028.77	6.07
Net cash flow from operating activities	829,670,943.82	331,550,109.14	150.24
Net cash flow from investment activities	-341,823,618.60	14,534,157.08	-2451.86
Net cash flow from financing activities	489,615,295.96	-43,382,734.32	Not applicable

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

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

Cause for change in sales expenses:

In 2021, sales expenses amounted to RMB1.992 billion, accounting for 42.98% of the operating revenue (compared with 39.90% for the same period last year). Sales expenses increased by RMB494 million or 33.03% YOY, mainly due to an increase of RMB447 million or 36.45% in the image promotion expenses for the current period (used for the incubation of new brands such as Timage, Correctors and brand re-shaping).

Cause for change in administrative expenses:

In 2021, administrative expenses amounted to RMB237 million, accounting for 5.12% of the operating revenue (compared with 5.44% for the same period last year). Administrative expenses increased by RMB32.71 million or 16.01% YOY, mainly due to increased employee compensation and service fees.

Cause for change in financial expenses:

Mainly including: (1) an increase of RMB13.12 million in foreign exchange gains or losses during the period; (2) an increase of RMB7.36 million in interest income.

Cause for change in R&D expenses:

In 2021, R&D expenses amounted to RMB76.58 million, an increase of RMB4.38 million YOY, accounting for 1.65% of operating revenue (compared with 1.92% for the same period last year). In 2021, the parent company's R&D expense ratio was 3.55% (compared with 3.96% for the same period last year).

Cause for change in net cash flow from operating activities:

Net cash flow from operating activities increased by RMB498 million YOY, mainly due to:

- (1) Factors increasing cash: sales outstanding increased by RMB1.246 billion YOY (increased sales YOY and reduced accounts receivable as of the end of the period increased).
- (2) Factors reducing cash: payment for goods increased by RMB161 million YOY, cash paid for other operating activities increased by RMB442 million (mainly due to increased image promotion fees paid), and wages and taxes paid increased by RMB116 million YOY.

Cause for change in net cash flow from investment activities:

Net cash flow from investment activities decreased by RMB356 million YOY, mainly due to:

- (1) No financial products during the current period;
- (2) The disposal of a 52% equity investment in Shanghai Healthlong Biotechnology Co., Ltd., resulting in a decrease of RMB130 million in net cash flow from investment activities.

Cause for change in net cash flow from financing activities:

Net cash flow from financing activities increased by RMB533 million YOY, mainly due to:

- (1) Factors increasing cash: In December 2021, the Company issued a Proya convertible bond and raised RMB747 million.
- (2) Factors decreasing cash: (1) Short-term loans received from banks decreased by RMB99 million YOY and debt repayment expenditure increased by RMB85 million YOY. The total net cash outflow of the two items was RMB184 million; (2) Dividend distribution and interest payments increased by RMB27 million YOY.

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

Applicable" Not applicable"

2. Revenue and Cost Analysis

Applicable" Not applicable"

For details, see the analysis in 1. Analysis table of changes in related items in the Income Statement and the Cash Flow Statement/(I) Analysis of primary business activities/V. Primary Business Activities during the Reporting Period/Section III Management Discussion, and Analysis herein.

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

Unit: Currency: RMB

Main business activities by industry						
By industry	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Personal care	4,620,431,686.01	1,545,098,469.32	66.56	23.28	13.32	Increased by 2.94 percent
Main business activities by product						
By product	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Skincare (including cleansing)	3,978,062,234.06	1,257,112,675.98	68.40	22.70	10.29	Increased by 3.56 percent
Make-up	618,279,406.67	263,418,628.27	57.39	32.97	33.32	Decreased by 0.11 percent
Others	24,090,045.28	24,567,165.07	-1.98	-41.05	-5.66	Decreased by 38.25 percent
Total	4,620,431,686.01	1,545,098,469.32	66.56	23.28	13.32	Increased by 2.94 percent
Main business activities by region						
By region	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Northeast China	22,063,455.74	8,099,087.60	63.29	-50.20	-48.23	Decreased by 1.39 percent
North China	63,472,624.85	28,196,585.18	55.58	-42.23	-37.40	Decreased by 4.14

						percent
East China	683,139,969.46	342,561,983.72	49.85	-15.23	23.50	Decreased by 15.72 percent
South China	77,340,188.87	33,012,488.43	57.32	-0.96	4.65	Decreased by 2.29 percent
Central China	177,248,407.27	69,762,606.40	60.64	-15.33	-15.79	Increased by 0.21 percent
Northwest China	53,626,439.82	17,989,325.74	66.45	-26.16	-27.32	Increased by 0.53 percent
Southwest China	89,661,325.08	34,826,256.75	61.16	-37.46	-32.42	Decreased by 2.90 percent
Hong Kong and overseas	38,668,583.29	34,780,301.65	10.06	-69.66	-68.42	Decreased by 3.52 percent
Others (e-commerce)	3,415,210,691.63	975,869,833.85	71.43	58.47	34.68	Increased by 5.05 percent
Total	4,620,431,686.01	1,545,098,469.32	66.56	23.28	13.32	Increased by 2.94 percent

Main business activities by sales model

Sales model	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Online	3,923,997,139.76	1,245,165,621.56	68.27	49.54	41.00	Increased by 1.92 percent
Offline	696,434,546.25	299,932,847.76	56.93	-38.03	-37.56	Decreased by 0.33 percent
Total	4,620,431,686.01	1,545,098,469.32	66.56	23.28	13.32	Increased

						by 2.94 percent
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Description of main business activities by industry, product, region and sales model

- (1) Description of growth in personal care products: The growth in prime operating revenue this year was mainly due to RMB3.924 billion in online sales (accounting for 84.93% of online sales revenue), an increase of RMB1.3 billion or 49.54% YOY.
- (2) Description of growth in make-up: mainly due to RMB246 million in sales of Timage that falls under the make-up category during the reporting period, an increase of RMB125 million or 103.48% YOY.
- (3) Description of other categories: The sales of other categories decreased sharply, mainly due to the decline in the sales of cross-border brand agency in other categories. In 2021, due to business adjustments, the Company started to clear inventory and offered discounts on certain products.
- (4) Description by region: The sales of other regions except for e-commerce declined, mainly due to a YOY fall in offline sales.

(2). Analysis table of production and sales

"√ Applicable" "□ Not applicable"

Major products	Unit	Production	Sales	Inventory	Change in production YOY (%)	Change in sales YOY (%)	Change in inventory YOY (%)
Personal care	piece	220,485,596	216,218,102	52,140,866	13.65	19.57	8.91

Description of production and sales

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

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

"□ Applicable" "√ Not applicable"

(4). Cost statement analysis

Unit: RMB

By industry							
By industry	Cost composition	Amount for the current period	% in total cost for	Amount for the same period last year	% in total cost	YOY change ratio	Description Notes

			the current period		for the same period last year	(%)	
Personal care	Raw materials	976,123,853.77	63.18	851,018,281.40	62.41	14.70	
	Labor and manufacturing cost	81,119,950.03	5.25	82,914,903.34	6.08	-2.16	
	Outsourcing	316,528,909.08	20.49	311,700,853.56	22.86	1.55	
	Freight	171,325,756.44	11.09	117,852,735.96	8.64	45.37	
	Subtotal	1,545,098,469.3 2	100.00	1,363,486,774.26	100.0 0	13.32	
By product							
By product	Cost composition	Amount for the current period	% in total cost for the current period	Amount for the same period last year	% in total cost for the same period last year	YOY change ratio (%)	Description Notes
Skincare (including cleansing)	Raw materials	914,082,589.13	72.71	798,070,230.37	70.02	14.54	
	Labor and manufacturing cost	74,591,026.00	5.93	76,267,474.56	6.69	-2.20	
	Outsourcing	121,435,395.54	9.66	164,300,108.50	14.41	-26.09	
	Freight	147,003,665.31	11.70	101,227,662.07	8.88	45.22	
	Subtotal	1,257,112,675.9 8	100.00	1,139,865,475.50	100.0 0	10.29	
Make-up	Raw materials	62,041,264.64	23.55	52,948,051.03	26.80	17.17	
	Labor and manufacturing cost	6,528,924.03	2.48	6,647,428.78	3.36	-1.78	
	Outsourcing	170,978,877.92	64.91	121,703,172.90	61.60	40.49	
	Freight	23,869,561.68	9.06	16,280,261.65	8.24	46.62	
	Subtotal	263,418,628.27	100.00	197,578,914.36	100.0 0	33.32	
Others	Raw materials						

	Labor and manufacturing cost						
	Outsourcing	24,114,635.62	98.16	25,697,572.16	98.68	-6.16	
	Freight	452,529.45	1.84	344,812.24	1.32	31.24	
	Subtotal	24,567,165.07	100.00	26,042,384.40	100.00	-5.66	
					0		

Other description

No

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

Applicable" Not applicable"

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

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

Applicable" Not applicable"

(7). Major sales customers and major suppliers

A. The Company's major customers

Sales to our top five customers amounted to RMB702,599,800 accounting for 15.21% of total annual sales; sales to related parties of said top five customers amounted to RMB0, accounting for 0.00% of total annual sales.

Circumstances wherein a single customer contributed more than 50% of total sales, top five customers included a new customer, or the Company relied heavily on a small number of customers during the reporting period" Applicable" Not applicable"

B. The Company's major suppliers

The procurement amount of our top five suppliers amounted to RMB307,077,300, accounting for 23.25% of the total annual procurement amount; the procurement amount of related parties of said top five suppliers amounted to RMB0, accounting for 0.00% of the total annual procurement amount.

Circumstances wherein a single supplier accounted for more than 50% of total procurement, top five suppliers included a new supplier, or the Company relied heavily on a small number of suppliers during the reporting period.

Applicable" Not applicable"

Other description

No

3. Expenses

Applicable" Not applicable"

Currency: RMB

Expense item	2021	2020	Change for the current period	Growth rate
Sales expenses	1,991,534,076.73	1,497,058,943.34	494,475,133.39	33.03%
Administrative expenses	236,988,519.23	204,279,378.68	32,709,140.55	16.01%
R&D expenses	76,583,650.83	72,200,028.77	4,383,622.06	6.07%
Financial expenses	-7,484,395.13	-13,607,115.53	6,122,720.40	Not applicable

4. R&D investment

(1). R&D investment table

"√ Applicable" "□ Not applicable"

Unit: RMB

Expensed R&D investment for the current period	76,583,650.83
Capitalized R&D investment for the current period	
Total R&D investment	76,583,650.83
Total R&D investment in operating revenue (%)	1.65
Capitalization of R&D investment (%)	

(2). R&D personnel table

"√ Applicable" "□ Not applicable"

Number of R&D personnel	159
Percentage of R&D personnel (%)	5.59
Educational background structure	
Educational level	Number of persons
PhD	3
Master	48
Bachelor	90
Associate	18
High school and below	0
Age	
Age range	Number of persons
Under 30	64
30-40 (incl. 30 and excl. 40)	77
40-50 (incl. 40 and excl. 50)	16

50-60 (incl. 50 and excl. 60)	1
60 and above	1

(3). Description

Applicable" Not applicable"

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

Applicable" Not applicable"

5. Cash flow

Applicable" Not applicable"

Item	Amount for the current period	Amount for the same period last year	Growth rate (%)	Description
Net cash flow from operating activities	829,670,943.82	331,550,109.14	150.24	(1) Factors increasing cash: sales outstanding increased by RMB1.246 billion YOY (increased sales YOY and reduced accounts receivable as of the end of the period increased). (2) Factors reducing cash: payment for goods increased by RMB161 million YOY, cash paid for other operating activities increased by RMB442 million (mainly due to increased image promotion fees), and wages and taxes paid increased by RMB116 million YOY.
Net cash flow from investment activities	-341,823,618.60	14,534,157.08	-2451.86	(1) No financial products during the current period; (2) The disposal of 52% equity investment in Shanghai Healthlong Biotechnology Co., Ltd., resulting in a decrease of RMB130 million in the net cash flow from investment activities.

Net cash flow from financing activities	489615295.96	-43,382,734.32	Not applicable	(1) Factors increasing cash: In December 2021, the Company issued a Proya convertible bond and raised RMB747 million. (2) Factors decreasing cash: (1) Short-term loans received from banks decreased by RMB99 million YOY and debt repayment expenditure increased by RMB85 million YOY. Total net cash outflow of the two items was RMB184 million; (2) Dividend distribution and interest payments increased by RMB27 million YOY.
Cash received from sales of goods and rendering of services	5,130,176,845.31	3,884,361,008.59	32.07	Mainly due to: (1) Increased revenue and rising sales outstanding; (2) The closing book value of accounts receivable decreased by RMB146 million compared with the beginning book value and increased amount outstanding.
Other cash received from operating activities	54,614,521.56	81,739,953.02	-33.19	Mainly due to a YOY decrease in current accounts received by controlled subsidiaries.
Other cash paid for operating activities	1,864,985,801.02	1,422,965,037.76	31.06	Mainly due to a YOY increase in revenue (online sales increased by 49.54% YOY), an increase of RMB447 million or 36.45% in image promotion fees paid.
Cash back on investment		213,200,000.00	-100.00	No financial products during the current period.
Cash received from investment		2,266,301.37	-100.00	No financial products during the current period.
Other cash received from investment activities		66,052,759.40	-100.00	Mainly due to the disposal of 52% equity in Shanghai Healthlong and other cash of RMB64.25 million received from investment activities in the same period of last year.
Other cash paid	77,739,374.88	1,035,148.02	7409.98	Mainly due to the disposal of equity in

from investment activities				Shanghai Healthlong and payment of other cash RMB64.25 million for investment activities for the current period.
Cash received from borrowings	946,996,018.87	299,000,000.00	216.72	(1) In December 2021, the Company issued Proya convertible bond and raised RMB747 million, a YOY increase of RMB747 million; (2) During this period, the Company received short-term loans of RMB200 million from banks, a YOY decrease of RMB99 million; The above two items totaled an increase of RMB648 million in the cash inflow.
Cash paid for debt repayment	299,000,000.00	214,230,868.48	39.57	An increase of RMB85 million in the repayment of short-term bank loans.

(II) Description on significant changes in profit caused by non-primary business activities

Applicable" Not applicable"

(III) Analysis of assets and liabilities

Applicable" Not applicable"

1. Assets and liabilities

Unit: RMB

Item	Amount as of the end of the current period	In total assets as of the end of the current period (%)	Amount as of the end of the previous period	In total assets as of the end of the last period (%)	Change ratio YOY (%)	Description
Cash and cash equivalents	2391048249.81	51.61	1416654640.93	38.95	68.78	Mainly due to the issuance of Proya convertible bond in December 2021 for RMB747 million
Accounts receivable	138626627.90	2.99	284878419.58	7.83	-51.34	Mainly because, in 2020, the Company granted offline dealers greater credit support, while in 2021, the Company settled with offline dealers as usual with no credit

						support. The balance of accounts receivable as of the end of 2021 was lower than that as of the end of 2020.
Receivables financing	3242000.00	0.07	5531997.32	0.15	-41.40	Mainly due to the reduced balance of bank acceptance bills as of the end of the period
Other receivables	66043707.81	1.43	48733527.35	1.34	35.52	Mainly including annual rebates to be paid as per annual framework contracts with e-commerce platforms
Other current assets	53534962.39	1.16	35235811.27	0.97	51.93	Mainly including RMB14.85 million more in the balance of input tax to be deducted
Long-term equity investments	169959536.27	3.67	58220059.60	1.60	191.93	Mainly due to: 1. See the remarks below; 2. additional investment in Jiaxing Voyong of RMB28.21 million
Investment in other equity instruments	56402400.00	1.22	20580000.00	0.57	174.06	Mainly due to additional strategic equity investment in LIPOTRUE of RMB35.82 million
Construction in progress	108678896.27	2.35	47324523.36	1.30	129.65	Mainly including RMB52.81 million additional investment in Huzhou Expansion Production Base Construction Project (Phase I); RMB7.16 million additional investment in Longwu R&D Center Construction Project
Goodwill			31034161.20	0.85	-100.00	See the remarks below for details
Long-term deferred expenses	29756474.11	0.64	50576793.53	1.39	-41.17	Others including decreased balance of endorsement fees to be amortized

Other non-current assets	44167303.56	0.95	87322780.03	2.40	-49.42	Mainly because: 1. The beginning balance included RMB81.6 million spent to purchase a land parcel in Longwu, Hangzhou. After property delivery procedures and title certificates were completed and obtained for the land parcel and property on the land parcel during the current period, such assets were transferred to intangible assets and construction in progress; 2. RMB39.9 million trademarks purchased were included in other non-current assets as the transfer of trademark rights. The purchased trademarks have not been registered.
Short-term borrowings	200251506.85	4.32	299280435.09	8.23	-33.09	Mainly due to the net repayment of RMB99 million bank loan this year
Contract liabilities	91151985.32	1.97	30618778.99	0.84	197.70	Mainly due to an increase of RMB57.23 million in advance receipts
Taxes payable	99893176.97	2.16	71335290.77	1.96	40.03	Mainly due to an increase of the delayed tax payment as of the end of 2021
Other current liabilities	9521415.32	0.21	1439262.02	0.04	561.55	Mainly due to increased advance receipts in the contract liabilities, and rising output tax to be transferred accordingly
Bonds payable	695586778.80	15.01			Not applicable	Mainly because Proya convertible bond issued in December 2021 was apportioned and included in the bonds payable and other equity instruments

						in accordance with the requirements of the <i>Accounting Standards for Business Enterprises</i> .
Other equity instruments	50956622.11	1.10			Not applicable	Same reasons as above
Treasury stock	5628128.21	0.12	12653905.25	0.35	-55.52	Mainly due to lifting of restrictions on restricted stock incentive plan phase II and partial repurchase of restricted shares during the current period.
Undistributed profit	1696978064.52	36.63	1265671865.63	34.80	34.08	Mainly due to increased net profit for the current period
Minority interests	9864591.09	0.21	90326830.19	2.48	-89.08	See the remarks below for details

Other description

Remarks: In April 2021, the Company signed a capital increase and share exchange agreement with Zhuhai Healthlong Biotechnology Co., Ltd., whereby the Company added its capital to Zhuhai Healthlong Biotechnology Co., Ltd. with its own 52% shares in Shanghai Healthlong Biotechnology Co., Ltd.; after that, the Company's original holding subsidiary Shanghai Healthlong Biotechnology Co., Ltd. became a wholly-owned subsidiary of Zhuhai Healthlong Biotechnology Co., Ltd.; from May 2021, Shanghai Healthlong Biotechnology Co., Ltd. was no longer be consolidated by the Company; the Company holds 10% shares in Zhuhai Healthlong Biotechnology Co., Ltd.10% and would appoint a director thereto.

To this end, the Company's investment in Zhuhai Healthlong Biotechnology Co., Ltd. is accounted in long-term equity investments. As of the end of December 2021, the book value of long-term equity investments amounted to RMB79.41 million. The Company simultaneously reduced the originally recognized goodwill (i.e. the part of investment paid by the Company in the previous investment in Shanghai Healthlong exceeding the fair value of the identifiable net assets to be owned according to the shareholding ratio) and the interests to be owned by original minority shareholders according to the shareholding ratio.

2. Overseas assets

"√ Applicable" "□ Not applicable"

(1) Scale of assets

Including RMB249,090,600, accounting for 5.38% of the total assets.

(2) Description of a high percentage of overseas assets

Applicable" Not applicable"

3. Restrictions on prime assets as of the end of the reporting period

Applicable" Not applicable"

Item	Book value as of the end of the period	Cause for restrictions
Cash and cash equivalents	12,713,481.72	Including transformer deposit, L/C deposit, Tmall deposit and Alipay deposit
Total	12,713,481.72	

4. Other description

Applicable" Not applicable"

(IV) Analysis of industry operational information

Applicable" Not applicable"

Please see "Analysis of chemical operational information".

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

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Industry status of the Company:

It can be seen from comprehensive industry data analysis that the Company has gained some market share in the domestic cosmetics market.

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

Applicable" Not applicable"

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

Adjusted business models during the reporting period

Applicable" Not applicable"

(2). Major products

Applicable" Not applicable"

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

(3). R&D innovation

Applicable" Not applicable"

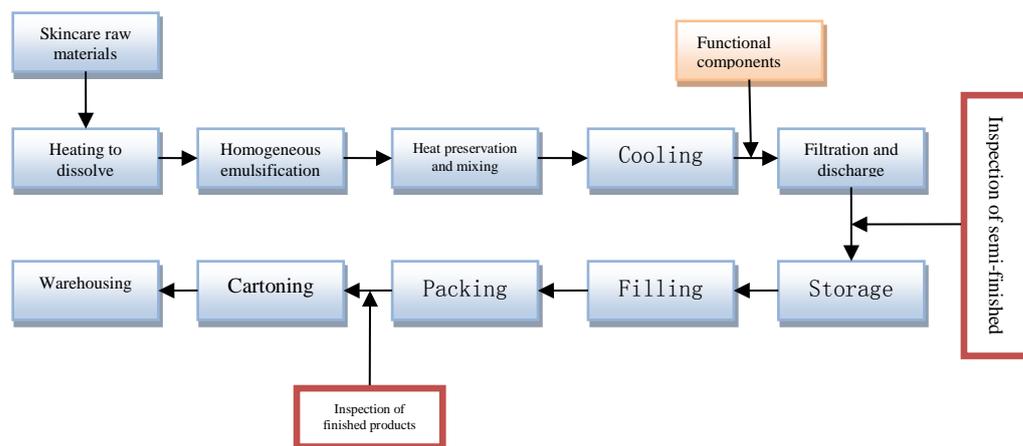
See 5. New R&D strategy, V. Primary Business Activities during the Reporting Period, Section III Management Discussion and Analysis.

(4). Production technologies and process

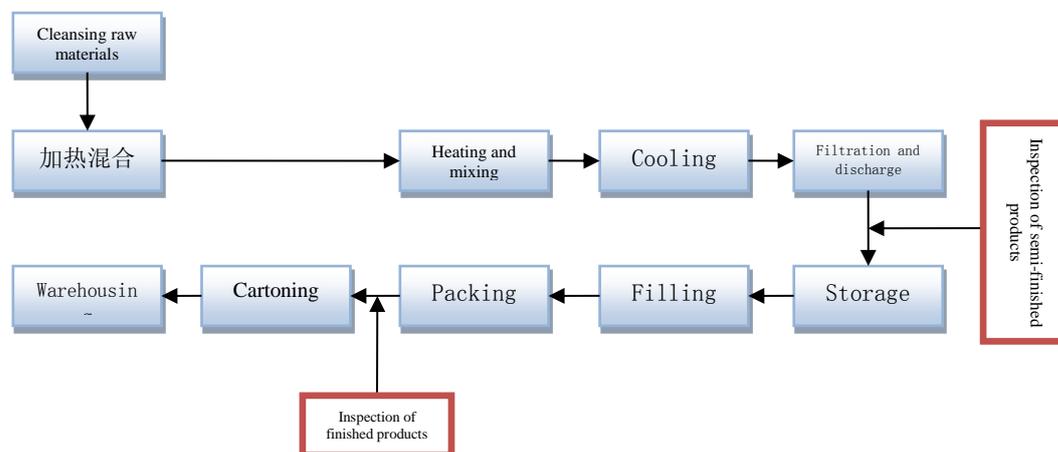
"√ Applicable" "□ Not applicable"

The Company's products are mainly divided into skincare (including cleansing) and make-up cosmetics, which are produced in the following process:

1. Production process for skincare cosmetics

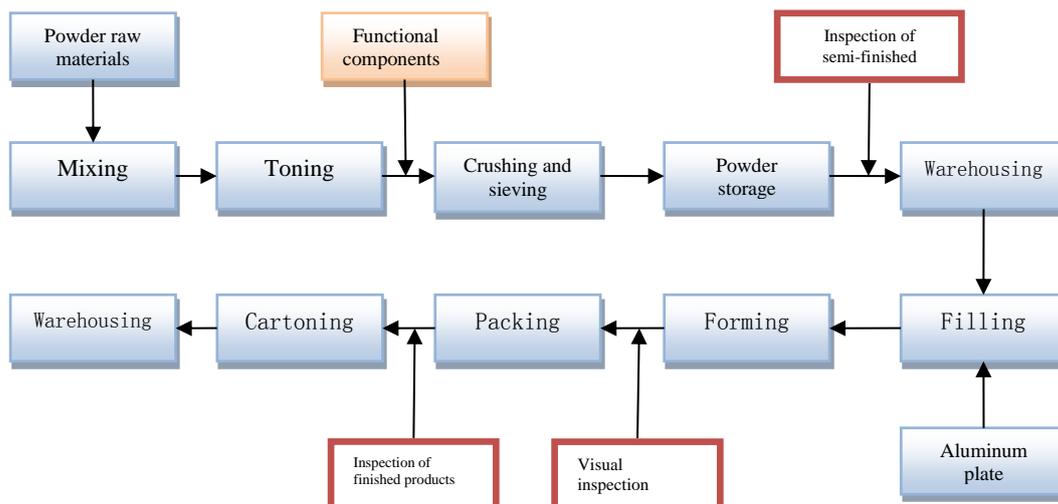


2. Production process for cleansing cosmetics

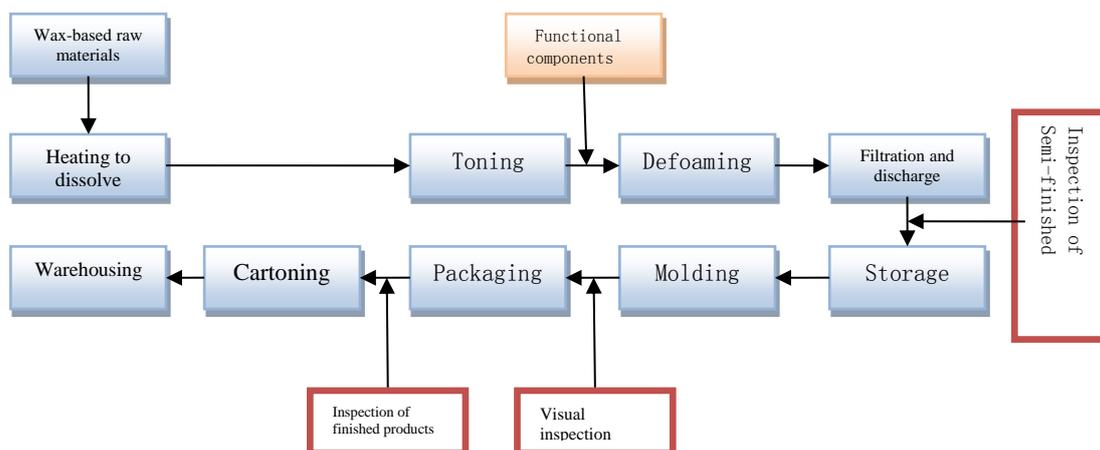


3. Production process for make-up cosmetics

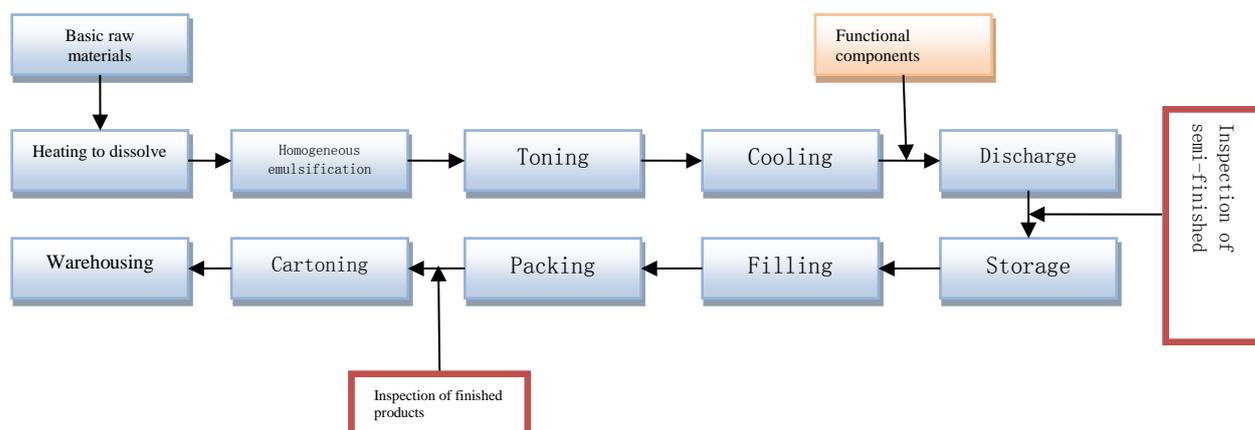
(1) Cosmetic powder blocks:



(2) Lipsticks and lip gloss:



(3) Eyelashes and eyeliners:



(5). Production capacity and status

"√ Applicable" "□ Not applicable"

In RMB10,000

Main plant or project	Design capacity	Capacity utilization (%)	Capacity under construction	Amount of investment in capacity under construction	Estimated time of completion of capacity under construction
Huzhou Skincare Factory	240 million pcs	80.33	0.00	0.00	No
Huzhou Cosmetics Factory	40 million pcs	25.37	0.00	0.00	No

Change in production capacity

"√ Applicable" "□ Not applicable"

During the reporting period, the Company's Make-up Factory was put into operation, increasing the production capacity by 40 million pieces.

Adjustment to product line and capacity structure optimization

"□ Applicable" "√ Not applicable"

Unexpected shutdown

"□ Applicable" "√ Not applicable"

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

"√ Applicable" "□ Not applicable"

Major raw materials	Procurement model	Settlement method	YOY price change ratio (%)	Procurement quantity	Consumption
Packaging materials	Mainly competitive procurement, except for some strategic suppliers	Settle within the payment days as agreed	18.32	About 1,020 million pieces	About 1,020 million pieces
Raw material_humectant	Mainly through competitive procurement, with long-term	Settle within the payment days as agreed	-7.93	About 1,580 tons	About 1,590 tons

	strategic cooperation with advantageous suppliers				
Raw materials_active	Dominated by price inquiry and comparison, with diversified cultivation of suppliers of a single source of supply	Settle within the payment days as agreed	61.12	About 520 tons	About 510 tons
Raw material_grease wax	Mainly through competitive procurement, with long-term strategic cooperation with advantageous suppliers	Settle within the payment days as agreed	24.37	About 720 tons	About 740 tons
Raw material_emulsifier	Mainly through competitive procurement, with cooperation with industry-leading suppliers on some raw materials	Settle within the payment days as agreed	-22.04	About 150 tons	About 160 tons
Raw materials_sunscreen	Mainly through competitive procurement, with long-term strategic cooperation with advantageous suppliers	Settle within the payment days as agreed	31.42	About 95 tons	About 93 tons

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

(2). Basic information on major sources of energy

"√ Applicable" "□ Not applicable"

Major energy	Procurement model	Settlement method	YOY price change ratio (%)	Purchase quantity	Consumption
Water	Fixed agreement with the local water company	Prepayment and monthly settlement or payment on demand according to the local requirements	0.00	170,584 tons	170,584 tons
Electricity	Fixed agreement with the local power supply company	Prepayment and monthly settlement or payment on demand according to the local requirements	0.00	8.72 million kwh	8.72 million kwh
Gas	Fixed agreement with the local gas supply company	Prepayment and monthly settlement or payment on demand according to the local requirements	15.23	295,436 cbm	295,436 cbm

The impact of changes in the prices of major energy on the Company's operating costs: Among the energy prices, the price of gas rose by 15.23%. Due to the relatively small amount of gas consumption in energy consumption, the increase in the operating cost was minor.

(3). Countermeasures for risks of fluctuations in the prices of raw materials**Major financial products such as derivatives**

"□ Applicable" "√ Not applicable"

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

"□ Applicable" "√ Not applicable"

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

"√ Applicable" "□ Not applicable"

In RMB10,000

Sub-industry	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)	Gross profit margin for products in the same industry and field
Skincare (including cleansing)	397,806.22	125,711.27	68.40	22.70	10.29	3.56	No public information available
Make-up	61,827.94	26,341.86	57.39	32.97	33.32	-0.11	No public information available
Others	2,409.00	2,456.72	-1.98	-41.05	-5.66	-38.25	No public information available

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

"√ Applicable" "□ Not applicable"

In RMB10,000

Sales channel	Operating revenue	Change in operating revenue YOY (%)
Online	392,399.71	49.54
Offline	69,643.45	-38.03

Statement of accounting policies

"□ Applicable" "√ Not applicable"

5 Environmental protection and safety**(1). Basic information on major work safety accidents of the Company during the reporting period**

"□ Applicable" "√ Not applicable"

(2). Major environmental violations

"□ Applicable" "√ Not applicable"

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

Item	Ending amount			Beginning amount		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investment in joint ventures	3,074,758.68		3,074,758.68	3,306,630.57		3,306,630.57
Investment in associates	181,555,246.18	14,670,468.59	166,884,777.59	54,913,429.03		54,913,429.03
Total	184,630,004.86	14,670,468.59	169,959,536.27	58,220,059.60		58,220,059.60

For details, see description in 17. Long-term equity investments, VII. Notes to the Items of Consolidated Financial Statements, Section X Financial Report.

1. Significant equity investments" Applicable" " Not applicable"**2. Significant non-equity investments**" Applicable" " Not applicable"**3. Financial assets measured at fair value**" Applicable" " Not applicable"**4. Progress of major asset restructuring and integration during the reporting period**" Applicable" " Not applicable"**(VI) Sale of major assets and equity**" Applicable" " Not applicable"**(VII) Analysis of major holding companies**"√ Applicable" " Not applicable"

Currency: RMB 10,000

Major subsidiary	Nature of business	Major products and services	Registered capital	Total assets	Net assets	Net profit	Holding or shareholding
Hangzhou Proya Trading Co., Ltd.	Cosmetics sales	Cosmetics	5,000.00	29,066.40	10,741.57	-2,231.06	Holding
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Cosmetics sales	Cosmetics	1,000.00	40,962.43	15,974.17	6,817.87	Holding

(VIII) Structured entities controlled by the Company

Applicable" Not applicable"

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

Applicable" Not applicable"

According to statistics from the National Bureau of Statistics, in 2021, the total retail sales of consumer goods reached RMB44,082.3 billion, up by 12.5% YOY; the total retail sales of cosmetics reached RMB402.6 billion, up by 14.0% YOY (covering consumer goods above designated units).

(II) Development strategy of the Company

Applicable" Not applicable"

Winning Now Winning Later, "6*N" strategy, enhanced core competence, and enriched brand matrix.

"6" represents new consumption, new marketing, new organization, new mechanism, new technology and new intelligent manufacturing; "N" represents N brands created.

- (1) New consumption: Innovative services to meet more consumer needs and consumer value;
- (2) New marketing: Digital marketing, fine omni-channel operation, and accurate and advanced consumer insight;
- (3) New organization: An efficient organization that is flat, platform-based, self-driven and collaborative;

- (4) New mechanism: A flexible, diversified, business-oriented incentive mechanism to be established;
- (5) New technology: Creation of R&D technology competitiveness with a focus on basic scientific research in R&D; establishment of an intelligent operation and management system through the company's informatization and digital transformation;
- (6) New intelligent manufacturing: Creation of an agile and flexible supply chain to adapt to the current fast pace of production and sales;

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

While Proya, as the main brand, maintained rapid, steady development, the Company has created, replicated, enabled or incubated different brands to meet the different needs of different consumers based on the successful experience and core competence, to enlarge the customer base, extend the demand coverage of the customer life cycle, gradually build and improve the multi-brand matrix, and achieve the Company's long-term sustainable growth.

(III) Business plan

"√ Applicable" "□ Not applicable"

In 2022, we will focus on the following aspects:

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

Continuously strengthen the brand positioning and brand mindset construction to meet the different needs of consumers.

(1) Skincare products - Proya

- 1) Continuously build a the Proya brand's matrix of hero products, focusing on categories such as essence, face cream, eye cream, and mask. Meanwhile, Proya will optimize and upgrade the existing hero products, and develop new hero products. The brand will further break circles and penetrate around the "hero product" strategy.
- 2) Continuously build its brand around the "spirit of discovery", focusing on social issues such as gender equality, mental health and intimate relationships, growth of younger generations and other issues closely related to the target audience for content creation and mass communication.

(2) Make-up - TIMAGE

Continuously strengthen categories including primer, base make-up, powder and face contour and highlight kit around the theory of Tang Yi IP make-up to seize the mid-end make-up market share. Continuously penetrate through new media, strengthen cooperation with leading and intermediate KOLs and junior amateur KOCs, constantly expand the influence, and convey product differentiation advantages and the brand's professional make-up attributes.

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

Satisfy the needs of mid-to-high-end consumers for scalp and hair care relying on the Japanese partner's R&D advantages and the quality advantages of "made in Japan". In 2022, the Company will strengthen

offline expansion in the Japanese market, and increase promotion and marketing in the Chinese market to guide the brand mindset of professional scalp care.

2. R&D construction

Based on the internationalization strategy, continuously strengthen R&D construction, systematically upgrade the R&D system, and introduce professionals with international perspectives; overall plan for R&D laboratories and other institutions at home and abroad; and deepen strategic cooperation with other scientific research institutions.

- (1) Basic R&D: Strengthen basic research on cells and dermatology, establish 3D skin models, study the mechanism and solutions for the formation of problematic skin, and develop functional raw materials.
- (2) Applied research: Guided by market demand, develop effective, skin-friendly and cost-effective skincare and make-up products.
- (3) Clinical research: Establish clinical research methods for various efficacy, and carry out efficacy demonstration and evaluation before product launch to meet the regulatory requirements for efficacy product launch.

3. Precise operation

- (1) Product development and marketing:

Develop products with scientific compounding and optimized raw materials based on industry big data and consumer insight and by outperforming consumers' expectations. Meanwhile, based on consumer media and content preferences, cooperate with mass media and bloggers to create high-quality content and solve various problems in the consumer decision-making process.

- (2) Channel operation:

Based on the final experience of consumers, to optimize and upgrade all aspects of operation, detail all aspects, including front-end visual display, event mechanism design, and customer service experience, as well as back-end warehousing logistics and after-sales service guarantee. Meanwhile, to provide more customized products and solutions for different consumers.

(IV) Possible risks

"√ Applicable" "□ Not applicable"

1. Industry competition risks

- (1) The Company's brand strategy and channel strategy fail to come up to expectations due to intensified competition facing various brands in the industry;
- (2) The control of digital and precise delivery costs fails to come up to expectations due to intensified competition facing marketing and launch.

2. Project incubation risks

- (1) New brand incubation risk: performance fails to come up to expectations despite big investment in marketing;
- (2) New category cultivation risk: performance fails to come up to expectations due to different operation modes for different categories and incompetent team.

3. Uncertain impact of COVID-19 on operations

4. Impact of the uncertainties of the international situation on the supply chain

(V) Others

Applicable" Not applicable"

VII. Circumstances where the Company Fails to Disclose due to Non-applicability or Special Reasons such as State Secrets and Trade Secrets and Statement of Reasons

Applicable" Not applicable"

Section IV Corporate Governance

I. Description of Corporate Governance

Applicable" Not applicable"

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

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

Applicable" Not applicable"

II. Specific Measures Taken by the Company's Controlling Shareholders and Actual Controllers to Ensure the Company's Independence in Assets, Personnel, Finance, Organization and Business Activities as well as Solutions, Work Progress and Subsequent Work Plans Taken due to Influence on the Company's Independence

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Session	Date	Reference	Date of release	Resolution
2020 Annual General Meeting of Shareholders	May 13, 2021	Announcement No. 2021-029 on SSE website (www.sse.com.cn)	May 14, 2021	The meeting approved proposals including the <i>Company's Annual Report 2020 and its Summary</i> , and the <i>Company's 2020 Annual Profit Distribution Plan</i> . For details, see the <i>Announcement on Resolutions of the 2020 Annual General Meeting of Shareholders</i> (No.: 2021-029) released on the SSE website on May 14, 2021 (http://www.sse.com.cn) and relevant media.
First Extraordinary General Meeting of Shareholders in 2021	September 09, 2021	Announcement No. 2021-055 on SSE website (www.sse.com.cn)	September 10, 2021	The meeting approved the <i>Proposal on Changing the Company's Registered Capital, Revising the Articles of Association, and Applying for Business Change Registration</i> , the <i>Proposal on Election of Directors</i> , the <i>Proposal on Election of Independent</i>

				<p><i>Directors, and the Proposal on Election of Supervisors. For details, see the Announcement on Resolutions of the 1st Extraordinary General Meeting of Shareholders in 2021 released by the Company on the SSE website (http://www.sse.com.cn) and relevant media on September 10, 2021 (Announcement No.: 2021-055)</i></p>
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Request of preferred shareholders with restored voting rights for convening an extraordinary general meeting

Applicable" Not applicable"

Description of the General Meeting of Shareholders

Applicable" Not applicable"

IV. Directors, Supervisors and Senior Management

(I) Changes in shareholding and remuneration of current and resigned directors, supervisors and senior management during the reporting period

"√ Applicable" "□ Not applicable"

Unit: share

Name	Position (Note)	Gender	Age	Term start date	Term end date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shares during the year	Cause for change	Total pre-tax remuneration received from the Company during the reporting period (RMB 10,000)	Any remuneration from the Company's related parties
Hou Juncheng	Chairman	Male	58	July 30, 2015	September 08, 2024	72,640,500	69,764,815	-2,875,685	Reduced for personal capital need	162.94	No
Fang Yuyou	Director, General Director	Male	53	July 30, 2015	September 08, 2024	44,819,118	36,347,843	-8,471,275	Reduced for personal capital need	162.94	No
Hou Yameng	Director	Male	34	September 09, 2021	September 08, 2024	0	0	0		2.57	No
	Deputy			September	September						

	General Manager			15, 2021	08, 2021						
Ma Dongming	Independent Director	Male	52	May 13, 2021	September 08, 2024	0	0	0		7.70	No
Ge Weijun	Independent Director	Male	47	September 09, 2021	September 08, 2024	0	0	0		4.63	No
Hou Luting	Supervisor	Female	33	May 02, 2018	September 08, 2024	0	0	0		18.67	No
Fang Qin	Supervisor	Female	32	May 08, 2018	September 08, 2024	0	0	0		26.74	No
Hu Lina	Supervisor	Female	34	September 09, 2021	September 08, 2024	0	0	0		4.37	
Jin Yanhua	Deputy General Manager	Male	60	April 16, 2018	September 14, 2024	73,181	54,981	-18,200	Reduced for personal capital need	60.94	No
Wang Li	CFO	Female	44	September 03, 2018	September 14, 2024	44,200	32,322	-11,878	10,700 shares reduced due to personal capital needs, 1,178 shares repurchased through equity incentives	82.69	No
	Deputy General Manager, Secretary of the Board of Directors			September 15, 2021	September 14, 2024						

Cao Lianguo	Director	Male	50	July 30, 2015	September 08, 2021	4,124,938	3,769,938	-355,000	Reduced for personal capital need	94.73	No
	Deputy General Manager			July 30, 2015	September 14, 2021						
Chu Xiuqi	Independent Director	Male	58	July 30, 2015	September 08, 2021	0	0	0		6.58	No
Chen Yan	Independent Director	Male	50	August 01, 2017	May 12, 2021	0	0	0		3.50	No
Ye Nana	Chairman of the Board of Supervisors	Female	38	September 03, 2018	September 08, 2021	0	0	0		16.21	No
Zhang Yefeng	Deputy General Manager, Secretary of the Board of Directors	Female	47	July 30, 2015	September 14, 2021	35,870	35,870	0		44.81	No
Total	/	/	/	/	/	121,737,807	110,005,769	-11,732,038	/	700.02	/

Notes:

1. During the reporting period, Cao Liangguo served as Director from January 1, 2021 to September 8, 2021 and as Deputy General Manager from January 1, 2021 to September 14, 2021; Chu Xiuqi served as Independent Director from January 1, 2021 to September 8, 2021; Chen Yan served as Independent Director from January 1, 2021 to May 12, 2021; Ye Nana served as Chairman of the Board of Supervisors from January 1, 2021 to September 8, 2021; Zhang Yefeng served as Deputy General Manager and Secretary of the Board of Directors from January 1, 2021 to September 14, 2021.
2. During the reporting period, Hou Yameng served as Director from September 9, 2021 to December 31, 2021 and Deputy General Manager from September 15, 2021 to December 31, 2021; Ma Dongming served as Independent Director from May 13, 2021 to December 31, 2021; Ge Weijun served as Independent Director from September 9, 2021 to December 31, 2021; Hu Lina served as Supervisor from September 9, 2021 to December 31, 2021.
3. The total pre-tax remuneration received by the above Directors, Supervisors and Senior Management from the Company during the reporting period is the total pre-tax remuneration during their term of office in the reporting period.

Name	Working experience
Hou Juncheng	He once worked in Yiwu Liaoyuan Daily Chemical Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd., and Hangzhou Proya Holding Co., Ltd. Since 2007, he has been working in the Company and its predecessor. From September 2007, he has served as Executive Director of the Company. From August 2012, he has been Chairman of the Company and its predecessor. As of the end of the reporting period, he concurrently served as Executive Director and General Manager of Proya Trading, Executive Director of Meiligu, Executive Director of Chuangdai Electronics, Executive Director of Yueqing Laiya, Inside Director and Representative Director of Korea Hanna, Executive Director and General Manager of Hapsode (Hangzhou), Executive Director and General Manager of Huzhou Hapsode, Executive Director and General Manager of Danyang Hapsode, Executive Director and General Manager of Mijing Siyu (Hangzhou), Chairman and General Manager of Hangzhou Kunyi Industrial Co., Ltd., Chairman of CBIC, Executive Director and General Manager of Huzhou Beauty Town Technology Incubation Park Co., Ltd., Chairman of Huzhou Younimi, Director of Xinjiang Huanyu New Silk Road Investment Development Co., Ltd., and Executive Director of Proya (Hainan).

Fang Yuyou	He once worked in Shijiazhuang Liaoyuan Cosmetics Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd., and Hangzhou Proya Holdings Co., Ltd. Since 2007, he has been working in the Company and its predecessor. Since August 2012, he has served as Director and General Manager of the Company and its predecessor. As of the end of the reporting period, he concurrently served as General Manager of Meiligu, General Manager of Yueqing Laiya, Executive Director and Manager of Hangzhou Fangxiake Investment Co., Ltd., Inside Director of Korea Hanna, Director of Hangzhou Kunyi Industrial Co., Ltd., Director of Hangzhou Tairentang Biotechnology Co., Ltd., Director of Huzhou Younimi, Director of Hong Kong Xinghuo, and Supervisor of Zhejiang Poweihui Grapevine Technology Co., Ltd.
Hou Yameng	He once worked in the E-commerce Department of Proya Cosmetics Co., Ltd., and has served as Director and Deputy General Manager of the Company since September 2021. As of the end of the reporting period, he concurrently served as Supervisor of Hangzhou Yishan Design Co., Ltd., and Executive Director and General Manager of Hainan Mengya Enterprise Consulting Co., Ltd.
Ma Dongming	He used to be Deputy Director and Director of CSRC Zhejiang Branch, Director of the Commissioner's Office of CSRC Shanghai Branch, and Deputy General Manager and Secretary of the Board of Directors of Yongan Futures Co., Ltd. Since May 2021, he has served as Independent Director of the Company. As of the end of the reporting period, he concurrently served as Independent Director of Hangzhou Particle Culture Technology Co., Ltd., Independent Director of Transwarp Technology (Shanghai) Co., Ltd., and Independent Director of Zhejiang Shuangyuan Technology & Development Co., Ltd.
Ge Weijun	He once worked in Zhejiang Xingyun Law Firm and Xingyun Law Firm Shanghai Branch. From 2006 to December 2021, he served as Professor, Doctoral Supervisor (in civil and commercial law), and Legal Adviser of Shanghai University of Finance and Economics. Since January 2022, he has served as a full-time teacher at the Law School of Fudan University. Since September 2021, he has served as Independent Director of the Company. He also serves as Arbitrator at the China International Economic and Trade Arbitration Commission, Arbitrator at the Shanghai International Economic and Trade Arbitration Commission, Executive Officer of the China Commercial Law Society, Vice President of the Commercial Research Branch of the Shanghai Judicial Think Tank, Vice President of the Cultural Law Research Association of the Shanghai Law Society, Independent Director of Shanghai Huace Navigation Technology Ltd., and Independent Director of Genecast Biotechnology Co., Ltd.
Hou Luting	From July 2013 to January 2014, she worked as an expatriate financial specialist at Zhonghui Accounting Firm, and from February 2014 to June 2017, she worked as a packaging material procurement specialist at the Purchasing Department of Proya Cosmetics Co., Ltd.; from June 2017 to April 2019, she worked as a raw material procurement specialist at the Purchasing Department of Proya Cosmetics Co., Ltd., and since April 2019, she has served

	as a raw material evaluation engineer at the Company. Since May 2018, she has served as Supervisor of the Company.
Fang Qin	From November 2008 to January 2018, she served as Director of the Planning Department of the Company and its predecessor. Since January 2018, she has served as Planning Strategy Manager of the Company, and since May 2018, she has been Supervisor of the Company.
Hu Lina	Female, born in December 1988, Chinese nationality, no overseas permanent residence, bachelor degree. She once worked in Pan-China Certified Public Accountants (Special General Partnership), and has served as Strategy Supervisor at the Company since 2013, and has served as Supervisor of the Company since September 2021.
Jin Yanhua	He once worked in Zhejiang Sanmen Fertilizer Factory, Zhejiang InBev Yandangshan Beer Co., Ltd., Zhejiang InBev Jinhua Beer Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd., and Hangzhou Proya Holding Co., Ltd. From 2007 to August 2012, he served as General Manager of the Huzhou Factory under the Company and its predecessor. Since August 2012, he has served as General Manager of the Company's Supply Chain Management Center; since April 2018, he has served as Deputy General Manager of the Company. As of the end of the reporting period, he concurrently served as Executive Director of Hanya (Huzhou), Executive Director of Huzhou UZERO, Manager of Chuangdai Electronics, Executive Director and General Manager of Proya Commercial, Executive Director and General Manager of Huzhou Niuke, Executive Director and General Manager of Hangzhou Wanyan, Executive Director and General Manager of Zhejiang Biyouiti, Executive Director of Shanghai Zhongwen, Executive Director and General Manager of Ningbo Proya, Chairman of Ningbo Keshi, Chairman of Ningbo TIMAGE, Executive Partner of Peixian Deyi Network Technology Partnership (Limited Partnership), Director of Hong Kong Keshi, Director of Hong Kong Wanyan, Director of Hong Kong Zhongwen, Executive Director of Zhejiang Qingya, Executive Director of Luxiaotie, Executive Director and General Manager of Hangzhou Yizhuo, Executive Director and General Manager of Hangzhou Weiluo, Executive Director and General Manager of Hangzhou Oumisi, Director of Japan OR, Executive Director and General Manager of Guangzhou Qianxi, Director of Ningbo Xiyou Interactive Entertainment Culture Media Co., Ltd., Executive Director and General Manager of Huzhou Poyun, Executive Director and General Manager of Xuzhou Proya, General Manager of Proya (Hainan), Director of Korea Hapsode, Executive Director and General Manager of Singuladerm (Hangzhou), and Chairman and General Manager of Ningbo Tangyu.
Wang Li	She once worked in Guangzhou Yingtai Digital Power Technology Co., Ltd., US CELLSTAR (Phonestar), Shanghai Ruili Sports Co., Ltd., Nanjing B.C. Sports Products Co., Ltd., Vgrass Fashion Co., Ltd., Zhuoshang Clothing (Hangzhou) Co., Ltd., and Jiangsu Sunport Power Corp., Ltd. Since May 2018, she has served as CFO of the Company, and since September 2021, she has served as the Company's Deputy General Manager and Secretary of the Board of Directors.

Cao Lianguo	He once worked in Leshan Chengbei Electric Appliance Factory, Hainan International United Cosmetics Co., Ltd., Chongqing Xielida Cosmetics Co., Ltd., Chongqing Doyen Technology Industry Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd., and Hangzhou Proya Holdings Co., Ltd. Since 2007, he has worked in the Company and its predecessor; from August 2012 to September 2021, he served as Director and Deputy General Manager of the Company and its predecessor; since September 2021, he has served as Executive Deputy General Manager of the Company. As of the end of the reporting period, he concurrently served as Supervisor of Korea Hanna, Director of Hangzhou Kunyi Industrial Co., Ltd., Director of Hangzhou Tairentang Biotechnology Co., Ltd., Director and General Manager of Korea Hapsode, Director of Huzhou Younimi, Director of Ningbo Keshi, Director of Hong Kong Keshi, Director of Hong Kong Zhongwen, Director of Hong Kong Wanyan, Director of Japan OR, and Director of Ningbo Tangyu.
Chu Xiuqi	He used to be Deputy Director of the Department Store Bureau of the Ministry of Commerce of the PRC, Deputy General Manager of China National General Merchandise and Textile Co., Ltd., and Executive Vice President and Secretary General of CCAGM. From July 2015 to September 2021, he served as Independent Director of the Company. As of the end of the reporting period, he served as Honorary President of CCAGM, Vice Chairman of China Sporting Goods Federation, President of Trade Fair Economy, Vice Chairman of Reed Huabai Exhibitions (Beijing) Co., Ltd., and Independent Director of Tianjin Yishang Friendly Co., Ltd. Ltd.
Chen Yan	He used to be Accountant at Huzhou Textile Import and Export Co., Ltd., Project Supervisor at OMEX, Vice Chairman, CFO, Secretary of the Board of Directors, and Deputy General Manager of Zhejiang Unifull Industrial Fibre Co., Ltd., and Investment Director of Huzhou Youchuang Investment Management Partnership (Limited Partnership). From August 2017 to May 2021, he served as Independent Director of the Company. As at the end of the reporting period, he served as Executive Partner of Huzhou Haoyu Investment Management Partnership (Limited Partnership), Executive Partner of Huzhou Juzhi Equity Investment Partnership (Limited Partnership), Supervisor of Hangzhou Quanzhimai E-Commerce Co., Ltd., Supervisor of Huzhou Jingrui Management Consulting Co., Ltd, Supervisor of BackboneTech Shanghai Co., Ltd., Executive Partner of Huzhou Haorui Enterprise Management Consulting Partnership (Limited Partnership), and Executive Partner of Huzhou Haoteng Equity Investment Partnership (Limited Partnership).
Ye Nana	She once worked in Zhejiang Dahua Co., Ltd. and Hangzhou Qiankun Industrial Co., Ltd. From September 2018 to September 2021, he served as Supervisor of the Company. From 2010 to the end of the reporting period, he served as Senior Administrative Manager of the Company and its predecessor, and now concurrently serves as Supervisor of Huzhou Younimi and Director of Japan OR.

Zhang Yefeng	She once worked in Zhejiang Modern Industry and Trade Group Co., Ltd., Guangdong Robust Group Co., Ltd., Hangzhou Aupu Electric Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd., and Hangzhou Proya Holding Co., Ltd. From 2007 to January 2022, she worked in the Company and its predecessor. From August 2012 to September 2021, she served as the Secretary of the Board of Directors and Director of the Public Relations Management Department of the Company and its predecessor. From December 2015 to September 2021, she served as Deputy General Manager of the Company.
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Other description

Applicable" Not applicable"

(II) Positions of current and resigned directors, supervisors and senior management during the reporting period

1. Positions held in shareholder entities

"√ Applicable" "□ Not applicable"

Name of employee	Name of shareholder entity	Position held in shareholder entity	Term start date	Term end date
Jin Yanhua	Peixian Deyi Network Technology Partnership (Limited Partnership)	Executive Partner	August 2019	
Description of position held in shareholder entity	No			

Note: Weifang Zhengyi Network Technology Partnership (Limited Partnership) was renamed Peixian Deyi Network Technology Partnership (Limited Partnership) in May 2021.

2. Positions held in other entities

"√ Applicable" "□ Not applicable"

Name of employee	Name of another entity	Position held in another entity	Term start date	Term end date
Hou Juncheng	Proya Trading	Executive Director and General Manager	June 2011	
	Meiligu	Executive Director	November 2011	
	Chuangdai Electronics	Executive Director	December 2016	
	Yueqing Laiya	Executive Director	September 2015	
	Korea Hanna	Inside Director and Representative Director	November 2011	
	Hapsode (Hangzhou)	Executive Director and General Manager	February 2018	
	Huzhou Hapsode	Executive Director and General Manager	May 2016	
	Danyang Hapsode	Executive Director and General Manager	December 2016	
	Mijing Siyu (Hangzhou)	Executive Director and General Manager	February 2018	
	Hangzhou Kunyi	Chairman and General	April 2014	

	Industrial Co., Ltd.	Manager		
	CBIC	Chairman	December 2018	
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Executive Director and General Manager	January 2019	
	Huzhou Younimi	Chairman	March 2019	
	Xinjiang Huanyu New Silk Road Investment Development Co., Ltd.	Director	March 2021	
	Proya (Hainan)	Executive Director	January 2021	
Fang Yuyou	Meiligu	General Manager	November 2012	
	Yueqing Laiya	General Manager	September 2015	
	Hangzhou Fangxiake Investment Co., Ltd.	Executive Director and General Manager	May 2018	
	Korea Hanna	Inside Director	November 2011	
	Hangzhou Kunyi Industrial Co., Ltd.	Director	April 2014	
	Hangzhou Tairentang Biotechnology Co., Ltd.	Director	December 2014	
	Huzhou Younimi	Director	March 2019	
	Hong Kong Xinghuo	Director	March 2019	
	Zhejiang Poweihui Grapevine Technology Co., Ltd.	Supervisor	November 2021	
Hou Yameng	Hangzhou Yishan Design Co., Ltd.	Supervisor	September 2017	January 2022

	Hainan Mengya Enterprise Consulting Co., Ltd.	Executive Director and General Manager	November 2021	
Ma Dongming	Particle Culture Technology Group (Hangzhou) Co., Ltd.	Independent Director	October 2020	
	Transwarp Technology (Shanghai) Co., Ltd.	Independent Director	December 2020	
	Zhejiang Shuangyuan Science & Technology Development Co., Ltd.	Independent Director	December 2020	
Ge Weijun	Shanghai Huace Navigation Technology Ltd.	Independent Director	December 2020	
	Genecast Biotechnology Co., Ltd.	Independent Director	January 2020	
Jin Yanhua	Hanya (Huzhou)	Executive Director	December 2016	
	Huzhou UZERO	Executive Director	January 2018	
	Chuangdai Electronics	Manager	February 2018	
	Proya Commercial	Executive Director and General Manager	September 2018	
	Huzhou Niuke	Executive Director and General Manager	December 2018	
	Hangzhou Wanyan	Executive Director and General Manager	January 2019	
	Zhejiang Biyouti	Executive Director and General Manager	March 2019	
	Shanghai Zhongwen	Chairman	April 2019	
	Ningbo Proya	Executive Director and	December	

		General Manager	2019	
	Ningbo Keshi	Director	September 2019	
	Ningbo TIMAGE	Director	July 2019	
	Peixian Deyi Network Technology Partnership (Limited Partnership)	Executive Partner	August 2019	
	Hong Kong Keshi	Director	March 2019	
	Hong Kong Wanyan	Director	October 2019	
	Hong Kong Zhongwen	Director	July 2019	
	Zhejiang Qingya	Executive Director	May 2020	
	Luxiaotie	Executive Director	August 2020	
	Hangzhou Yizhuo	Executive Director and General Manager	July 2020	
	Hangzhou Weiluo	Executive Director and General Manager	July 2020	
	Hangzhou Oumisi	Executive Director and General Manager	August 2020	
	Japan OR	Director	August 2020	
	Guangzhou Qianxi	Executive Director and General Manager	October 2020	
	Ningbo Xiyou Mutual Entertainment Culture Media Co., Ltd.	Director	September 2020	
	Huzhou Poyun	Executive Director and General Manager	September 2020	
	Xuzhou Pelaya Information Technology Co., Ltd.	Executive Director and General Manager	January 2021	
	Proya (Hainan)	General Manager	January 2021	

	Korea Hapsode	Director of the Company	June 2021	
	Singuladerm (Hangzhou)	Executive Director and General Manager	October 2021	
	Ningbo Tangyu	Chairman and General Manager	October 2021	
Cao Liangguo	Korea Hanna	Supervisor	November 2011	
	Hangzhou Kunyi Industrial Co., Ltd.	Director	February 2013	
	Hangzhou Tairentang Biotechnology Co., Ltd.	Director	December 2014	
	Korea Hapsode	Director and General Manager of the Company	August 2017	
	Shanghai Zhongwen	Director	April 2019	January 2021
	Huzhou Younimi	Director	March 2019	
	Hong Kong Keshi	Director	March 2019	
	Ningbo Keshi	Director	September 2019	
	Ningbo Segu	Director	June 2019	January 2021
	Hong Kong Zhongwen	Director	July 2019	
	Hong Kong Wanyan	Director	October 2019	
	Japan OR	Director	August 2020	
	Ningbo Tangyu	Director	December 2021	
	Chu Xiuqi	Tianjin Yishang Friendly Co., Ltd.	Independent Director	October 2011
Reed Huabai Exhibitions (Beijing) Co., Ltd.		Vice Chairman	July 2018	
Chen Yan	Huzhou Haoyu Investment Management	Executive Partner	March 2018	

	Partnership (Limited Partnership)			
	Huzhou Juzhi Equity Investment Partnership (Limited Partnership)	Executive Partner	August 2019	
	Hangzhou Quanzhimai Electronic Commerce Co., Ltd.	Supervisor	March 2018	
	Huzhou Jingrui Management Consulting Co., Ltd.	Supervisor	November 2019	
	BackboneTech Shanghai Co., Ltd.	Supervisor	April 2019	
	Huzhou Haorui Enterprise Management Consulting Partnership (Limited Partnership)	Executive Partner	August 2019	
	Huzhou Haoteng Equity Investment Partnership (Limited Partnership)	Executive Partner	August 2021	
Ye Nana	Huzhou Younimi	Supervisor	March 2019	
	Japan OR	Supervisor	August 2020	
Description of positions held in other entities	No			

(III) Remuneration of directors, supervisors and senior management

"√ Applicable" "□ Not applicable"

Decision-making procedures for remuneration of directors, supervisors and senior management	The remuneration of directors and supervisors of the Company shall be approved by the Remuneration and Appraisal Committee of the Board of Directors, the Board of Directors and the Board of Supervisors respectively. Then, the remuneration plan shall be submitted to the general meeting of shareholders for deliberation. The remuneration of senior management shall be deliberated by the Remuneration and Appraisal Committee of the Board of Directors and the Board of Directors
Basis for determination of remuneration of directors, supervisors and senior management	The annual remuneration of the Company's directors, supervisors and senior management shall be paid based on basic pay and performance appraisal results
Actual payment of remuneration of directors, supervisors and senior management	Paid
Total remuneration actually received by all directors, supervisors and senior management as of the end of the reporting period	During the reporting period, the Company's directors, supervisors and senior management actually received a total remuneration of RMB7,000,200 from the Company (including current and resigned supervisors and senior management during the reporting period).

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

"√ Applicable" "□ Not applicable"

Name	Position held	Change	Cause for change
Hou Juncheng	Chairman of the Board	Election	Change
Fang Yuyou	Director	Election	Change
Fang Yuyou	CEO	Appointment	Change
Hou Yameng	Director	Election	Change
Hou Yameng	Deputy General Manager	Appointment	Change
Ma Dongming	Independent Director	Election	Election, change
Ge Weijun	Independent Director	Election	Change
Hou Luting	Chairman of the Board of Supervisors	Election	Change
Fang Qin	Employee Representative Supervisor	Election	Change

Hu Lina	Shareholder Representative Supervisor	Election	Change
Jin Yanhua	Deputy General Manager	Appointment	Change
Wang Li	CFO, Deputy General Manager, Secretary of the Board of Directors	Appointment	Change
Cao Liangguo	Director, Deputy General Manager	Outgoing	Change
Chu Xiuqi	Independent Director	Outgoing	Change
Chen Yan	Independent Director	Outgoing	Personal reasons
Ye Nana	Chairman of the Board of Supervisors	Outgoing	Change
Zhang Yefeng	Deputy General Manager, Secretary of the Board of Directors	Outgoing	Change

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

Applicable" Not applicable"

(VI) Others

Applicable" Not applicable"

V. Meetings of the Board of Directors held during the reporting period

Session	Date	Resolution
18th meeting of the second session of Board of Directors	January 05, 2021	The meeting approved the <i>Proposal on the Satisfaction of Conditions for Releasing the Sales Restrictions for the Second Release Period of the Restricted Shares Granted for the First Time and Reserved Grant under the 2018 Restricted Share Incentive Plan</i> . For details, see the <i>Announcement on the Achievement of the Condition for the Release of Restrictions on the 2nd Lock-up Period for the 1st Grant and Reserved Grant of the 2018 Restricted Stock Incentive Plan and Listing</i> (No.: 2021-004) disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on January 6, 2021.
19th meeting of the second session of Board of Directors	April 21, 2021	The meeting approved proposals including the <i>Company's Annual Report 2020 and its Summary</i> and the <i>Company's 2020 Annual Profit Distribution Plan</i> . For details, see the <i>Announcement on</i>

Directors		<i>Resolutions of the 19th Meeting of the Second Board of Directors</i> (No.: 2021-012) disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on April 23, 2021.
20th meeting of the second session of Board of Directors	August 24, 2021	The meeting approved proposals including the <i>Company's 2021 Semi-annual Report and its Summary</i> and the <i>Proposal on the General Election of the Company's Board of Directors</i> . For details, see the <i>Announcement on Resolutions of the 20th Meeting of the Second Board of Directors</i> (No.: 2021-043) disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on August 25, 2021.
1st meeting of the third session of Board of Directors	September 15, 2021	The meeting approved proposals including the <i>Proposal on the Election of Chairman</i> , the <i>Proposal on the Election of Members of Special Committees of the Company's Board of Directors</i> and the <i>Proposal on the Appointment of the Company's Senior Management and Securities Affairs Representatives</i> . For details, see the <i>Announcement on Resolutions of the 1st Meeting of the Third Board of Directors</i> (No.: 2021-056) disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on September 16, 2021.
2nd meeting of the third session of Board of Directors	October 27, 2021	The meeting approved the <i>Company's 2021 Third Quarter Report</i> . For details, see the <i>2021 Third Quarter Report</i> disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on October 28, 2021.
3rd meeting of the third session of Board of Directors	December 03, 2021	The meeting approved proposals including the <i>Proposal on Further Clarifying the Company's Public Issuance of Convertible Corporate Bonds</i> and the <i>Proposal on the Company's Public Issuance of Convertible Corporate Bonds for Listing</i> . For details, see the <i>Announcement on Resolutions of the 3rd Meeting of the Third Session of Board of Directors</i> (No.: 2021-075) disclosed by the Company on the SSE website (http://www.sse.com.cn) and relevant media on December 6, 2021.

VI. Performance of Duties by Directors**(I) Directors Attending Meetings of the Board of Directors and General Meetings of Shareholders**

Director Name	Independent Director or not	Attendance at meetings of the Board of Directors						Attendance at General Meeting of Shareholders
		Number of board meetings to be attended this year	Number of board meetings attended in person	Number of board meetings attended by communication	Number of board meetings attended by proxy	Number of board meetings absent from -	Failure to attend two consecutive board meetings or not	Number of general meetings of shareholders attended
Hou Juncheng	No	6	6	0	0	0	No	2
Fang Yuyou	No	6	6	0	0	0	No	2
Hou Yameng	No	3	3	1	0	0	No	0
Ma Dongming	Yes	4	4	3	0	0	No	1
Ge Weijun	Yes	3	3	2	0	0	No	0
Cao Lianguo	No	3	3	0	0	0	No	2
Chu Xiuqi	Yes	3	3	3	0	0	No	2
Chen Yan	Yes	2	2	2	0	0	No	1

Explanation on absence from two consecutive board meetings

Applicable" Not applicable"

Number of board meetings held during the year	6
Including: number of on-site meetings	1
Number of meetings held by communication	0
Number of meetings held on site and by communication	5

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

Applicable" Not applicable"

(III) Others

Applicable" Not applicable"

VII. Special Committees under the Board of Directors

"√ Applicable" "□ Not applicable"

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

Category of special committee	Name of member
Audit Committee	Hou Yameng, Ma Dongming, Ge Weijun, Cao Liangguo (resigned), Chen Yan (resigned), Chu Xiuqi (resigned)
Nomination Committee	Hou Juncheng, Ma Dongming, Ge Weijun, Chen Yan (resigned), Chu Xiuqi (resigned)
Remuneration and Appraisal Committee	Fang Yuyou, Ma Dongming, Ge Weijun, Chen Yan (resigned), Chu Xiuqi (resigned)
Strategy Committee	Hou Juncheng, Ma Dongming, Ge Weijun, Chen Yan (resigned), Chu Xiuqi (resigned)

(2). Four meetings held by the Audit Committee during the reporting period

Date	Description	Important comments and suggestions	Other performance of duties
April 21, 2021	Held the 14th meeting of the second session of Audit Committee, approved the <i>Company's Annual Report 2020 and its Summary, the Company's 2021 Q1 Report, the Company's Annual Financial Final Report 2020, the Performance Report 2020 of the Audit Committee under the Company's Board of Directors, the Company's Internal Control Evaluation Report 2020, the Company's Profit Distribution Plan 2020, the Proposal on Payment of Audit Fees for 2020 and Further Employment of the Audit Firm for 2021, the Proposal on Changes in Accounting Policies, the Proposal on the Estimated Amount of Daily Related-party Transactions for 2021, the Proposal on the Company's Eligibility for the Public Issuance of A-Share Convertible Corporate Bonds, the Proposal on the Issuance Plan for the Company's Public Issuance of A-Share Convertible Corporate Bonds (revision), the Proposal on the Pre-arranged Plan for the Company's Public Issuance of A-Share</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	No

	<p><i>Convertible Corporate Bonds (revision), the Feasibility Analysis Report on the Company's Public Issuance of A-Share Convertible Corporate Bonds to Raise Funds for Investment Projects (revision), the Proposal on the Report on the Use of the Company's Previously Raised Funds, the Proposal on the Public Issuance of A-Share Convertible Corporate Bonds to Dilute Spot Returns and Remedial Measures and Relevant Entities' Commitments (revision), the Proposal on Extending the Valid Period of Resolutions of the General Meeting of Shareholders on A-Share Convertible Corporate Bonds and the Validity Period of Authorization, the Rules of Procedure for Meetings of the Company's A-Share Convertible Corporate Bond Holders (revision), and the Company's Annual Internal Audit Work Report 2020.</i></p>		
August 24, 2021	<p>Held the 15th meeting of the second session of Audit Committee and approved the <i>Company's 2021 Semi-annual Report and its Summary, the Proposal on Adjusting the Repurchase Price under the 2018 Restricted Stock Incentive Plan, the Proposal on the Repurchase and Cancellation of Some Restricted Equity Incentive Shares, the Proposal on Adjusting the Company's Public Issuance of A-Share Convertible Corporate Bonds, the Proposal on the Pre-arranged Plan for the Company's Public Issuance of A-Share Convertible Corporate Bonds (second revision), and the Proposal for the Feasibility Analysis Report (second revision) on the Company's Public Issuance of A Share Convertible Corporate Bonds to Raise Funds for Investment Projects.</i></p>	<p>Approve these proposals and agree to submit them to the Board of Directors for deliberation</p>	No
October 27, 2021	<p>Held the 1st meeting of the third session of Audit Committee, and approved the <i>Company's 2021 Q3 Report</i></p>	<p>Approve these proposals and agree to submit them to the Board of Directors for deliberation</p>	No

December 03, 2021	Held the 2nd meeting of the third session of Audit Committee and approved the <i>Proposal on Further Clarifying the Company's Public Issuance of Convertible Corporate Bonds</i> , the <i>Proposal on the Company's Public Issuance of Convertible Corporate Bonds for Listing</i> , and the <i>Proposal on Opening the Special Account for Funds Raised from the Public Issuance of Convertible Corporate Bonds and Signing the Supervision Agreement for Raised Funds</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	No
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(3). Two meetings held by the Remuneration and Appraisal Committee during the reporting period

Date	Description	Important comments and suggestions	Other performance of duties
January 05, 2021	Held the 4th meeting of the second session of Remuneration and Appraisal Committee and approved the <i>Proposal on the Satisfaction of Conditions for Releasing the Sales Restrictions for the Second Release Period of the Restricted Shares Granted for the First Time and Reserved Grant under the 2018 Restricted Share Incentive Plan</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	No
April 21, 2021	Held the 5th meeting of the second session of Remuneration and Appraisal Committee and approved the <i>Proposal on Confirming the Remuneration of Directors for 2020</i> and the <i>Proposal on Confirming the Remuneration of Senior Management for 2020</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	No

(4). Three meetings held by the Nomination Committee during the reporting period

Date	Description	Important comments and suggestions	Other performance of duties
April 21, 2021	Held the 2nd meeting of the second session of Nomination Committee and approved the <i>Proposal on Proposing Candidates for Independent Directors of the Company</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	No

August 24, 2021	Held the 3rd meeting of the second session of Nomination Committee and approved the <i>Proposal on Proposing Candidates for Directors of the Company's 3rd Board of Directors</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	No
September 15, 2021	Held the 4th meeting of the second session of Nomination Committee and approved the <i>Proposal on Proposing Candidates for the Company's Senior Management</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	No

(5). Two meetings held by the Strategy Committee during the reporting period

Date	Description	Important comments and suggestions	Other performance of duties
April 21, 2021	Held the 4th meeting of the second session of Strategy Committee and approved the <i>Proposal on the Company's Strategic Business Plan 2021</i> , the <i>Proposal on the Company's Eligibility for the Public Issuance of A-Share Convertible Corporate Bonds</i> , the <i>Proposal on the Issuance Plan for the Company's Public Issuance of A-Share Convertible Corporate Bonds (revision)</i> , the <i>Proposal on the Pre-arranged Plan for the Company's Public Issuance of A-Share Convertible Corporate Bonds (revision)</i> , the <i>Feasibility Analysis Report on the Company's Public Issuance of A-Share Convertible Corporate Bonds to Raise Funds for Investment Projects (revision)</i> , the <i>Proposal on the Report on the Use of the Company's Previously Raised Funds</i> , the <i>Proposal on the Public Issuance of A-Share Convertible Corporate Bonds to Dilute Spot Returns and Remedial Measures and Relevant Entities' Commitments (revision)</i> , the <i>Proposal on Extending the Valid Period of Resolutions of the General Meeting of Shareholders on A-Share Convertible Corporate</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	No

	<i>Bonds and the Validity Period of Authorization, and the Rules of Procedure for Meetings of the Company's A-Share Convertible Corporate Bond Holders (revision).</i>		
December 3, 2021	Held the 1st meeting of the third session of Strategy Committee and approved the <i>Proposal on Further Clarifying the Company's Public Issuance of Convertible Corporate Bonds</i> , the <i>Proposal on the Company's Public Issuance of Convertible Corporate Bonds for Listing</i> , and the <i>Proposal on Opening the Special Account for Funds Raised from the Public Issuance of Convertible Corporate Bonds and Signing the Supervision Agreement for Raised Funds</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	No

(6). Dissenting matters

Applicable" Not applicable"

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

Applicable" Not applicable"

The Board of Supervisors had no objection to matters supervised during the reporting period.

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

Number of current employees of the parent company	960
Number of current employees of major subsidiaries	1,884
Total number of employees	2,844
Number of retired employees to be supported by the parent company and major subsidiaries	5
Specialty composition	
Category	Number of employees
Production workers	269
Sales specialists	2,173
Management	243

R&D personnel	159
Total	2,844
Educational background	
Education level	Number (person)
Bachelor and above	910
Associate	590
High school and below	1,344
Total	2,844

(II) Remuneration policy

Applicable" Not applicable"

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

(III) Training program

Applicable" Not applicable"

The Company adheres to the goal of gathering and training outstanding professionals by always considering staff learning and growth as a primary task, and continuously innovating on and optimizing training research, training topics, training forms, training implementation, training evaluation and improvement, and trainer management. The Company fully enhances employee participation by providing offline and online platform learning and sharing activities, so that employees can learn targeted and independently.

(IV) Labor outsourcing

Applicable" Not applicable"

Total man-hours for labor outsourcing	
Total remuneration paid for labor outsourcing	RMB30,245,335.39

In January 2017, Proya Cosmetics Co., Ltd. Huzhou Branch signed the Service Project Contracting Agreement with Jiangxi Puji Labor Service Co., Ltd., whereby Huzhou Branch would outsourced auxiliary services including canteen, greening, cleaning, and goods handling, loading and unloading, and packaging to Jiangxi Zhilian Outsourcing Service Co., Ltd. and pay consideration for the agreed quantities.

X. Profit Distribution or Capital Reserve Conversion Plan

(I) Development, implementation or adjustment of the cash dividend distribution policy

Applicable" Not applicable"

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

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

To promote the long-term and sustainable development, based on a comprehensive analysis of the corporate development strategy, shareholder requirements and expectations, social capital costs, and external financing environment, the Company has solicited and listened to the requirements and expectations of shareholders, especially small and medium shareholders, fully considered the Company's current and future profitability, cash flow, development stage, project investment capital needs, and bank credit, balanced the short-term and long-term interests of shareholders, and made mechanism arrangements for profit distribution, so as to establish a sustainable and stable mechanism for dividend distribution to investors to ensure the continuity and stability of the Company's profit distribution policy.

II. Principles for planning for dividend distribution to shareholders

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

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

1. The Company shall implement a continuous and stable profit distribution policy. The Company shall consider reasonable investment returns to investors and the Company's actual operating conditions and sustainable development for the current year in profit distribution.
2. The Company may distribute profits in the form of cash or shares or both, or other methods permitted by laws and regulations. The distribution should not exceed the accumulated distributable profits, and shall not undermine the Company's ability to continue as a going concern. When eligible for cash dividends, the Company shall distribute profits first in cash.

When eligible for cash dividends under the Company's *Articles of Association*, the Company shall, in principle, distribute profits in cash on a yearly basis. The Company's Board of Directors may propose that the Company should distribute interim cash dividends according to the Company's profitability and capital needs. The Company shall maintain the continuity and stability of the profit distribution policy, and distribute every year at least 20% of the distributable profits achieved for the current year. The

Company's Board of Directors shall propose a differentiated cash dividend policy in line with the procedures under the Company's *Articles of Association* after a comprehensive analysis of factors such as industry characteristics, development stage, its own business mode, profitability, and major spending arrangements.

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

(1) The Company shall evaluate the implementation of the plan for dividend distribution to shareholders.

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

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

During the reporting period, the Company's 2020 annual General Meeting of Shareholders approved the 2020 annual profit distribution plan, whereby to distribute a cash dividend of RMB7.20 (tax inclusive) for each 10 shares to all shareholders registered as of the record date on the basis of the total share capital as of the record date for dividend distribution for a total of RMB144,804,186.00 (tax inclusive). The dividend distribution was completed on June 2, 2021.

(II) Special description of the cash dividend policy

" Applicable" " Not applicable"

Whether acceptable under the Company's Articles of Association or as required by resolution at the General Meeting of Shareholders	" <input checked="" type="checkbox"/> Yes" " <input type="checkbox"/> No"
Any clear and defined dividend distribution and ratio	" <input checked="" type="checkbox"/> Yes" " <input type="checkbox"/> No"
Any complete decision-making procedures and mechanisms	" <input checked="" type="checkbox"/> Yes" " <input type="checkbox"/> No"
Whether independent directors have discharged their duties and played their roles	" <input checked="" type="checkbox"/> Yes" " <input type="checkbox"/> No"
Whether minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests are fully protected	" <input checked="" type="checkbox"/> Yes" " <input type="checkbox"/> No"

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

" Applicable" " Not applicable"

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

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

" Applicable" " Not applicable"

Matter	Reference
Announcement on the Achievement of the Condition for the Release of Restrictions on the 2nd Lock-up Period for the 1st Grant and Reserved Grant of the 2018 Restricted Stock Incentive Plan and Listing	SSE website, Shanghai Securities News, Securities Times on January 6, 2021
Announcement on Adjusting the Repurchase Price of the 2018 Restricted Stock Incentive Plan	SSE website, Shanghai Securities News, Securities Times on August 25, 2021
Announcement on the Repurchase and Cancellation of Some Equity Incentive Restricted Shares	SSE website, Shanghai Securities News, Securities Times on August 25, 2021
Announcement on Capital Reduction on the Repurchase and Cancellation of Some Restricted Shares	SSE website, Shanghai Securities News, Securities Times on August 25, 2021
Announcement on the Implementation of the Repurchase and Cancellation of Equity Incentive Restricted Shares	SSE website, Shanghai Securities News, Securities Times on November 16, 2021

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

Equity incentives

Applicable" Not applicable"

Other description

Applicable" Not applicable"

Employee stock ownership plans

Applicable" Not applicable"

Other incentives

Applicable" Not applicable"

(III) Equity incentives granted to directors and senior management during the reporting period

Applicable" Not applicable"

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

Applicable" Not applicable"

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

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

Applicable" Not applicable"

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

Material deficiencies in internal control during the reporting period

Applicable" Not applicable"

XIII. Management and Control of Subsidiaries during the Reporting Period

Applicable" Not applicable"

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

XIV. Description of the Internal Control Audit Report

Applicable" Not applicable"

During the reporting period, Pan-China Certified Public Accountants (Special General Partnership), the Company's internal control auditing firm, issued the *Internal Control Audit Report* (Tian Jian Audit [2022] No.2911), in which opinion the Company had maintained effective internal control over financial reporting in all material aspects as of December 31, 2021 pursuant to the *Basic Rules for Internal Control* and other applicable provisions.

Whether to disclose the internal control audit report: Yes

Type of opinion therein: standard unqualified opinion

XV. Correction of Problems Identified in the Listed Company's Special Campaign for Self-inspection

The Company completed the special campaign for self-inspection as of April 30, 2021, with no correction required.

XVI. Others

Applicable" Not applicable"

Section V Environmental and Social Responsibility

I. Environmental Information

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

Applicable" Not applicable"

(II) Explanation on environmental issues of the Company not included in the list of primary pollutant discharge entities

Applicable" Not applicable"

1. Administrative punishment for environmental issues

Applicable" Not applicable"

2. Other environmental information disclosed by referencing to major dischargers of pollutant

Applicable" Not applicable"

During the reporting period, the Company responded actively to the goals of carbon peaking and carbon neutrality by continuously advancing low-carbon environmental protection and green manufacturing measures, including technological innovation, purchasing high-efficiency and low-energy-consumption emulsification equipment, recycling process jacket hot water, adopting high-efficiency MBR membranes in existing sewage treatment stations of up to the class A discharge standard to achieve low energy consumption, low pollution, low emissions, realizing outstanding operating results of the Company and effective environmental protection.

1. For the macro management of solid wastes, the Company's factories can track the whole process data on solid wastes and prevent risks by requesting to report every year on hazardous waste generated on the national management information system platform for solid wastes and chemicals, selecting hazardous waste treating agencies through open bidding on the platform and requesting for the treatment of hazardous wastes on the platform.
2. Huzhou Factory continuously gave reasonable suggestions for energy conservation and emission reduction, and practiced its pursuit as a resource-saving and environment-friendly green factory.

3. Reason for other environmental information undisclosed

Applicable" Not applicable"

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

Applicable" Not applicable"

During the reporting period, the Company reasonably managed its limited space and purchased special safety facilities and emergency rescue equipment to ensure emergency rescue materials available in limited space. Based on the actual conditions, the Company introduced an on-site online monitoring system connected to the government's video monitoring platform and incorporate intelligent management. Huzhou Production Base continuously offered safety training for employees. The factory's employees can learn about work safety-related laws and regulations, understand accident prevention and emergency response measures, and meet the strict requirements for full participation, full training and full certification. The Company has implemented a new dual-control system controlling safety risk

classification and hidden danger investigation and management, by organizing all employees to identify hazard sources, making a list of safety risks, and developing relevant safety protection measures to eliminate all potential risks.

(IV) Measures taken to reduce carbon emissions during the reporting period and their effects

"√ Applicable" "□ Not applicable"

For details, see the *Proya ESG Report 2021*, disclosed by the Company on the SSE website (www.sse.com.cn) disclosed on the same day.

II. Social Responsibility

"√ Applicable" "□ Not applicable"

For details, see the *Proya ESG Report 2021*, disclosed by the Company on the SSE website (www.sse.com.cn) disclosed on the same day.

III. Poverty Alleviation and Rural Revitalization Progress

"√ Applicable" "□ Not applicable"

For details, see the *Proya ESG Report 2021*, disclosed by the Company on the SSE website (www.sse.com.cn) disclosed on the same day.

Section VI Significant Issues

I. Fulfillment of Commitments

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

"√ Applicable" "□ Not applicable"

Background	Commitment Type	Promisor	Commitment Description	Date and duration	Any time line for performance	Having timely and strictly performed or not	Cause for any failure to perform in time	The next step in the event of failure to perform in time
IPO-related commitments	Restrictions on sales	The couple Hou Juncheng and Fang Ai Qin, controlling shareholders and actual controllers	(1) Within 36 months from the date of the Company's IPO, Hou Juncheng and Fang Ai Qin shall not to transfer or authorize any other to manage their shares in the Company or have the Company repurchase such shares. (2) If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the six-month period after the Company's IPO, the lock-up period for	Date: November 15, 2017 Duration: November 15, 2017 to November 14, 2020	Yes	Yes	Not applicable	Not applicable

			<p>their shares in the Company will be automatically extended for 6 months. (3) If their shares in the Company are reduced within two years upon expiration of the lock-up period, the sales price shall not be lower than the offering price. (4) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.</p>					
	Restrictions on sales	Director, CEO Fang Yuyou	<p>(1) Within 36 months from the date of the Company's IPO, Hou Juncheng and Fang Aiqin shall not to transfer or authorize any other to manage their shares in the Company or have the Company repurchase such shares. (2) If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the six-month period after the Company's IPO, the lock-up period for</p>	<p>Date: November 15, 2017 Duration: November 15, 2017 to November 14, 2020</p>	Yes	Yes	Not applicable	Not applicable

			<p>their shares in the Company will be automatically extended for 6 months. (3) If their shares in the Company are reduced within two years upon expiration of the lock-up period, the sales price shall not be lower than the offering price. (4) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.</p>					
	Restrictions on sales	12 natural person shareholders including Li Xiaolin, Xu Junqing, Fang Aifen, Ye Caifu, Li Jianqing, Chen Dongfang, Li Wenqing, Xu Dongkui, Bao	(1) Within 36 months from the date of the Company's IPO, Hou Juncheng and Fang Aiqin shall not to transfer or authorize any other to manage their shares in the Company or have the Company repurchase such shares. (2) If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the six-month period after the Company's IPO, the lock-up period for	Date: November 15, 2017 Duration: November 15, 2017 to November 14, 2020	Yes	Yes	Not applicable	Not applicable

		Qingfang, Fang Jiaqin, Fang Shanming and Ye Hong	their shares in the Company will be automatically extended for 6 months. (3) If their shares in the Company are reduced within two years upon expiration of the lock-up period, the sales price shall not be lower than the offering price. (4) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.					
	Restrictions on sales	Directors, senior management Hou Juncheng, Fang Yuyou and Cao Liangguo	(1) During their terms as the Company's director/senior management, they shall not transfer more than 25% of their total shares directly or indirectly held in the Company each year. Within six months after leaving office, they shall not transfer their shares directly or indirectly held in the Company. (2) If their shares in the Company are sold within two years upon expiration of the lock-up period, the sales price shall not be lower than the offering price. If the closing price of the	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the 6-month period after the Company's IPO is lower than the offering price, the lock-up period for their shares in the Company will be automatically extended for 6 months. Their commitments above shall survive job change and resignation.</p> <p>(3) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.</p>					
	Restrictions on sales	Senior management Zhang Yefeng, Zhang Minhua	<p>(1) Within 12 months from the date of the Company's IPO, they shall not transfer or authorize any other to manage their shares directly or indirectly held in the Company or have the Company repurchase such shares. (2) During their terms as the Company's senior management, they shall not transfer more than 25% of their total</p>	<p>Date: November 15, 2017</p> <p>Duration: November 15, 2017 to long-term</p>	No	Yes	Not applicable	Not applicable

			<p>shares directly or indirectly held in the Company each year. Within six months after leaving office, they shall not transfer their shares directly or indirectly held in the Company. (3) If their shares in the Company are sold within two years upon expiration of the lock-up period, the sales price shall not be lower than the offering price. If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the 6-month period after the Company's IPO is lower than the offering price, the lock-up period for their shares in the Company will be automatically extended for 6 months. Their commitments above shall survive job change and resignation. (4) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended</p>					
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			for 6 months.					
	Restrictions on sales	Senior management Jin Yanhua	(1) Within 12 months from the date of the Company's IPO, they shall not transfer or authorize any other to manage their shares directly or indirectly held in the Company or have the Company repurchase such shares. (2) During their terms as the Company's senior management, they shall not transfer more than 25% of their total shares directly or indirectly held in the Company each year. Within six months after leaving office, they shall not transfer their shares directly or indirectly held in the Company. (3) If their shares in the Company are sold within two years upon expiration of the lock-up period, the sales price shall not be lower than the offering price. If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the 6-month period after the Company's IPO is lower than the offering price, the	Date: April 16, 2018 Duration: April 16, 2018 to long-term	No	Yes	Not applicable	Not applicable

			lock-up period for their shares in the Company will be automatically extended for 6 months. Their commitments above shall survive job change and resignation. (4) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.					
	Restrictions on sales	Senior management Wang Li	(1) Within 12 months from the date of the Company's IPO, they shall not transfer or authorize any other to manage their shares directly or indirectly held in the Company or have the Company repurchase such shares. (2) During their terms as the Company's senior management, they shall not transfer more than 25% of their total shares directly or indirectly held in the Company each year. Within six months after leaving office, they shall not transfer their shares directly or indirectly held in the Company. (3) If their shares in the Company are sold within two years upon	Date: September 03, 2018 Duration: September 03, 2018 to long-term	No	Yes	Not applicable	Not applicable

			<p>expiration of the lock-up period, the sales price shall not be lower than the offering price. If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the 6-month period after the Company's IPO is lower than the offering price, the lock-up period for their shares in the Company will be automatically extended for 6 months. Their commitments above shall survive job change and resignation.</p> <p>(4) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.</p>					
	Restrictions on sales	Controlling shareholders and actual controllers Hou Juncheng and	(1) Within 24 months upon expiration of the lock-up period, they shall not directly or indirectly reduce their shares in the Issuer by more than 6% of the total number of shares of the Issuer before such	Date: November 15, 2017 Duration: November	No	Yes	Not applicable	Not applicable

		Fang Aiqin	IPO. (2) They must sell shares in the Company through methods including but not limited to collective trading through bidding and transfer by agreement in line with applicable laws, regulations and rules. (3) Before selling the Company's shares, they shall announce the same three trading days in advance, discharge the obligation to disclose information in a timely and accurate manner as per the rules of the securities exchange, except to the extent that his or her shares in the Company are less than 5%. (4) Should they fail to perform the said intent of share reduction, they must explain the cause for failing to do so in the Company's General Meeting of Shareholders and media designated by the CSRC and publicly apologize to the Company's shareholders and public investors.	15, 2017 to long-term				
Restrictions on sales	Shareholders Fang Yuyou and Li Xiaolin	(1) If they intend to reduce shares after the lock-up period expires, they will prudently make a share reduction plan as	Date: November 15, 2017	No	Yes	Not applicable	Not applicable	

		<p>directly holding more than 5% shares in the Company</p>	<p>necessary for the Company to stabilize the share price and conduct operations and capital operations as required by the CSRC and the exchange on shareholders for share reduction, whereby to reduce shares gradually upon expiration of the lock-up period. (2) They must sell shares in the Company through methods including but not limited to collective trading through bidding and transfer by agreement in line with applicable laws, regulations and rules. (3) Before selling the Company's shares, they shall announce the same three trading days in advance, discharge the obligation to disclose information in a timely and accurate manner as per the rules of the securities exchange except to the extent that their shares in the Company are less than 5%. (4) Should they fail to perform the said intent of share reduction, they must explain the cause for failing to do so in the Company's General Meeting of Shareholders and media designated by the</p>	<p>Duration: November 15, 2017 to long-term</p>				
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			CSRC and publicly apologize to the Company's shareholders and public investors.					
	Others	The Company	When the preconditions for enabling the share price stabilization plan are met, if the Company fails to take specific measures to stabilize the share price, the Company must explain the cause for failing to do so in the Company's General Meeting of Shareholders and media designated by the CSRC and publicly apologize to the Company's shareholders and public investors. In the event of losses to investors not as a result of force majeure, the Company will be liable for compensation to investors by law, and be liable otherwise as required by laws, regulations and the regulators; if due to force majeure, the Company shall work out a plan in the shortest possible time to minimize losses to investors and submit it to the General Meeting of Shareholders for consideration, so as to protect the interests of the Company's investors as	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>much as possible. Within three years from the date of the Company's IPO, if the Company appoints new directors and senior management, the Company will require such new directors and senior management to fulfill the commitments made by the directors and senior management at the time of the Company's IPO.</p>					
	Others	The Company's controlling shareholders and actual controllers	<p>When the preconditions for enabling the share price stabilization plan are met, if failing to take specific measures to stabilize the share price, they must explain the cause for failing to do so at the Issuer's General Meeting of Shareholders and the media designated by the CSRC and publicly apologize to the Issuer's shareholders and public investors. Where no such commitment is made, they will not receive shareholder dividends from the Issuer within 5 working days from the date of the said incident, and they will not be able to transfer his or her shares until they has taken and carried out</p>	<p>Date: November 15, 2017 Duration: November 15, 2017 to long-term</p>	No	Yes	Not applicable	Not applicable

			measures to stabilize the share price as per the said plan.					
	Others	The Company's directors (excluding independent directors) and senior management	When the preconditions for enabling the share price stabilization plan are met, if failing to take specific measures to stabilize the share price as per the plan to stabilize the share price, they must explain the cause for failing to do so at the Issuer's General Meeting of Shareholders and the media designated by the CSRC and publicly apologize to the Issuer's shareholders and public investors. Where no such commitment is made, they will not receive remuneration and shareholder dividends (if any) from the Issuer within 5 working days from the date of the said incident, and they will not be able to transfer his or her shares until they has taken and carried out measures to stabilize the share price as per the said plan.	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable
	Others	The Company	If the Company's prospectus contains false records, misleading statements or major omissions, which causes investors	Date: November 15, 2017	No	Yes	Not applicable	Not applicable

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

			investors, especially small and medium investors. If found to have violated the said commitments, the Company's controlling shareholders and actual controllers will publicly apologize to the Issuer's shareholders and public investors for failing to perform the said compensation measures at the Issuer's General Meeting of Shareholders and the media designated by the CSRC and will not receive shareholder dividends from the Issuer within 5 working days from the date of the said commitments, and their shares in the Issuer will not be transferred until they have taken and carried out compensation measures as per the said commitments.					
		Directors, supervisors and senior management	If the Issuer's prospectus contains false records, misleading statements or major omissions, which causes investors to suffer losses in securities transactions, they will compensate investors for such losses by law. After such illegal facts are identified by the CSRC or the stock	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

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

			the CSRC and Shanghai Stock Exchange. If found to have violated the said commitments, the Company will promptly announce the facts and cause of such violation, except for force majeure or other reasons not attributable to the Company, apologize to the Company's shareholders and public investors, make supplementary commitments or substitute commitments to investors to protect the interests of investors as much as possible, and implement such supplementary commitments or substitute commitments subject to approval by the Company's General Meeting of Shareholders.					
	Others	Controlling shareholders and actual controllers Hou Juncheng and Fang Aiqin	In order to ensure that the Company's measures to fill the diluted immediate returns can be effectively performed, they, as the Company's controlling shareholder and actual controller, promises that: (1) Under no circumstances will they abuse the position as the controlling shareholder and actual controller by ultra vires interfering with	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>the Company's operation and management activities or encroaching on the company's interests; (2) After the CSRC and Shanghai Stock Exchange have otherwise released opinions and implementation rules on measures to fill the diluted immediate returns and such commitments, if the Company's relevant provisions and his or her commitments contradict such rules, they will immediately make supplementary commitments in line with such rules of the CSRC and Shanghai Stock Exchange, and actively promote the Company to issue new commitments or measures to the requirements of the CSRC and Shanghai Stock Exchange; (3) they will fully, completely and timely perform the Company's measures regarding filling the diluted immediate returns and his or her commitments regarding the measures to fill the diluted immediate returns. If found to have violated such commitments, which causes losses to the Company or</p>					
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			shareholders, they are willing to: (1) state the cause and apologize at the General Meeting of Shareholders and the media designated by the CSRC; (2) be liable for compensation to the Company and/or shareholders by law; (3) unconditionally accept the penalties or regulatory measures taken by the CSRC and/or Shanghai Stock Exchange and other securities regulators as per their current rules; The said measures to fill the diluted immediate returns shall not be deemed to constitute a guarantee for the Company's future profits.					
	Others	Directors, senior management	In order to ensure that the Company's measures to fill the diluted immediate returns can be effectively performed, they, as the Company's director and senior management, promise that: (1) they will not offer benefits to other entities or individuals for free or on unfair terms, or otherwise harm the Company's interests; (2) they will strictly follow the Company's budget management by	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>limiting his or her duty consumption to the extent required, subject to the Company's supervision, free from wastes or excessive consumption; (3) they will not use the Company's assets to engage in investment and consumption activities unrelated to his or her duties; (4) they will actively promote the Company to improve the compensation system, so as to be more in line with the requirements for filling the diluted immediate returns; support the Company's Board of Directors or Remuneration Committee linking the implementation of the Company's measures to fill the diluted immediate returns in developing, revising and supplementing the Company's compensation system; promise that the vesting conditions for the Company's equity incentives will be linked to the implementation of the Company's measures to fill the diluted immediate returns; (5) After the CSRC and Shanghai Stock Exchange otherwise release the</p>					
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			<p>opinions and implementation rules on the measures to fill the diluted spot returns and their commitments, if the Company's relevant provisions and his or her commitments contradict such rules, they will immediately make supplementary commitments in line with such rules of the CSRC and Shanghai Stock Exchange, and actively promote the Company to issue new commitments or measures to the requirements of the CSRC and Shanghai Stock Exchange; (6) they will fully, completely and timely perform the Company's measures regarding filling the diluted immediate returns and his or her commitments regarding the measures to fill the diluted immediate returns. If found to have violated such commitments, which causes losses to the Company or shareholders, they are willing to: (1) explain the cause and apologize at the General Meeting of Shareholders and the media designated by the CSRC; (2) be liable for compensation to the Company</p>					
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			and/or shareholders by law; (3) unconditionally accept the penalties or regulatory measures taken by the CSRC and/or Shanghai Stock Exchange and other securities regulators as per their current rules. The said measures to fill the diluted immediate returns shall not be deemed to constitute a guarantee for the Issuer's future profits.					
	Avoiding horizontal competition	Controlling shareholders and actual controllers Hou Juncheng and Fang Ai Qin	1. I do not and will not directly or indirectly engage in any activities constituting horizontal competition with the existing and future businesses of the Company and its holding subsidiaries, including but not limited to the R&D, production and sale of any products same as or similar to those of the Company and its holding subsidiaries. I shall be liable for the economic losses caused by violation of the above commitments to the Company. 2. For the enterprises under my control, I will perform my obligations under such commitments through the agencies and personnel (including but not	Date: November 15, 2017 Duration: November 15, 2017 to long-term	No	Yes	Not applicable	Not applicable

			<p>limited to directors and managers), and I shall be liable for the economic losses caused by violation of the above commitments to the Company. 3. From the date of signing this letter of commitment, if the Company further expands its product and business scope, the enterprises under my control and I shall not compete with the Company within the expanded product or business scope, or will, in case of any possible competition with the Company within the expanded product or business scope, withdraw from the competition by: (1) stopping the production of competing or potentially competing products; (2) stopping the operation of competing or potentially competing business; (3) transferring the competing business to the Company; or (4) transferring the competing business to an unrelated third party. 4. My shareholding companies, including Hangzhou Huazhuang Industrial Investment Co., Ltd. and</p>					
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			Huzhou Mogan Wangshu Cosmetics Industry Phase I Venture Capital Partnership (Limited Partnership), and companies that they invest in engage in no cosmetics business or upstream and downstream business thereof. If they engage in such businesses in the future, I commit that I will withdraw my investment in them through equity transfer and other means, and that the Company will be given priority to invest in the said enterprises according to legal provisions and the consent of other shareholders of such enterprises.					
Commitments on refinancing	Others	Controlling shareholders and actual controllers Hou Juncheng and Fang Aiqin	In order to implement the Company's recovery measures against dilution on immediate return, I commit that: 1. I will not interfere with the Company's operation and management activities beyond my authority or encroach on the Company's interests; 2. From the date of making these commitments to the completion of the implementation of this public offering by the Company of	Date: April 21, 2021 Duration: April 21, 2021 to long-term	No	Yes	Not applicable	Not applicable

			<p>A-share convertible corporate bonds, to the extent the CSRC makes new regulatory provisions concerning the recovery measures against dilution on immediate return and their commitments, 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 fulfill the Company's relevant recovery measures against dilution on immediate return and any of my commitments in this regard, or, I shall be liable for the losses caused by violation of the said commitments to the Company and its investors. As one of the parties responsible for the recovery measures, should I violate or refuse to fulfill the above commitments, I shall be subject to 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.</p>					
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	Others	Directors, senior management	In order to implement the Company's recovery measures against dilution on immediate return, I commit that: 1. I will not transfer interests to other entities or individuals free of charge or on unfair conditions, or otherwise damage the Company's interests; 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 irrelevant to my performance of duties; 4. The remuneration system formulated by the Board of Directors or the Remuneration and Appraisal Committee will be linked to the implementation of the Company's recovery measures on return; 5. In case of implementation of any equity incentive by the Company in the future, the exercise conditions of the Company's equity incentive to be announced will be linked to the implementation of the Company's recovery measures on return; 6. From the date of making these	Date: April 21, 2021 Duration: April 21, 2021 to long-term	No	Yes	Not applicable	Not applicable
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			<p>commitments to the completion of the implementation of this public offering by the Company of A-share convertible corporate bonds, should the CSRC make new regulatory provisions concerning the recovery measures against dilution on immediate return and their commitments, 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, should I violate or refuse to fulfill the above commitments, I shall be subject to 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.</p>					
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(II) Where the Company has profit forecasts on assets or projects, and the Reporting Period was within the term of profit forecasts, the Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons thereof

Whether the original profit forecast is reached and the description of reasons

Fulfilled" Unfulfilled" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

III. Illegal Guarantee

Applicable" Not applicable"

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

Applicable" Not applicable"

V. Analysis and Explanation from the Company on the Reasons and Impact of the Change of Accounting Policies, Accounting Estimates or Correction on Significant Accounting Errors

(I) Analysis and explanation from the Company on the reasons and impact of the change of accounting policies or accounting estimates

Applicable" Not applicable"

Refer to "44. Changes in significant accounting policies and accounting estimates" in "V. Significant accounting policies and accounting estimates" of "Section X Financial Report".

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

Applicable" Not applicable"

(III) Communication with the previous accounting firm

Applicable" Not applicable"

(IV) Other description

Applicable" Not applicable"

VI. Appointment and Dismissal of the Accounting Firm

Unit: Yuan Currency: RMB

	Current accounting firm
Name of domestic accounting firm	Pan-China Certified Public Accountants (Special General Partnership)
Remuneration of domestic accounting firm	1,200,000
Term of office of domestic accounting firm	11

	Name	Remuneration
Internal control audit accounting firm	Pan-China Certified Public Accountants (Special General Partnership)	200,000

Explanation on appointment and dismissal of the accounting firm

Applicable" Not applicable"

Explanation on the change of accounting firm during the auditing period

Applicable" Not applicable"

VII. Particulars on Risk of Delisting

(I) Reasons for the delisting risk warning

Applicable" Not applicable"

(II) Measures to be taken by the Company

Applicable" Not applicable"

(III) Situation and causes for termination of listing

Applicable" Not applicable"

VIII. Issues Related to Bankruptcy and Reorganization

Applicable" Not applicable"

IX. Material Litigations and Arbitrations

The Company had material litigations and arbitrations during the current year"

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

X. Suspected Violations, Penalties and Rectifications of the Listed Company and Its Directors, Supervisors, Senior Executives, Controlling Shareholders and De Facto Controllers

Applicable" Not applicable"

XI. Integrity of the Company and its Controlling Shareholders and De Facto Controllers during the Reporting Period

Applicable" Not applicable"

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

XII. Significant Related Transactions**(I) Related-party transactions pertaining to daily operation****1. Issues that have been disclosed in the interim announcement without progress or change in the follow-up implementation**

Applicable" Not applicable"

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

Applicable" Not applicable"

The 19th meeting of the second session of 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 2021, the daily related-party transactions of the Company were basically the same as the amount estimated at the beginning of the year.

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

Category of related-party transactions	Related party	Estimated amount in 2021	Actual amount in 2021
Deposits in bank accounts opened with the related party	Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	No more than RMB150 million for daily amount	RMB146,453,300
Related-party lease	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	RMB800,000	RMB871,500

Note: The "actual amount in 2021" of Zhejiang Yueqing Rural Commercial Bank Co., Ltd. represents the balance in the accounts as of December 31, 2021. In 2021, the Company obtained deposit interest of RMB6,384,900 from Zhejiang Yueqing Rural Commercial Bank Co., Ltd.

3. Issues not disclosed in the interim announcement

Applicable" Not applicable"

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

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

Applicable" Not applicable"

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

Applicable" Not applicable"

3. Issues not disclosed in the temporary announcement

Applicable" Not applicable"

4. Performance achievements ought to be disclosed during the Reporting Period when involved with agreed-upon performance

Applicable" Not applicable"

(III) Significant related transactions pertaining to joint external investment

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

Applicable" Not applicable"

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

Applicable" Not applicable"

3. Issues not disclosed in the temporary announcement

Applicable" Not applicable"

(IV) Credits and debits with related parties

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

Applicable" Not applicable"

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

Applicable" Not applicable"

3. Issues not disclosed in the temporary announcement

Applicable" Not applicable"

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

Applicable" Not applicable"

(VI) Others

Applicable" Not applicable"

XIII. Significant Contracts and Performances Thereof

(I) Trusteeship, contracting and leasing matters

1. Trusteeship

Applicable" Not applicable"

2. Contracting

Applicable" Not applicable"

3. Leasing

Applicable" Not applicable"

(II) Guarantee Situation

"√ Applicable" "□ Not applicable"

Unit: In RMB10,000 RMB

External guarantees of the Company (excluding guarantees for subsidiaries)															
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Amount of guarantee	Date of guarantee (date of agreement)	Guarantee start date	Guarantee due date	Type of guarantee	Collateral (if any)	Has the guarantee been fulfilled	Is the guarantee overdue	Overdue amount under guarantee	Counter guarantee	Related-party guarantee or not	Related relationship	
Total amount of guarantees during the Reporting Period (excluding guarantees for subsidiaries)															0
Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantee for subsidiaries)															0
Guarantees of the Company and its subsidiaries for its subsidiaries															
Total amount of guarantees for subsidiaries during the Reporting Period															9,900
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)															0
Total amount of the Company's guarantees (including guarantees for subsidiaries)															
Total amount of guarantees (A + B)															0
Proportion of total amount of guarantees to the Company's net assets (%)															0
Including:															
Amount of guarantees provided for shareholders, de facto controllers and their related parties (C)															0

Amount of debt-related guarantees provided directly or indirectly for the guaranteed parties with asset-liability ratio exceeding 70% (D)	0
Amount of total guarantees exceeding 50% of net assets (E)	0
Total amount of guarantees in the above three items (C + D + E)	0
Explanation on possible joint and several liabilities for repayment under ongoing guarantees	No
Explanation on guarantees	No

(III) Entrusting others to manage cash assets**1. Entrusted wealth management****(1) Overall condition of entrusted wealth management**

Applicable" Not applicable"

In RMB10,000

Type	Source of fund	Amount incurred	Undue balance	Overdue uncollected amount
Bank wealth management products	Self-owned capital	3,000	0	0

Others

Applicable" Not applicable"

(2) Individual entrusted wealth management

"√ Applicable" "□ Not applicable"

In RMB10,000

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Source of fund	Usage of fund	Method to determine return method	Annual rate of return	Expected return (if any)	Actual return or loss	Actual recovery	Whether it has gone through a legal procedure	Whether there will be an entrusted wealth management plan in future	Amount of impairment provisions (if any)
Bank of Communications Yunhe Sub-branch	Price structure (principal guaranteed with floating returns)	3,000	July 20, 2018	November 01, 2021	Self-owned capital			1.80%-3.30%		204.891781	Recovered	Yes	No	

Others

Applicable" Not applicable"

(3) Impairment provisions of entrusted wealth management

Applicable" Not applicable"

2. Entrusted loans

(1) Overall condition of entrusted loans

Applicable" Not applicable"

Others

Applicable" Not applicable"

(2) Individual entrusted loans

Applicable" Not applicable"

Others

Applicable" Not applicable"

(3) Impairment provisions of entrusted loans

Applicable" Not applicable"

3. Others

Applicable" Not applicable"

(IV) Other material contracts

Applicable" Not applicable"

XIV. Explanation on Other Significant Issues that Have A Major Impact on Investors' Value

Judgments and Investment Decisions

" Applicable" " Not applicable"

Section VII Changes in Shares and Shareholders

I. Changes in Share Capital

(I) Table of changes in shares

1. Table of changes in shares

Unit: 0'000 shares

	Before this change		Increase or decrease (+ or -) due to this change					After this change	
	Number	Percentage (%)	Issuance of new shares	Bonus shares	Shares converted from capital reserve	Others	Subtotal	Number	Percentage (%)
I. Restricted shares	74.7425	0.3716				-40.0224	-40.0224	34.7201	0.1727
1. Shares held by the state									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic funds	74.7425	0.3716				-40.0224	-40.0224	34.7201	0.1727
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons	74.7425	0.3716				-40.0224	-40.0224	34.7201	0.1727
4. Shares held by foreign									

funds									
Including: Shares held by foreign legal persons									
Shares held by foreign natural persons									
II. Unrestricted circulating shares	20,036.9500	99.6284				29.3265	29.3265	20,066.2765	99.8273
1. Ordinary RMB Shares	20,036.9500	99.6284				29.3265	29.3265	20,066.2765	99.8273
2. Foreign-funded shares listed domestically									
3. Foreign-funded shares listed overseas									
4. Others									
III. Total shares	20,111.6925	100.00				-10.6959	-10.6959	20,100.9966	100.00

2. Explanation on changes in shares

Applicable" Not applicable"

On January 5, 2021, the Company held the 18th meeting of the second session of Board of Directors and the 17th meeting of the second session of Board of Supervisors, reviewing and approving the *Proposal on the Satisfaction of Conditions for Releasing the Sales Restrictions for the Second Release Period of the Restricted Shares Granted for the First Time and Reserved Grant under the 2018 Restricted Share Incentive Plan*, and agreeing to handle the release procedures for the incentive objects who meet the conditions for releasing the sales restrictions. A total of 293,265 restricted shares were released from the sales restrictions, which were allowed to be listed and circulated on January 14, 2021. The number of the unrestricted circulating shares of the Company increased from 200,369,500 before the listing to 200,662,765, while the number of the restricted circulating shares decreased from 747,425 before the listing to 454,160.

On November 18, 2021, the Company received the *Securities Change Registration Certificate* issued by CSDC Shanghai Branch, and completed the repurchase and cancellation of 106,959 restricted shares which have been granted but have not been released from the sales restrictions of the incentive objects who are not eligible for the incentive conditions. The total number of shares of the Company was reduced from 201,116,925 before the repurchase to 201,009,966, including 200,662,765 unrestricted circulating shares and 347,201 restricted circulating shares.

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

Applicable" Not applicable"

None.

4. Other content that the Company deems necessary and the securities regulatory authorities require disclosing

Applicable" Not applicable"

(II) Changes in restricted shares

"√ Applicable" "□ Not applicable"

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the current year	Number of restricted shares increased during the current year	Number of restricted shares at the end of the year	Reason for sales restrictions	Date of releasing the sales restrictions
Jin Yanhua	68,810	29,490	0	39,320	The grant for the first time under 2018 Restricted Stock Incentive Plan	-
Zhang Yefeng	34,020	14,580	0	19,440	The grant for the first time under 2018 Restricted Stock Incentive Plan	-
Wang Li	41,230	17,670	-1,178	22,382	The grant for the first time under 2018 Restricted Stock Incentive	-

					Plan	
25 persons granted for the first time under 2018 Restricted Stock Incentive Plan	461,645	172,685	-69,021	219,939	The grant for the first time under 2018 Restricted Stock Incentive Plan	-
10 persons granted with reserve under 2018 Restricted Stock Incentive Plan	141,720	58,840	-36,760	46,120	The grant with reserve under 2018 Restricted Stock Incentive Plan	-
Total	747,425	293,265	-106,959	347,201	/	/

Note: "Number of restricted shares increased during the current year" was negative due to the repurchase of restricted shares for equity incentives.

II. Issuance and Listing of Securities

(I) Issuance of securities in the reporting period

Applicable" Not applicable"

Unit: Share Currency: RMB

Category of shares and their derivatives type of securities	Issue date	Issue price (or interest rate)	Issue quantity	Listing date	Number of available-for-listing-and-trading shares	Termination date
Convertible corporate bonds and bonds with warrants						
Convertible corporate bonds	December 8, 2021	RMB100	7,517,130	January 4, 2022	7,517,130	December 7, 2027

Explanation on issuance of securities in the reporting period (provide separate explanation on the bonds with different interest rates during their duration):

Applicable" Not applicable"

With the Approval of the China Securities Regulatory Commission, namely, the *Reply on Approving Proya Cosmetics Co., Ltd.'s Public Issuance of Convertible Corporate Bonds* (Zheng Jian Xu Ke [2021] No. 3408), on December 8, 2021, the Company publicly issued 7,517,130 convertible bonds with a face value of RMB100 per share and a total face value of RMB751,713,000. These convertible bonds were issued at face value with a term of 6 years. With the approval of the Shanghai Stock Exchange's Self-Regulatory Supervision Decision Letter [2021] No. 503, the Company's convertible corporate bonds amounting to RMB751,713,000 would be listed and traded on the Shanghai Stock Exchange from January 4, 2022, with the bond code of "113634". The nominal interest rate of the convertible corporate bonds issued this time was as follows: 0.30% in the first year, 0.50% in the second year, 1.00% in the third year, 1.50% in the fourth year, 1.80% in the fifth year, and 2.00% in the sixth year. The duration of the convertible corporate bonds runs from December 8, 2021 to December 7, 2027.

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

Applicable" Not applicable"

The total number of the Company's ordinary shares at the beginning and end of the reporting period was 201,116,925 and 201,009,966 respectively.

At the beginning of the reporting period, the Company's total assets and total liabilities amounted to RMB3,636,882,185.29 and RMB1,155,019,919.16 respectively, with the asset-liability ratio of 31.76%.

At the end of the period of the reporting period, the Company's total assets and total liabilities amounted to RMB4,633,049,783.03 and RMB1,746,209,355.96 respectively, with the asset-liability ratio of 37.69%.

(III) Existing internal employee shares

Applicable" Not applicable"

III. Shareholder and Beneficial Controller

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period	11,722
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of this annual report	10,570
Total number of shareholders of preferred shares whose voting rights have been restored as at end of the reporting period	0
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the disclosure date of the Annual Report	0

(II) Table of shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or unrestricted shareholders) as at the end of the reporting period

Unit: share

Shareholdings of the top ten shareholders							
Name of shareholder (full name)	Change during the reporting period	Number of shares held as at the end of the period	Percentage (%)	Number of restricted shares held	Pledged, marked or frozen		Nature of shareholder
					Share status	Number	
Hou Juncheng	-2,875,685	69,764,815	34.71	0	No		Domestic natural person
Hong Kong Securities Clearing Company Limited	30,396,357	47,156,040	23.46	0	No		Others
Fang Yuyou	-8,471,275	36,347,843	18.08	0	Pledged	6460000	Domestic natural person
Cao Liangguo	-355,000	3,769,938	1.88	0	No		Domestic natural person
Industrial and Commercial Bank of China Limited - GF Multi-factor Flexible Allocation Hybrid Securities Investment Fund	2,413,002	2,413,002	1.20	0	No		Others
Industrial and Commercial Bank of China Limited – Invesco Great Wall Emerging Growth Hybrid	-799,766	1,700,000	0.85	0	No		Others

Securities Investment Fund							
Aberdeen Standard Investment Management (Asia) Co., Ltd. - Aberdeen Standard - China A-share Equity Fund	1,699,323	1,699,323	0.85	0	No		Others
China Construction Bank Co., Ltd. - China Universal Consumer Industry Hybrid Securities Investment Fund	1,400,083	1,400,083	0.70	0	No		Others
Xu Junqing	-4,634,802	1,308,999	0.65	0	No		Domestic natural person
China Construction Bank Co., Ltd. - China Universal Consumption Upgrade Hybrid Securities Investment Fund	1,200,087	1,200,087	0.60	0	No		Others
Shareholdings of the top ten unrestricted shareholders							
Name of shareholder			Number of unrestricted circulating shares held	Type and number of shares			
				Type	Number		
Hou Juncheng			69,764,815	RMB ordinary shares		69,764,815	

Hong Kong Securities Clearing Company Limited	47,156,040	RMB ordinary shares	47,156,040
Fang Yuyou	36,347,843	RMB ordinary shares	36,347,843
Cao Liangguo	3,769,938	RMB ordinary shares	3,769,938
Industrial and Commercial Bank of China Limited - GF Multi-factor Flexible Allocation Hybrid Securities Investment Fund	2,413,002	RMB ordinary shares	2,413,002
Industrial and Commercial Bank of China Limited – Invesco Great Wall Emerging Growth Hybrid Securities Investment Fund	1,700,000	RMB ordinary shares	1,700,000
Aberdeen Standard Investment Management (Asia) Co., Ltd. - Aberdeen Standard - China A-share Equity Fund	1,699,323	RMB ordinary shares	1,699,323
China Construction Bank Co., Ltd. - China Universal Consumer Industry Hybrid Securities Investment Fund	1,400,083	RMB ordinary shares	1,400,083
Xu Junqing	1,308,999	RMB ordinary shares	1,308,999
China Construction Bank Co., Ltd. - China Universal Consumption Upgrade Hybrid Securities Investment Fund	1,200,087	RMB ordinary shares	1,200,087
Explanation on the special account for repurchase among the top ten shareholders	No		
Explanation on the above-mentioned shareholders' entrusting voting rights, entrusted voting rights and abstention from voting rights	No		
Explanation on the related relationship or parties acting in concert among the above shareholders	Fang Yuyou is the younger brother of Hou Juncheng's spouse Fang Ai Qin, so Hou Juncheng and Fang Yuyou are related.		
Explanation on the shareholders of preferred shares with voting rights restored and their shareholdings	No		

Shareholdings and sales restrictions of the top ten restricted shareholders

"√ Applicable" "□ Not applicable"

Number	Name of shareholder of restricted shares	Number of restricted shares	Available-for-listing-and-trading conditions of restricted shares		Sales restrictions
			Available-for-listing-and-trading time	Number of new available-for-listing-and-trading shares	
1	Equity incentive object	347,201			See the explanation below for details
Explanation on the related relationship or parties acting in concert among the above shareholders		No			

Note: The restricted shares held by the equity incentive objects are those granted for the first time and with reserve under the 2018 Restricted Stock Incentive Plan. The restricted period of those granted for the first time and with reserve was 36 months and 37 months respectively from the completion of their registration with CSDC Shanghai Branch (September 10, 2018).

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

Applicable" Not applicable"

IV. Controlling Shareholders and De Facto Controllers

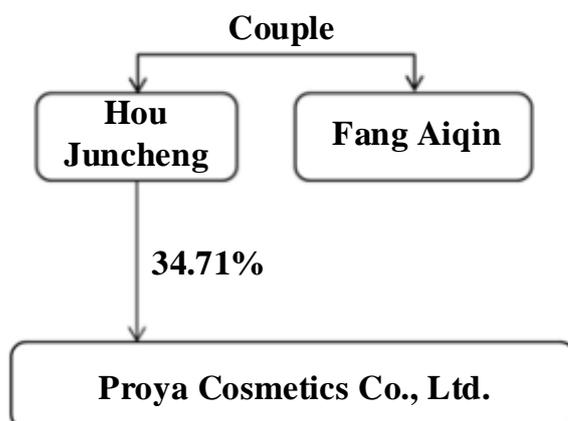
(I) Controlling shareholders

1 Legal person

Applicable" Not applicable"

2 Natural person"√ Applicable" " Not applicable"

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

3 Special explanation on the situation that the Company has no controlling shareholders" Applicable" " Not applicable"**4 Explanation on changes in controlling shareholders during the reporting period**" Applicable" " Not applicable"**5 Diagram of the ownership and controlling relationship between the Company and its controlling shareholders**" Applicable" " Not applicable"

(II) De facto controllers**1 Legal person**

Applicable" Not applicable"

2 Natural person

Applicable" Not applicable"

Name	Hou Juncheng and Fang Aiqin
Nationality	China
Acquire residence permits in other countries or regions or not	No
Main job and title	Hou Juncheng and Fang Aiqin are husband and wife. Hou Juncheng serves as the Chairman of the Company, and Fang Aiqin serves as the Senior Purchasing Consultant of the Company.
Shareholdings in other domestic or overseas listed companies over the past 10 years	No

3 Special explanation on the situation that the Company has no de facto controllers

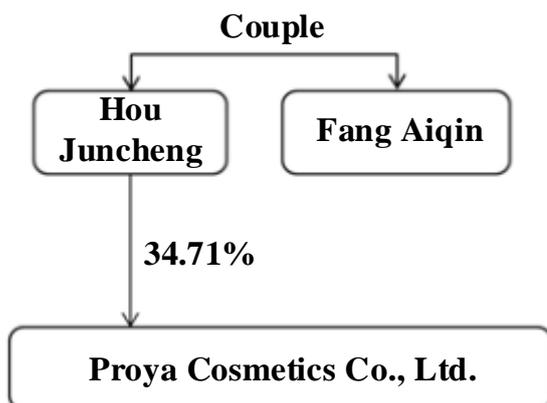
Applicable" Not applicable"

4 Explanation on changes in control of the Company during the reporting period

Applicable" Not applicable"

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

Applicable" Not applicable"



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

Applicable" Not applicable"

(III) Other explanations on controlling shareholders and de facto controllers

Applicable" Not applicable"

V. The Accumulative Number of Pledged Shares of the Company's Controlling Shareholders or the Largest Shareholder and Its Persons Acting in Concert Accounted for More Than 80% of the Company's Shares Held by Them

Applicable" Not applicable"

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

Applicable" Not applicable"

VII. Explanation on Limitation on Reduction of Shareholding

Applicable" Not applicable"

VIII. Specific Implementation of Share Repurchase during the Reporting Period

Applicable" Not applicable"

Section VIII Preferred Shares

Applicable" Not applicable"

Section IX Bonds

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

Applicable" Not applicable"

II. Convertible Corporate Bonds

Applicable" Not applicable"

(I) Issuance of convertible bonds

Applicable" Not applicable"

With the Approval of the China Securities Regulatory Commission, namely, the *Reply on Approving Proya Cosmetics Co., Ltd.'s Public Issuance of Convertible Corporate Bonds* (Zheng Jian Xu Ke [2021] No. 3408), on December 8, 2021, the Company publicly issued 7,517,130 convertible bonds with a face value of RMB100 per share and a total face value of RMB751,713,000. These convertible bonds were issued at face value with a term of 6 years. With the approval of the Shanghai Stock Exchange's Self-Regulatory Supervision Decision Letter [2021] No. 503, the Company's convertible corporate bonds amounting to RMB751,713,000 would be listed and traded on the Shanghai Stock Exchange from January 4, 2022, with the bond code of "113634". The nominal interest rate of the convertible corporate bonds issued this time was as follows: 0.30% in the first year, 0.50% in the second year, 1.00% in the third year, 1.50% in the fourth year, 1.80% in the fifth year, and 2.00% in the sixth year. The duration of the convertible corporate bonds runs from December 8, 2021 to December 7, 2027.

(II) Holders and guarantors of convertible bonds during the reporting period

Applicable" Not applicable"

Name of convertible corporate bonds	Proya of convertible corporate bonds	
Holders of convertible corporate bonds as at the end of the reporting period	647,016	
Guarantors of convertible bonds of the Company	No	
The top ten holders of convertible bonds are as follows:		
Name of holders of convertible corporate bonds	Number of shares held as at the end of the period (RMB)	Holding ratio (%)
China Securities Co., Ltd.	7,587,000	1.01
Xu Junqing	6,992,000	0.93
Industrial and Commercial Bank of China Limited – Invesco Great Wall Emerging Growth Hybrid	6,356,000	0.85

Securities Investment Fund		
Industrial and Commercial Bank of China Limited - GF Multi-factor Flexible Allocation Hybrid Securities Investment Fund	6,107,000	0.81
Abu Dhabi Investment Authority (ADIA)	3,730,000	0.50
China Construction Bank Co., Ltd. - E Fund Vision Growth Hybrid Securities Investment Fund	3,171,000	0.42
Li Xiaolin	2,912,000	0.39
Gao Xiufeng	2,767,000	0.37
Agricultural Bank of China Ltd. - CSI 500 ETF	2,330,000	0.31
Fang Xiao	2,244,000	0.30

(III) Changes in convertible bonds during the reporting period

Applicable" Not applicable"

Cumulative conversion of convertible bonds during the reporting period

Applicable" Not applicable"

(IV) Historical adjustments to the conversion price

Applicable" Not applicable"

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

Applicable" Not applicable"

(VI) Other explanations on convertible bonds

Applicable" Not applicable"

Section X Financial Report**I. Auditor's Report**

Applicable" Not applicable"

Audit Report

Tian Jian Audit [2022] No.2908

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

I. Audit opinion

We have audited the financial statements of Proya Cosmetics Co., Ltd. (hereinafter referred to as "Proya"), which comprise the consolidated and parent company's balance sheets as at December 31, 2021, the consolidated and parent company's income statements, the consolidated and parent company's cash flow statements, and the consolidated and parent company's statements of changes in shareholders' equity for the year of 2021, as well as notes to financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and parent company's financial position of Proya as at December 31, 2021 and of its consolidated and parent company's operating results and cash flows for the year of 2021.

II. Basis of audit opinion

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

III. Key audit matters

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

(I) Recognition of revenue

1. Description of matters

Refer to Section X Financial Report, V Significant accounting policies and accounting estimates, 38. Revenue, VII Notes on Items in Consolidated Financial Statements, 61. Operating income and operating costs, and XVI. Other Significant Issues, 6. Division information herein for relevant information disclosure.

The operating revenue of Proya primarily comes from the sale of cosmetics. For 2021, the operating revenue shown in Proya's financial statements was RMB4,633,150,500.

Pursuant to the sales contract between Proya and its customer, under the distribution mode, Proya recognizes the sales revenue after its products are delivered to and accepted by the buyers. In the proxy sales mode, Proya recognizes the sales revenue after its products are delivered to the trustees and the trustees achieve sales and issue the proxy sales list. In the direct sales mode, Proya recognizes the sales

revenue after its products are delivered to the consumers and the consumers confirm the receipt and make the payment.

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

2. Audit response

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

- (1) To understand the key internal controls related to the recognition of revenue, we evaluated the design of these controls, determined whether these controls were implemented, and tested the operational effectiveness of these controls.
- (2) We sent letters to the main customers to confirm the sales volume in 2021 and the balance of accounts receivable as at the end of 2021;
- (3) We tested details and spot-check supporting documents for recognition of revenue (including sales contract, delivery document, receipt, proxy sales list, and sales invoice) so as to understand major contract terms or conditions and evaluate the appropriateness of the recognition method for revenue.
- (4) We implemented analysis procedures, including analysis on fluctuation in revenue of each month of 2021 and analysis on revenue from sales of major customers.
- (5) We obtained the rebate and subsidy policy, rebate and subsidy calculation sheet and other information so as to check whether the withholding amount of rebate and subsidy as at the end of 2021 was sufficient. In addition, we analyzed whether the amount of rebate and subsidy and the withholding amount were reasonable based on the rebate and subsidy policy as well as the revenue in 2021. We also checked the settlement after the rebate and subsidy withholding period as at the end of 2021.
- (6) We obtained the return and exchange policy, estimated balance sheet and other information so as to check whether the estimated future return and exchange rate was reasonable. We checked the return and exchange situation after the period and compare with the estimated return and exchange data.
- (7) We learned about the inventory and stock age of the major dealer as at the end of 2021 so as to check whether the inventory amount and structure of the dealer were reasonable.
- (8) We analyzed the sales data of main online chain stores by calculating the consumption per capita, consumption per time, purchase times and repurchase information of customers of online chain stores and comparing them with the sales prices and normal use days of Proya products, so as to judge the rationality of the above data in combination with normal consumption habits and analyze the authenticity and rationality of the income of online chain stores.
- (9) We compared the background transaction data, Alipay receipt data and sales revenue data on financial accounts of main online chain stores, and analyzed the matching attribute of data, so as to check the authenticity of sales from the online chain stores.

(10) Ensure that the information related to operating income has been adequately presented in the financial statements.

(II) Net realizable value of inventories

1. Description of matters

Refer to Section X Financial Report, V. Significant account policies and accounting estimates, 15. Inventories and Notes on Items in Consolidated Financial Statements, 9. Inventories herein for relevant information disclosure.

As at December 31, 2021, the carrying balance of inventories of Proya amounted to RMB475,368,700, the provision for devaluation of inventories amounted to RMB27,429,900, and the carrying value of inventories amounted to RMB447,938,800.

At the balance sheet date, inventories were measured at the lower of cost and net realizable value, and provision for devaluation of inventories was accrued based on the positive difference between a single inventory's cost and its net realizable value. On the basis of considering the purpose of holding inventories, the management determines the estimated sales price based on the historical sales price, actual sales price, and future market trends, and also determines the net realizable value based on the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.

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

2. Audit response

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

- (1) We learned about the key internal controls related to the net realizable value of inventories, evaluated the design of these controls, determined whether these controls were implemented, and tested the operational effectiveness of these controls.
- (2) We obtained the accrual policy and calculation process for provision for net realizable value of inventories, and re-checked the calculation process.
- (3) We obtained the list of products that are no longer sold, counted the offline products in the inventories and the corresponding raw material inventories, and verified whether the provision for devaluation of inventories was accrued for the raw material inventories.
- (4) We checked whether the inventories as at the end of the period had long inventory ages, outdated models and changes in market demand in combination with the inventory monitoring, and evaluated whether the management reasonably estimated the net realizable value.
- (5) We checked whether the information related to the net realizable value of inventories was properly presented in the financial statements.

IV. Other information

The management is responsible for other information which comprises all the information covered in the

Annual Report other than the financial statements and this audit report.

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

Based on our audit to the financial statements, our responsibility is to read the other information. During the process, we considered whether there was material inconsistency or there was likely material misstatement between the other information and the financial statements or the information we obtained during the audit.

As we have performed the work on the other information obtained before the date of our auditor's report, we shall report if we confirmed there was a material misstatement among the other information. We have nothing needed to be reported on this case.

V. Responsibilities of the management and governance for the financial statements

The management is responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises to enable them to be fairly reflected, and to design, implement and maintain the necessary internal controls so that there is no material misstatement due to fraud or error in the financial statements.

In the preparation of the financial statements, the management is responsible for assessing Proya's ability to continue as a going concern, disclosing matters relating to continuous operations (if applicable), and applying the going concern assumptions unless the management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

VI. Responsibilities of CPA for the audit of the financial statements

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

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

- (1) We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; designed and performed audit procedures responsive to those risks; and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not identifying a material misstatement resulting from fraud is higher than that of failing to detect one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) We learned about the internal control related to the audit to design the appropriate audit

procedures.

- (3) We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) We drew a conclusion on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, determined whether a material uncertainty exists related to events or conditions that may significantly affect the ability of Proya to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Proya to cease to continue as a going concern.
- (5) We evaluated the overall presentation, structure and content of the financial statements, and determined whether the financial statements reflect the related transactions and events fairly.
- (6) We obtained sufficient and appropriate audit evidence of the financial information of the entity or business activity of Proya in order to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

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

We also provided a statement to management on compliance with ethical requirements related to independence, and communicated with governing bodies about all relationships and other matters that may be reasonably considered to affect our independence, as well as related precautions (if applicable).

From the matters we had discussed with the governing bodies, we confirmed which matters were most important to the audit of the financial statements for the current period and thus constituted the key audit matters. We set out these matters in the auditor's report. Unless the disclosure of these matters are forbidden by the laws and regulations, or, in rare cases, if it is reasonably expected that the negative impacts caused by discussing certain matters in the auditor's report would be larger than the benefits for public interest, we shall not disclose the matters in the auditor's report under such circumstances.

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

Hangzhou, China Chinese CPA: Wang Xiaokang

April 20, 2022

II. Financial Statements**Consolidated Balance Sheet**

December 31, 2021

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	December 31, 2021	December 31, 2020
Current assets:			
Cash and cash equivalents	VII. 1	2,391,048,249.81	1,416,654,640.93
Transaction settlement funds			
Lending funds			
Trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	VII. 5	138,626,627.90	284,878,419.58
Receivables financing	VII. 6	3,242,000.00	5,531,997.32
Prepayment	VII. 7	58,406,647.11	82,742,815.92
Premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	VII. 8	66,043,707.81	48,733,527.35
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	VII. 9	447,938,758.29	468,641,017.75
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VII. 13	53,534,962.39	35,235,811.27
Total current assets		3,158,840,953.31	2,342,418,230.12
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term receivables			

Long-term equity investments	VII. 17	169,959,536.27	58,220,059.60
Investment in other equity instruments	VII. 18	56,402,400.00	20,580,000.00
Other non-current financial assets			
Investment real estate	VII. 20	70,321,868.00	72,237,610.10
Fixed assets	VII. 21	558,981,209.20	565,864,152.62
Construction in progress	VII. 22	108,678,896.27	47,324,523.36
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	VII. 26	397,145,124.29	314,643,323.97
Development expenses			
Goodwill	VII. 28		31,034,161.20
Long-term deferred expenses	VII. 29	29,756,474.11	50,576,793.53
Deferred income tax assets	VII. 30	38,796,018.02	46,660,550.76
Other non-current assets	VII. 31	44,167,303.56	87,322,780.03
Total non-current assets		1,474,208,829.72	1,294,463,955.17
Total assets		4,633,049,783.03	3,636,882,185.29
Current liabilities:			
Short-term borrowings	VII. 32	200,251,506.85	299,280,435.09
Borrowings from central bank			
Placements from banks and other financial institutions			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	VII. 35	79,156,771.40	64,580,000.00
Accounts payable	VII. 36	404,026,241.16	515,832,031.27
Accounts received in advance	VII. 37	173,769.85	
Contract liabilities	VII. 38	91,151,985.32	30,618,778.99
Financial assets sold under repurchase agreements			
Deposits from customers and other banks			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	VII. 39	78,649,049.72	70,828,239.70
Taxes payable	VII. 40	99,893,176.97	71,335,290.77
Other payables	VII. 41	62,162,153.55	75,546,323.32

Including: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities	VII. 44	9,521,415.32	1,439,262.02
Total current liabilities		1,024,986,070.14	1,129,460,361.16
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable	VII. 46	695,586,778.80	
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payable			
Long-term employee benefits payable			
Estimated liabilities	VII. 50	10,812,084.88	10,190,099.22
Deferred income	VII. 51	6,416,263.33	8,495,353.33
Deferred income tax liabilities	VII. 30	8,408,158.81	6,874,105.45
Other non-current liabilities			
Total non-current liabilities		721,223,285.82	25,559,558.00
Total liabilities		1,746,209,355.96	1,155,019,919.16
Owners' equity (or shareholders' equity):			
Share capital	VII. 53	201,009,966.00	201,116,925.00
Other equity instruments	VII. 54	50,956,622.11	
Including: Preferred shares			
Perpetual bonds			
Capital reserve	VII. 55	834,272,205.66	837,034,836.69
Less: Treasury shares	VII. 56	5,628,128.21	12,653,905.25
Other comprehensive income	VII. 57	-1,247,674.10	-269,066.13
Special reserve			
Surplus reserve	VII. 59	100,634,780.00	100,634,780.00
General risk provision			
Undistributed profit	VII. 60	1,696,978,064.52	1,265,671,865.63
Total equity attributable to the owners of the		2,876,975,835.98	2,391,535,435.94

Investment in other equity instruments		20,580,000.00	20,580,000.00
Other non-current financial assets			
Investment real estate		362,657,495.17	339,018,465.70
Fixed assets		253,209,471.02	291,193,420.67
Construction in progress		105,012,647.89	46,993,562.96
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		395,609,113.72	308,401,627.24
Development expenses			
Goodwill			
Long-term deferred expenses		20,075,870.93	34,817,495.54
Deferred income tax assets		22,968,793.93	15,889,636.90
Other non-current assets		4,493,322.95	87,545,799.42
Total non-current assets		1,534,610,256.10	1,491,812,964.49
Total assets		4,135,498,425.44	3,043,852,599.65
Current liabilities:			
Short-term borrowings		200,251,506.85	200,163,972.59
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		79,156,771.40	64,580,000.00
Accounts payable		282,934,452.33	403,605,887.84
Accounts received in advance			
Contract liabilities		28,108,787.35	10,212,194.96
Employee benefits payable		33,926,736.55	29,624,549.78
Taxes payable		66,893,331.24	34,953,057.88
Other payables		8,546,397.66	24,771,086.23
Including: Interest payable			
Dividend payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		699,817,983.38	767,910,749.28
Non-current liabilities:			
Long-term borrowings			
Bonds payable		695,586,778.80	

Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payable			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		6,416,263.33	8,495,353.33
Deferred income tax liabilities		8,395,198.23	6,283,428.68
Other non-current liabilities			
Total non-current liabilities		710,398,240.36	14,778,782.01
Total liabilities		1,410,216,223.74	782,689,531.29
Owners' equity (or shareholders' equity):			
Share capital		201,009,966.00	201,116,925.00
Other equity instruments		50,956,622.11	
Including: Preferred shares			
Perpetual bonds			
Capital reserve		834,563,920.32	837,075,425.32
Less: Treasury shares		5,628,128.21	12,653,905.25
Other comprehensive income			
Special reserve			
Surplus reserve		100,634,780.00	100,634,780.00
Undistributed profit		1,543,745,041.48	1,134,989,843.29
Total owners' equity (or shareholders' equity)		2,725,282,201.70	2,261,163,068.36
Total liabilities and owner's equity (or shareholders' equity)		4,135,498,425.44	3,043,852,599.65

The chairman of the Company CFO of the Company: Wang Li Head of Accounting Department
Hou Juncheng Wang Li

Consolidated Income Statement

January - December 2021

Unit: Yuan Currency: RMB

Item	Notes	2021	2020
I. Total operating income	VII. 61	4,633,150,538.43	3,752,386,849.02
Including: Operating revenue	VII. 61	4,633,150,538.43	3,752,386,849.02

Interest income			
Premium received			
Fee and commission income			
II. Total operating costs		3,892,457,794.07	3,160,438,371.03
Including: Operating costs	VII. 61	1,554,155,646.61	1,367,561,949.78
Interest expenses			
Handling fees and commission expenses			
Payment on surrenders			
Net compensation expenses			
Net provisions drawn for insurance contract			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	VII. 62	40,680,295.80	32,945,185.99
Sales expenses	VII. 63	1,991,534,076.73	1,497,058,943.34
Administrative expenses	VII. 64	236,988,519.23	204,279,378.68
R&D expenses	VII. 65	76,583,650.83	72,200,028.77
Financial expenses	VII. 66	-7,484,395.13	-13,607,115.53
Including: Interest expenses		9,759,260.83	9,190,674.26
Interest income		28,096,157.42	20,740,463.77
Add: Other gains	VII. 67	16,458,269.45	13,491,509.72
Income from investment ("- refers to loss)	VII. 68	-7,337,735.84	1,769,391.50
Including: Investment income from associates and joint ventures		-7,337,735.84	-646,615.60
Derecognition of income from financial assets at amortized cost			
Exchange gain ("- refers to loss)			
Net gain on exposure hedging ("- refers to loss)			
Gain on change in fair value ("- refers to loss)			
Credit impairment loss ("- refers to loss)	VII. 71	-24,834,947.18	-23,908,722.39
Assets impairment loss ("- refers to loss)	VII. 72	-53,513,590.04	-28,234,605.50
Gain from asset disposal ("- refers to loss)	VII. 73	-112,183.24	854.57
III. Operating profit ("- refers to loss)		671,352,557.51	555,066,905.89
Add: Non-operating profit	VII. 74	249,852.89	1,542,594.25
Less: Non-operating expense	VII. 75	3,801,835.06	9,037,929.71

IV. Total profits ("-" refers to total losses)		667,800,575.34	547,571,570.43
Less: Income tax expenses	VII. 76	110,746,888.31	95,962,016.20
V. Net profit ("-" refers to net loss)		557,053,687.03	451,609,554.23
(I) Classified by operation continuity			
1. Net profit from continuing activities ("-" refers to net loss)		557,053,687.03	451,609,554.23
2. Net profit from discontinuing activities ("-" refers to net loss)			
(II) Classified by ownership			
1. Net profits attributable to shareholders of the parent company ("-" refers to net loss)		576,119,025.56	476,009,298.41
2. Profit or loss attributable to minority shareholders ("-" refers to net loss)		-19,065,338.53	-24,399,744.18
VI. Net amount of other comprehensive income after tax		-978,607.97	-56,437.91
(I) Net amount of other comprehensive income after tax attributable to owners of the parent company		-978,607.97	-56,437.91
1. Other comprehensive income not to be reclassified into profit or loss			
(1) Change in re-measurement of defined benefit plans			
(2) Other comprehensive income that may not be reclassified to profit or loss under equity method			
(3) Change in fair value of other equity instrument investments			
(4) Change in fair value of enterprise's own credit risk			
2. Other comprehensive income to be reclassified into profit or loss		-978,607.97	-56,437.91
(1) Other comprehensive income that may be reclassified to profit or loss under equity method			
(2) Change in fair value of other debt investments			
(3) Amount included in other comprehensive income on reclassification of financial assets			
(4) Credit impairment provisions of other debt investments			

(5) Cash flow hedging reserve			
(6) Exchange differences from translation of financial statements		-978,607.97	-56,437.91
(7) Others			
(II) Net amount of other comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		556,075,079.06	451,553,116.32
(I) Total comprehensive income attributable to owners of the parent company		575,140,417.59	475,952,860.50
(II) Total comprehensive income attributable to minority shareholders		-19,065,338.53	-24,399,744.18
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)		2.87	2.37
(II) Diluted earnings per share (Yuan/share)		2.81	2.37

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

The chairman of the Company: Hou Juncheng CFO of the Company: Wang Li Head of Accounting Department: Wang Li

Parent Company's Income Statement

January - December 2021

Unit: Yuan Currency: RMB

Item	Notes	2021	2020
I. Revenue	XVII. 4	2,273,848,366.50	1,950,969,218.93
Less: Operating cost	XVII. 4	1,076,826,259.92	918,617,344.96
Taxes and surcharges		19,398,763.14	17,071,963.70
Sales expenses		284,076,298.04	208,262,239.67
Administrative expenses		200,860,543.73	144,076,974.98
R&D expenses		80,793,699.46	77,218,796.44
Financial expenses		-9,534,296.78	-7,606,803.28
Including: Interest expenses		7,909,483.79	5,563,830.24
Interest income		23,839,106.03	19,558,179.32
Add: Other gains		7,273,692.73	9,703,059.04
Income from investment ("-" refers to loss)	XVII. 5	-18,567,432.77	1,039,199.20
Including: Investment income from associates and joint ventures		-7,608,313.87	-1,112,228.47

Derecognition of income from financial assets at amortized cost			
Net gain on exposure hedging ("-" refers to loss)			
Gain on change in fair value ("-" refers to loss)			
Credit impairment loss ("-" refers to loss)		45,090,048.44	-30,085,608.30
Assets impairment loss ("-" refers to loss)		-25,486,816.12	-11,111,698.11
Gain from asset disposal ("-" refers to loss)			-3,727.50
II. Operating profit ("-" refers to loss)		629,736,591.27	562,869,926.79
Add: Non-operating profit		25,856.69	783,184.91
Less: Non-operating expense		3,739,409.87	8,378,795.22
III. Total profits ("-" refers to total losses)		626,023,038.09	555,274,316.48
Less: Income tax expenses		72,463,653.90	79,828,772.97
IV. Net profit ("-" refers to net loss)		553,559,384.19	475,445,543.51
(I) Net profit from continuing activities ("-" refers to net loss)		553,559,384.19	475,445,543.51
(II) Net profit from discontinuing activities ("-" refers to net loss)			
V. Net amount of other comprehensive income after tax			
(I) Other comprehensive income not to be reclassified into profit or loss			
1. Change in re-measurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method			
3. Change in fair value of investments in other equity instruments			
4. Change in fair value of enterprise's own credit risk			
(II) Other comprehensive income to be reclassified into profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			

Net cash received from securities trading agency services			
Tax rebates		80,005.56	1,344,632.09
Other cash received from operating activities	VII. 78 (1)	54,614,521.56	81,739,953.02
Sub-total of cash inflows from operating activities		5,184,871,372.43	3,967,445,593.70
Cash paid for goods and services		1,616,390,215.85	1,455,030,507.05
Net increase in customer loans and advances			
Net increase in deposits with PBOC and interbank deposits			
Cash paid for compensation payments under original insurance contract			
Net increase in funds for lending			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		441,156,078.19	376,790,463.82
Taxes and fees paid		432,668,333.55	381,109,475.93
Other cash paid for operating activities	VII. 78 (2)	1,864,985,801.02	1,422,965,037.76
Sub-total of cash outflows from operating activities		4,355,200,428.61	3,635,895,484.56
Net cash flow from operating activities		829,670,943.82	331,550,109.14
II. Cash flow from investing activities:			
Cash back on investment			213,200,000.00
Cash received from investment			2,266,301.37
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		47,622.98	37,500.00
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities	VII. 78 (3)		66,052,759.40
Sub-total of cash inflows from investing activities		47,622.98	281,556,560.77
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term		194,102,666.70	184,057,255.67

assets			
Cash paid for investment		70,029,200.00	81,930,000.00
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid from investment activities	VII. 78 (4)	77,739,374.88	1,035,148.02
Sub-total of cash outflows from investing activities		341,871,241.58	267,022,403.69
Net cash flow from investment activities		-341,823,618.60	14,534,157.08
III. Cash flow generated from financing activities:			
Proceeds received from financing activities		700,000.00	2,266,300.00
Including: Proceeds received by subsidiaries from minority shareholders' investment		700,000.00	2,266,300.00
Cash received from borrowings		946,996,018.87	299,000,000.00
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities		947,696,018.87	301,266,300.00
Cash paid for debt repayment		299,000,000.00	214,230,868.48
Dividends paid, profit distributed or interest paid		154,245,329.79	127,734,055.29
Including: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities	VII. 78 (6)	4,835,393.12	2,684,110.55
Sub-total of cash outflows from financing activities		458,080,722.91	344,649,034.32
Net cash flow from financing activities		489,615,295.96	-43,382,734.32
IV. Effects of exchange rate fluctuations on cash and cash equivalents		-978,607.97	56,437.91
V. Net increase in cash and cash equivalents		976,484,013.21	302,757,969.81
Add: Cash and cash equivalents at the beginning of the period		1,401,850,754.88	1,099,092,785.07
VI. Cash and cash equivalents at the end of the period		2,378,334,768.09	1,401,850,754.88

The chairman of the Company: Hou Juncheng CFO of the Company: Wang Li Head of Accounting Department: Wang Li

Parent Company's Cash Flow Statement

January - December 2021

Unit: Yuan Currency: RMB

Item	Notes	2021	2020
I. Cash flow from operating activities:			
Cash received from sales of goods and rendering of services		2,675,584,845.60	2,223,396,958.25
Tax rebates			
Other cash received from operating activities		58,197,895.33	20,551,684.95
Sub-total of cash inflows from operating activities		2,733,782,740.93	2,243,948,643.20
Cash paid for goods and services		1,330,189,908.22	922,769,531.45
Cash paid to and on behalf of employees		180,867,131.86	142,663,372.92
Taxes and fees paid		197,049,919.18	226,100,654.30
Other cash paid for operating activities		380,848,687.45	332,949,353.49
Sub-total of cash outflows from operating activities		2,088,955,646.71	1,624,482,912.16
Net cash flow from operating activities		644,827,094.22	619,465,731.04
II. Cash flow from investing activities:			
Cash back on investment			211,750,000.00
Cash received from investment			2,266,301.37
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			5,000.00
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from investment activities		196,608,800.56	1,000,000.00
Sub-total of cash inflows from investing activities		196,608,800.56	215,021,301.37
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		135,132,853.40	174,825,452.05
Cash paid for investment		36,338,783.21	200,190,000.00
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid from investment activities		59,230,243.83	219,330,066.00
Sub-total of cash outflows from investing		230,701,880.44	594,345,518.05

Consolidated Statements of Changes in Owners' Equity

January - December 2021

Unit: Yuan Currency: RMB

Item	2021														
	Equity attributable to owners of the parent company												Minority interests	Total equity attributable to owners	
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Others			Subtotal
Preferred shares		Perpetual bonds	Others												
I. Balance at the end of last year	201,116,925.00				837,034,836.69	12,653,905.25	-269,066.13		100,634,780.00		1,265,671,865.63		2,391,535,435.94	90,326,830.19	2,481,862,266.13
Add: Changes in accounting policies															
Correction for previous errors															
Business combination under common control															
Others															
II. Balance at the beginning of the year	201,116,925.00				837,034,836.69	12,653,905.25	-269,066.13		100,634,780.00		1,265,671,865.63		2,391,535,435.94	90,326,830.19	2,481,862,266.13
III. Increase and decrease for the current period ("-" for decrease)	-106,959.00			50,956,622.11	-2,762,631.03	-7,025,777.04	-978,607.97				431,306,198.89		485,440,400.04	-80,462,239.10	404,978,160.94
(I) Total comprehensive income							-978,607.97				576,119,025.56		575,140,417.59	-19,065,338.53	556,075,079.06
(II) Owner's contribution and capital reduction	-106,959.00				-1,999,494.15	-7,025,777.04							4,919,323.89	700,000.00	5,619,323.89
1. Ordinary shares	-106,959.00				-1,626,846.39	-7,025,777.04							5,291,971.65	700,000.00	5,991,971.65

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contributed by the owners															
2. Capital contributions by other equity instrument holders															
3. Amount of share-based payments credited to owners' equity					-372,647.76								-372,647.76		-372,647.76
4. Others															
(III) Profit distribution													-144,804,186.00		-144,804,186.00
1. Withdrawal of surplus reserve															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)													-144,804,186.00		-144,804,186.00
4. Others															
(IV) Internal carry-forward of owners' equity															
1. Transfer of capital reserve to capital (or share capital)															
2. Transfer of surplus reserve to capital (or share capital)															
3. Surplus reserve to cover loss															
4. Changes in defined benefit scheme carried															

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forward to retained earnings															
5. Carry-forward of other comprehensive income to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawal for the period															
2. Utilization for the period															
(VI) Others				50,956,622.11	-763,136.88						-8,640.67		50,184,844.56	-62,096,900.57	-11,912,056.01
IV. Balance at the end of the period	201,009,966.00			50,956,622.11	834,272,205.66	5,628,128.21	-1,247,674.10		100,634,780.00		1,696,978,064.52		2,876,975,835.98	9,864,591.09	2,886,840,427.07

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Item	2020														
	Equity attributable to owners of the parent company												Minority interests	Total equity attributable to owners	
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Others			Subtotal
	Preferred shares	Perpetual bonds	Others												
I. Balance at the end of last 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															
Correction for previous errors															
Business combination under common control															
Others															
II. Balance at the beginning of the 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. Increase and decrease for the current period ("-" for decrease)	-152,635.00				1,681,221.21	-3,115,145.95	-56,437.91				357,260,258.01		361,847,552.26	49,956,670.30	411,804,222.56
(I) Total comprehensive income							-56,437.91				476,009,298.41		475,952,860.50	-24,399,744.18	451,553,116.32
(II) Owner's contribution and capital reduction	-152,635.00				1,761,845.32	-3,115,145.95							4,724,356.27	2,266,300.00	6,990,656.27
1. Ordinary shares contributed by the owners	-152,635.00				-2,431,475.55	-3,115,145.95							531,035.40	2,266,300.00	2,797,335.40
2. Capital contributions by other equity instrument holders															
3. Amount of share-based payments credited to owners' equity					4,193,320.87								4,193,320.87		4,193,320.87
4. Others															
(III) Profit distribution											-118,749,040.40		-118,749,040.40		-118,749,040.40
1. Withdrawal of surplus reserve															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-118,749,040.40		-118,749,040.40		-118,749,040.40

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4. Others															
(IV) Internal carry-forward of owners' equity															
1. Transfer of capital reserve to capital (or share capital)															
2. Transfer of surplus reserve to capital (or share capital)															
3. Surplus reserve to cover loss															
4. Changes in defined benefit scheme carried forward to retained earnings															
5. Carry-forward of other comprehensive income to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawal for the period															
2. Utilization for the period															
(VI) Others					-80,624.11							-80,624.11	72,090,114.48	72,009,490.37	
IV. Balance at the end of the period	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	

The chairman of the Company: Hou Juncheng

CFO of the Company: Wang Li

Head of Accounting Department: Wang Li

Parent Company's Statement of Changes in Owners' Equity

January - December 2021

Unit: Yuan Currency: RMB

Item	2021										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity attributable to owners
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of last year	201,116,925.0 0				837,075,425.32	12,653,905.25			100,634,780.0 0	1,134,989,843.29	2,261,163,068.36
Add: Changes in accounting policies											
Correction for previous errors											
Others											
II. Balance at the beginning of the year	201,116,925.0 0				837,075,425.32	12,653,905.25			100,634,780.0 0	1,134,989,843.29	2,261,163,068.36
III. Increase and decrease for the current period ("-" for decrease)	-106,959.00			50,956,622.1 1	-251,1505.00	-7,025,777.04				408,755,198.19	464,119,133.34
(I) Total comprehensive income										553559384.19	553559384.19
(II) Owner's contribution and capital reduction	-106,959.00				-1,999,494.15	-7,025,777.04					4,919,323.89
1. Ordinary shares contributed by the owners	-106,959.00				-1,626,846.39	-7,025,777.04					5,291,971.65
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					-372,647.76						-372,647.76
4. Others											
(III) Profit distribution										-144,804,186.00	-144,804,186.00
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)										-144,804,186.00	-144,804,186.00
3. Others											
(IV) Internal carry-forward of owners' equity											

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1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover loss											
4. Changes in defined benefit scheme carried forward to retained earnings											
5. Carry-forward of other comprehensive income to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others				50,956,622.1 1	-512,010.85						50,444,611.26
IV. Balance at the end of the period	201,009,966.0 0			50,956,622.1 1	834,563,920.32	5,628,128.21			100,634,780.0 0	1,543,745,041.48	2,725,282,201.70

Item	2020										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity attributable to owners
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of last year	201,269,560.0 0				834,592,133.74	15,769,051.20			100,634,780.00	778,293,340.18	1,899,020,762.72
Add: Changes in accounting policies											
Correction for previous errors											
Others											
II. Balance at the beginning of the year	201,269,560.0 0				834,592,133.74	15,769,051.20			100,634,780.00	778,293,340.18	1,899,020,762.72
III. Increase and decrease for the current period ("-" for decrease)	-152,635.00				2,483,291.58	-3,115,145.95				356,696,503.11	362,142,305.64
(I) Total comprehensive income										475,445,543.51	475,445,543.51
(II) Owner's contribution and capital	-152,635.00				-2,431,475.55	-3,115,145.95					531,035.40

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reduction											
1. Ordinary shares contributed by the owners	-152,635.00				-2,431,475.55	-3,115,145.95					531,035.40
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity											
4. Others											
(III) Profit distribution										-118,749,040.40	-118,749,040.40
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)										-118,749,040.40	-118,749,040.40
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover loss											
4. Changes in defined benefit scheme carried forward to retained earnings											
5. Carry-forward of other comprehensive income to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others					4,914,767.13						4,914,767.13
IV. Balance at the end of the period	201,116,925.00				837,075,425.32	12,653,905.25			100,634,780.00	1,134,989,843.29	2,261,163,068.36

The chairman of the Company: Hou Juncheng

CFO of the Company: Wang Li

Head of Accounting Department: Wang Li

III. General Information about the Company

1. Company profile

Applicable" Not applicable"

Proya Cosmetics Co., Ltd. (hereinafter referred to as "Company" or the "Company"), formerly known as Proya (Huzhou) Cosmetics Co., Ltd., was registered in Wuxing Branch of Huzhou Municipal Administration for Industry and Commerce on May 24, 2006. Headquartered in Hangzhou, Zhejiang, the Company now holds the business license with the unified social credit code of 91330100789665033F. Its current registered capital amounts to RMB201,009,966.00, and its number of shares totals 201,009,966 (par value of RMB1 per share) in aggregate. The shares include 347,201 restricted circulating A shares and 200,662,765 unrestricted circulating A shares, which were listed for trading on SSE on November 15, 2017.

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

The financial statements were approved for external disclosure by the 5th meeting of the third session of the Board of Directors on April 20, 2022.

2. Scope of consolidated financial statements

Applicable" Not applicable"

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

IV. Preparation Basis of Financial Statements

1. Preparation basis

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

2. Going concern

Applicable" Not applicable"

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

V. Significant Accounting Policies and Accounting Estimates

Notes to specific accounting policies and accounting estimates:

Applicable" Not applicable"

Refer to "44. Changes in significant accounting policies and accounting estimates" in "V. Significant accounting policies and accounting estimates" of "Section X Financial Report".

1. Statement of compliance of accounting standards for business enterprises

The financial statements have been prepared by the Company in conformity with the China Accounting Standards for Business Enterprises, and present truly and completely the Company's financial position, operating results, changes in shareholders' equity, cash flow and other related information.

2. Accounting period

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

3. Operating cycle

Applicable" Not applicable"

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

4. Recording currency

The recording currency of the Company is RMB.

5. Accounting treatments for enterprise merger under or not under common control

Applicable" Not applicable"

1. Accounting treatments for enterprise merger under common control

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

2. Accounting treatments for enterprise merger not under common control

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

assets acquired from the acquiree in the merger after the recheck, the difference shall be included in the current profit or loss.

6. Preparation of consolidated financial statements

Applicable" Not applicable"

1. The parent company incorporates all its subsidiaries under its control into the consolidated financial statements. The consolidated financial statements are based on the financial statements of the parent company and its subsidiaries, and prepared by the parent company in accordance with the *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements*.
2. Accounting treatment methods for buying and then selling, or selling and then buying the equity of the same subsidiary in two consecutive fiscal years: the acquisition of the equity of the acquiree is to control its operating and financial policies and to obtain long-term benefits from its operating activities. When the right to control the acquiree is acquired, it is included in the consolidation scope of the consolidated financial statements. Due to changes in the Company's business plan arrangements, etc., if the equity of the acquiree is disposed of in the second fiscal year to the point of losing control over it, it will be excluded from the consolidation scope of the consolidated financial statements when the control is lost.

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

Applicable" Not applicable"

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

8. Determination of cash and cash equivalents

Cash listed in the cash flow statement refers to cash on hand and deposits that can be used at any time to make payments. Cash equivalents represent short-term, highly liquid investments held by enterprises, which can be readily converted into cash and whose value is unlikely to change.

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

Applicable" Not applicable"

1. Translation of foreign currency transactions

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

2. Translation of foreign-currency financial statements

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

10. Financial instruments

"√ Applicable" "□ Not applicable"

1. Classification of financial assets and financial liabilities

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

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

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

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

One financial assets or financial liabilities are recognized when the Company becomes one party of financial instrument contract. The financial assets and financial liabilities are measured at the fair value during initial recognition. For financial assets and financial liabilities measured at fair value with changes included in current profit or loss, relevant transaction expenses are directly included in the current profit or loss; for other kinds of financial assets or financial liabilities, relevant transaction

expenses are included in the amount of initial recognition. However, where the accounts receivable initially recognized by the Company do not contain a significant financing component or the Company does not consider the financing component in the contract of less than one year, the initial measurement is made according to the transaction price defined in the *Accounting Standards for Business Enterprises No. 14 – Revenue*.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

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

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

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

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

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

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

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

(3) Subsequent measurement of financial liabilities

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

Such financial liabilities include trading financial liabilities (including derivative instruments belonging to financial liabilities) and those designated as financial liabilities measured at fair value with changes included in the current profit or loss. As for such financial liabilities, the method of subsequent measurement at the fair value is adopted. The change in fair value of financial liabilities measured at fair value with changes included in the current profit or loss due to changes in the Company's own credit risk are included in other comprehensive income unless said treatment will cause or enlarge the accounting mismatch in the profit or loss. Other gains or losses (including interest, except the fair value changes

arising from the credit risk change of the Company) shall be included in the current profit or loss, unless the financial liabilities belong to part of the hedging relationship. During de-recognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in retained earnings.

- 2) Financial liabilities from failure to transfer financial assets to meet the de-recognition conditions or continued involvement in transferred financial assets

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

- 3) Loan commitments given at a rate lower than market interest rates not belonging to the financial guarantee contracts mentioned in 1) or 2) above and not in the case described in 1) above.

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

- 4) Financial liabilities measured at amortized cost

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

- (4) De-recognition of financial assets and financial liabilities

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

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

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

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

If the Company has transferred almost all the risks and rewards related to the ownership of financial assets, the financial assets are de-recognized, and the rights and obligations resulting from or retained in the transfer are separately recognized as assets or liabilities. In the case that nearly all risks and rewards related to the ownership of the financial assets are retained, the recognition of the transferred financial assets is continued. In the case that nearly all risks and rewards related to the ownership of the financial assets are neither transferred nor retained, disposal shall apply depending on the following circumstances: (1) if control over the financial assets is not retained, the financial assets shall be de-recognized, and the rights and obligations resulting from or retained in the transfer are separately recognized as assets or liabilities; (2) if control over the financial assets is retained, the relevant financial assets are recognized

according to the degree of continued involvement in the transferred financial assets, and the relevant liabilities are recognized accordingly.

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

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

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

- (1) The input of the first level is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;
- (2) The input of the second level is the directly or indirectly observable input of related assets or liabilities except the input of the first level, including: the quotation of similar assets or liabilities in an active market; the quotation of the same or similar assets or liabilities in an inactive market; other observable inputs other than quotation, such as the interest rate and yield curves that can be observed during the normal quotation intervals; and the inputs for market validation;
- (3) The input of the third level is the unobservable input of related assets or liabilities, including interest rates that cannot be observed directly or cannot be verified according to observable market data, stock volatility, future cash flows of retirement obligations borne during the business merger, and financial forecasts based on its own data.

5. Impairment of financial instruments

(1) Impairment measurement and accounting treatment of financial instruments

Based on the expected credit loss, the Company carries out accounting treatment for impairment and recognizes the loss provision for the financial assets measured at amortized cost, the debt instrument investment measured at fair value with changes included in other comprehensive income, contract assets, lease receivables, loan commitments other than financial liabilities measured at fair value with changes

included in the current profit or loss, and financial guarantee contracts of financial liabilities not measured at fair value with changes included in the current profit or loss or financial liabilities not from failure of transfer of financial assets to meet the derecognition conditions or continued involvement in transferred financial assets.

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

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

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

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

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

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

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

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

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

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

(2) Financial instruments for evaluating expected credit risk and measuring expected credit loss by portfolio

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

(3) Receivables and contract assets with expected credit loss measured by portfolio

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

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

		accounts receivable and expected credit loss rate in the whole duration by referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions
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2) Accounts receivable - Comparison between account age of account age portfolio and expected credit loss rate in the whole duration

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

6. Offset of financial assets and financial liabilities

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

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

11. Notes receivable

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

Applicable" Not applicable"

12. Accounts receivable

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

Applicable" Not applicable"

Refer to "10. Financial instruments" in "V. Significant accounting policies and accounting estimates" of "Section X Financial Report" of this report.

13. Receivables financing

Applicable" Not applicable"

Refer to "10. Financial instruments" in "V. Significant accounting policies and accounting estimates" of "Section X Financial Report" of this report.

14. Other receivables

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

Applicable" Not applicable"

Refer to "10. Financial instruments" in "V. Significant accounting policies and accounting estimates" of "Section X Financial Report" of this report.

15. Inventories

Applicable" Not applicable"

1. Classification of inventories

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

2. Valuation method for delivered inventories

The Moving Weighted Average method is adopted for delivered inventories.

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

At the balance sheet date, inventories were measured at the lower of cost and net realizable value, and provision for devaluation of inventories was accrued based on the positive difference between a single inventory's cost and its net realizable value. The net realizable value of inventories directly for sale is determined by the amount of the estimated sales price after subtracting the estimated sales expenses and relevant taxes during normal production and operation; the net realizable value of inventories required to be processed is determined by the amount of the estimated sales price of the finished products after subtracting the estimated cost by the end of processing, the estimated sales expenses and relevant taxes during normal production and operation. On the balance sheet date, the net realizable value is determined separately for the two parts of the same inventory with or without contract price, and is compared with the relevant costs in order to separately determine the amount withdrawn or reversed for inventory falling price reserve.

4. Inventory system

The Company adopts a perpetual inventory system.

5. Amortization of low-value consumables and packaging materials

(1) Low-value consumables

Amortization is performed by the Immediate Write-off method.

(2) Packaging materials

Amortization is performed by the Immediate Write-off method.

16. Contract assets

(1). Recognition methods and standards of contract assets

Applicable" Not applicable"

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

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

Applicable" Not applicable"

17. Assets held for sale

Applicable" Not applicable"

18. Debt investment

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

Applicable" Not applicable"

19. Other debt investments

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

Applicable" Not applicable"

20. Long-term receivables

(1). Determination and accounting treatment of expected credit loss of long-term receivables

Applicable" Not applicable"

21. Long-term equity investments

Applicable" Not applicable"

1. Joint control or significant influence criterion

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

2. Determination of investment cost

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

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

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

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

1) In individual financial statements, the initial investment cost when changing to the cost method is the sum of the carrying value of the equity investment originally held and the newly-increased investment cost.

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

(3) For cases other than business merger: If it is merged with cash, the initial investment cost shall be the actual payment. If it is accomplished through issuing equity securities, the initial investment cost is the fair value of the equity securities. If it is accomplished through debt restructuring, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No. 12 - Debt*

Restructuring. If it is accomplished through the exchange of non-monetary assets, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets*.

3. Subsequent measurement and recognition of profit or loss

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

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

(1) Individual financial statements

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

(2) Consolidated financial statement

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

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

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

2) Loss of control upon stepwise disposal of investment to subsidiaries through multiple transactions, belonging to a package deal

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

22. Investment real estate**(1). Cost Measurement model:**

Depreciation or Amortization method

- Investment real estate includes leased land use rights, land use rights held for transfer upon appreciation, and rental buildings.
- The Cost method is employed for initial measurement of investment real estate, and the Cost model for subsequent measurement. Depreciation or amortization shall be withdrawn using the same method as that for fixed assets and intangible assets.

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

Applicable" Not applicable"

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have a useful life of more than one accounting year. Fixed assets are recognized when the following conditions are satisfied at the same time: economic benefit is likely to accrue to the Company and the cost of such fixed assets can be reliably measured.

(2). Method for depreciation

Applicable" Not applicable"

Category	Method for depreciation	Useful lives of depreciation (year)	Residual value	Annual depreciation rate
Property and buildings	Straight-line method	10 or 30	5%	9.50% or 3.17%
General equipment	Straight-line method	3-10	5%	31.67%-9.50%
Dedicated equipment	Straight-line method	5-10	5%	19.00%-9.50%
Means of transportation	Straight-line method	5	5%	19.00%

(3). Recognition basis, Valuation and Depreciation methods for fixed assets under a financial lease

Applicable" Not applicable"

24. Construction in progress

Applicable" Not applicable"

- Construction in progress is recognized when the following conditions are satisfied at the same time:

economic benefit is likely to accrue to the Company and the cost of such construction in progress can be reliably measured. Construction in progress is measured at the actual cost incurred to make the assets ready for their intended use.

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

25. Borrowing costs

"√ Applicable" "□ Not applicable"

1. Criteria for recognition of capitalized borrowing costs

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

2. Capitalization period of borrowing costs

- (1) Capitalization of borrowing costs begins when the following three conditions are fully satisfied: 1) expenditures for the assets have incurred; 2) borrowing costs have incurred; 3) acquisition and construction or production have commenced that are necessary to enable the assets reach the intended usable or saleable condition.
- (2) Where abnormal interruption of the assets eligible for capitalization occurs during the acquisition and construction or production process and said interruption has lasted for more than three consecutive months, the capitalization of borrowing costs is suspended; borrowing costs during the interruption are recognized as current expenses till resumption of purchasing or production of the assets.
- (3) Capitalization of borrowing costs is suspended during periods in which the qualifying asset under acquisition and construction or production is ready for its intended use or sale.

3. Capitalization rate and amount of borrowing costs

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

26. Biological assets

Applicable" Not applicable"

27. Oil and gas assets

Applicable" Not applicable"

28. Right-of-use assets

Applicable" Not applicable"

29. Intangible assets**(1). Valuation method, useful life and impairment test**

Applicable" Not applicable"

1. Intangible assets, including land use rights, patent rights, and non-patented technologies are measured at cost.
2. Amortization for intangible assets with limited useful life is reasonably performed in the expected realization pattern according to economic benefits related to an intangible asset within its useful life; if the expected realization pattern cannot be reliably determined, the straight-line method shall be adopted for amortization. The specific year information is shown as below:

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

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

Applicable" Not applicable"

Expenses incurred during the research phase of internal research and development projects are included in current profit or loss. Expenses in the development phase are recognized as an intangible asset when all of the following conditions are satisfied: (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is an intention to complete the intangible asset for use or sale; (3) the intangible asset will produce economic benefit, including there is evidence that the products produced using the intangible asset has a market or that the intangible asset itself has a market;

if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; (4) there is sufficient support in terms of technology, financial resources, and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset; (5) the expenses attributable to the development phase of the intangible asset can be reliably measured.

30. Impairment of long-term assets

Applicable" Not applicable"

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

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

31. Long-term deferred expenses

Applicable" Not applicable"

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

32. Contract liabilities

(1). Recognition method for contract liabilities

Applicable" Not applicable"

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

33. Employee remuneration

(1). Accounting treatment for short-term remuneration

Applicable" Not applicable"

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

(2). Accounting treatment for post-employment benefits

"√ Applicable" "□ Not applicable"

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

- (1) During the accounting period when employees provide service for the Company, the amount to be deposited as calculated according to the defined contribution plan shall be recognized as liabilities, and will be included in the current profit or loss or as the cost of related assets.
- (2) The accounting treatment for the defined benefit plan generally comprises the following steps:
 - 1) According to the expected cumulative benefit unit method, the demographic variables, financial variables, etc. shall be estimated through unbiased and mutually consistent actuarial assumption, so as to measure the obligations arising from the defined benefit plan and determine the period of relevant obligations. In addition, the obligation generated from the defined benefit plan shall be discounted, so as to determine the present value of defined benefit plan obligation and current service cost;
 - 2) In the case of assets in the defined benefit plan, the deficit or surplus generated from the present value of obligations of the defined benefit plan minus the fair value of the assets of the defined benefit plan is recognized as a net liability or a net asset within the defined benefit plan. When the defined benefit plan has a surplus, the net assets of the defined benefit plan are measured at the lower of the surplus of defined benefit plan and the upper limit of the assets;
 - 3) At the end of the period, the employee remuneration costs generated by the defined benefit plan are recognized as three parts, i.e., service costs, net interest of the net liabilities or net assets of the defined benefit plan, and the changes generated by re-measurement of the net liabilities or net assets of the defined benefit plan, in which the service costs and the net interest of the net liabilities or net assets of the defined benefit plan are included in the current profit or loss or the cost of related assets, and the changes generated by re-measurement of the net liabilities or net assets within the defined benefit plan are included under other comprehensive income, and cannot be reversed to profit or loss in the subsequent accounting period. However, the amount recognized under other comprehensive income can be transferred within the equity scope.

(3). Accounting treatment methods of termination benefits

"√ Applicable" "□ Not applicable"

If termination benefits are provided to employees, the employee remuneration liabilities arising from the termination benefits are recognized on the earlier date of the following and included in the current profit or loss: (1) when the Company cannot unilaterally withdraw the termination benefits provided due to

termination of a labor relation plan or layoff proposal; (2) when the Company recognizes the cost or expenses related to the restructuring involving payment of termination benefits.

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

Applicable" Not applicable"

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

34. Lease liabilities

Applicable" Not applicable"

35. Estimated liabilities

Applicable" Not applicable"

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

36. Share-based payments

Applicable" Not applicable"

1. Types of share-based payments

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

2. Relevant accounting treatment of implementing, modifying, and terminating a share-based payment schedule

(1) Equity-settled share-based payments

These equity-settled share-based payments vested immediately after the grant date and exchanged for employee services shall be included in relevant costs or expenses as per the fair value of the equity instruments on the grant date, and the capital reserve shall be adjusted accordingly. For equity-settled share-based payments that are vested only after the services within the waiting period are completed or

the specified performance conditions are satisfied and that are exchanged for employee services, the services acquired in the current period are included in relevant costs or expenses as per the fair value of the equity instruments on the grant date based on the optimal estimate of the number of vesting equity instruments on each balance sheet date within the waiting period, and the capital reserve is adjusted accordingly.

The equity-settled share-based payments exchanged for services of other parties are measured as per the fair value of the services of other parties on the date of acquisition if its reliable measurement is possible, and as per the fair value of the equity instruments on the date of acquisition of the services if a reliable measurement of the fair value of other parties' services is impossible, but that of the equity instruments is possible, they are included in relevant costs or expenses, and the owner's equity is increased accordingly.

(2) Cash-settled share-based payments

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

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

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

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

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

37. Preferred shares, perpetual bonds, and other financial instruments

Applicable" Not applicable"

According to the relevant standards for financial instruments and the *Regulations on the Distinction between Financial Liabilities and Equity Instruments and Relevant Accounting Treatments* (CS [2014] No.13), for financial instruments such as convertible corporate bonds issued, the Company shall classify these financial instruments or their components as financial assets, financial liabilities, or equity instruments during initial recognition, based on the contractual terms of the financial instruments issued and the economic substance they reflect, not only in legal form, but in combination with the definition of financial assets, financial liabilities, and equity instruments.

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

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

Applicable" Not applicable"

1. Revenue recognition principle

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

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

For the obligations performed within a period, the Company shall recognize the revenue according to the performance progress in that period. If the performance progress cannot be determined in a reasonable way, but the incurred costs are expected to be reimbursed, the revenue shall be recognized according to the incurred amount of costs until the performance progress can be determined in a reasonable way. For the obligations performed at a time point, the revenue shall be recognized at the time of the customer's acquiring the control of related commodities or services. The Company shall take into account the following when judging whether the customer has acquired commodity control: (1) The Company has

the current right for collection, namely the customer has the current obligation for payment with respect to the commodity; (2) the Company has transferred the legal title of the commodity to the customer, namely the customer has acquired same; (3) the Company has transferred the physical commodity to the customer, namely the customer has physical possession of the commodity; (4) the Company has passed the main risks and return on the commodity's title to the customer, namely the customer has acquired same; (5) the customer has accepted the commodity; and (6) there are other signs indicating that the customer has acquired the commodity control.

2. Revenue measurement principle

- (1) The Company shall measure the revenue according to the transaction price apportioned to the individual performance obligations. The transaction price refers to the amount of consideration to which the Company is expected to have the right of collection due to transfer of commodities or services to the customer, excluding the amounts charged on behalf of the third party and expected to be refunded to the customer.
- (2) In the case of variable consideration in the contract, the Company shall determine the optimal estimate of the variable consideration according to the expected value or the amount most likely to incur, while the transaction price including the variable consideration shall not exceed the amount under the circumstance where the cumulatively recognized revenue will be highly unlikely to suffer major reversal when relevant uncertainties are eliminated.
- (3) In case of major financing composition in the contract, the Company shall determine the transaction price according to the payable amount assumed to be paid by the customer in cash immediately after he acquires control of the commodities or services. The difference between the transaction price and the contract consideration shall be amortized by the Effective Interest method within the contract term. If the Company expects, on the commencement date of the contract, that the interval between the customer's acquisition of the control of the commodities or services and its payment is not more than one year, the major financing composition in the contract shall not be taken into account.
- (4) In the case of two or more performance obligations in the contract, the Company shall, on the commencement date of the contract, apportion the transaction price to the individual performance obligations according to the relative proportion of the individual sale price of the commodities undertaken as per the individual performance obligations.

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

" Applicable" " Not applicable"

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

(1) Distribution

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

(2) Direct sales

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

(3) Sales on commission

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

39. Contract cost

Applicable" Not applicable"

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

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

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

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

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

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

40. Government grants

Applicable" Not applicable"

1. Government grants are recognized when all of the following conditions are satisfied: (1) The Company is able to meet the conditions attached to the grant; (2) the Company is able to receive the grant. In the case of government grants as monetary assets, they shall be measured as per the amount received or receivable. In the case of government grants as non-monetary assets, they shall be measured as per the fair value; in the case that the fair value cannot be acquired in a reliable way, they shall be measured as per the nominal amount.
2. Basis of determination and accounting treatment method for government grants related to assets
Government grants that are used for purchasing and constructing or otherwise forming long-term assets as specified in government documents are classified as government grants related to assets. In the case of no provision in government documents, a government grant shall be determined on the basis of the essential condition required for obtaining the grant, and shall be considered as related to assets if the essential condition is purchasing and constructing or otherwise forming long-term assets. Government grants related to assets shall offset the carrying value of relevant assets or be recognized as deferred income. If a government grant related to assets is recognized as deferred income, it shall be included in the profit and loss in a reasonable and systematic way within the useful life of relevant assets. Government grants measured as per the nominal amount shall be directly included in the current profit or loss. If related assets are sold, transferred, scrapped, or damaged before the end of their useful life, the unallocated related deferred income balance shall be transferred into profit and loss in the current period of asset disposal.
3. Basis of determination and accounting treatment method for government grants related to income
Government grants other than those related to assets are classified as government grants related to income. If it is difficult to distinguish whether a government grant containing both the part related to assets and the part related to income is related to assets or income, it shall be entirely classified as a government grant related to income. Government grants related to income that are used for compensation for relevant costs or losses in subsequent periods shall be recognized as deferred income, and included in the current profit or loss or offset relevant costs in the period in which relevant costs or losses are recognized; those used for compensation for relevant costs or losses that have incurred shall be directly included in the current profit or loss or offset relevant costs.
4. Government grants related to daily business activities of the Company shall be included in other income or offset relevant costs according to the nature of the economic business. Government grants unrelated to the daily activities of the Company shall be included in non-operating income and expenses.

41. Deferred income tax assets/liabilities

Applicable" Not applicable"

1. According to the difference between the carrying value of the assets and liabilities and their tax basis

(if the tax basis of the items recognized not as assets and liabilities can be determined according to the provisions of the tax law, the difference between that tax basis and their physical count quantity), the deferred income tax assets or liabilities shall be calculated and recognized according to the tax rate applicable in the period where it is expected to recover the assets or liquidate the liabilities.

2. Deferred income tax assets are recognized to the extent that it is very likely to obtain the taxable income to deduct the deductible temporary differences. If on the balance sheet date, there is conclusive evidence proving that it is very likely to obtain sufficient taxable income in future periods to deduct the deductible temporary differences, the deferred income tax assets not recognized yet in previous accounting periods shall be recognized.

3. If the carrying value of the deferred income tax assets is reviewed on the balance sheet date and it is very likely not to obtain sufficient taxable income in future periods to deduct their benefits, the carrying value of the deferred income tax assets shall be written down. When it is very likely to obtain sufficient taxable income, the amount written down shall be reversed.
4. The current income tax and deferred income tax of the Company are included in the current profit or loss as income tax expense or income except for the income tax arising from the following circumstances: (1) Business merger; (2) transaction, or matters recognized directly in the owner's equity.

42. Lease

(1). Accounting treatment method of operating lease

Applicable" Not applicable"

(2). Accounting treatment method of financing lease

Applicable" Not applicable"

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

Applicable" Not applicable"

1. The Company as lessee

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

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

(1) Right-of-use assets

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

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

(2) Lease liabilities

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

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

2. The Company as lessor

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

(1) Operating lease

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

(2) Financial lease

On the start date of the lease term, the Company recognizes the financial lease receivables based on the net lease investment (the sum of the unguaranteed residual value and the present value of the lease receipts that have not been received on the start date of the lease term discounted at the interest rate

implicit in lease), and derecognizes financial lease assets. During each period of the lease term, the Company calculates and recognizes interest income based on the interest rate implicit in the lease. Variable lease payments received by the Company that are not included in the measurement of net lease investment are included in the current profit or loss when actually incurred.

43. Other significant accounting policies and accounting estimates

Applicable" Not applicable"

44. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting policies

Applicable" Not applicable"

Contents and reasons for changes in accounting policies	Review and approval procedure	Remarks (name and amount of report items affected materially)
The Company has implemented the revised <i>Accounting Standards for Business Enterprises No. 21 - Lease</i> since January 1, 2021.	On April 21, 2021, the Company held the 19th meeting of the second session of the Board of Directors and the 18th meeting of the second session of the Board of Supervisors. Both meetings deliberated and adopted the proposal on changing accounting policies and the independent directors issued their independent opinions accordingly. The change of the Company's accounting policy does not need to be submitted to the general meeting of shareholders for deliberation. Refer to Company Notice No.: 2021-016	This accounting policy change has no impact on the Company's financial statements.

Other description

Since January 26, 2021, the Company has implemented *Interpretation No. 14 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance in 2021. This accounting policy change has no impact on the Company's financial statements. Since December 31, 2021, the Company has implemented the Provisions on "Related Presentation of Centralized Management of Funds" in the

Interpretation No. 15 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance. This accounting policy change has no impact on the Company's financial statements.

(2). Changes in significant accounting estimates

Applicable" Not applicable"

(3). Particulars on adjustment to financial statements at the beginning of the year for the first implementation of new standards for lease from 2021

Applicable" Not applicable"

No

(4). Description on retrospective adjustment to previous comparative data for the first implementation of new standards for lease from 2021

Applicable" Not applicable"

45. Other

Applicable" Not applicable"

VI. Taxes

1. Major tax types and tax rates

Particulars on major tax types and tax rates

Applicable" Not applicable"

Tax type	Taxing basis	Tax rate
Value added tax ("VAT")	The output tax is calculated on the basis of income from sales of products and taxable income from rendering of services calculated according to the provisions of the tax law. The difference between the output tax and the amount after deducting the input tax which is allowed to be deductible in the current period is the payable VAT.	13%, 9%, 6%, 1%
Consumption tax	Taxable sales (volume)	15%
Business tax		
Urban maintenance and construction tax	Actual turnover tax paid	7%, 5%

Enterprise income tax	Taxable income	[Note]
Property tax	In the case of ad valorem taxation, it is calculated and paid as per 1.2% of the remaining value after 30% of the original value of the property is deducted in a lump sum; in the case of taxation according to a lease, it is calculated and paid as per 12% of the rental income.	12%, 1.2%
Education surcharge	Actual turnover tax paid	3%
Local education surcharge	Actual turnover tax paid	2%

[Note]: Descriptions of tax payers with different enterprise income tax rates

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

"√ Applicable" "□ Not applicable"

Name of taxpayer	Income tax rate (%)
The Company	15
Huzhou Niuke Technology Co., Ltd.	20
Xuzhou Pelaya Information Technology Co., Ltd.	20
Korea Younimi Cosmetics Co., Ltd	Relevant taxes are calculated and paid according to local tax regulations in South Korea
Hanna Cosmetics Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in South Korea
Hapsode Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in South Korea
Hong Kong Keshi Trading Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Xinghuo Industry Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Wanyan Electronic Commerce Co., Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Zhongwen Electronic Commerce Co., Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Xuchen Trading Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
BOYA (Hong Kong) Investment Management Co.,	Relevant taxes are calculated and paid according

Limited	to local tax regulations in Hong Kong, China
Proya Europe SARL	Relevant taxes are calculated and paid according to local tax regulations in Luxembourg
P.R.O CO., LTD.	Relevant taxes are calculated and paid according to local tax regulations in Japan
Tax payers other than the above	25

2. Tax preference

"√ Applicable" "□ Not applicable"

The Company was reviewed as a high-tech enterprise on December 1, 2020 and obtained a High-tech Enterprise Certificate, with a validity of three years and a grace period for enterprise income tax in 2020-2022. The Company was subject to enterprise income tax at the preferential rate of 15% for the reporting period.

According to the *Notice of the Ministry of Finance and the State Taxation Administration on the Implementation of Inclusive Tax Relief Policy for Small and Micro Enterprises* (CS [2019] No.13), the *Announcement of the State Taxation Administration on Relevant Issues on the Implementation of Inclusive Tax Relief Policy for Small and Micro Enterprises* (Announcement No.2 of the State Taxation Administration in 2019), and *Announcement of the Ministry of Finance and the State Taxation Administration on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households* (CS [2021] No.12), Huzhou Niuke Technology Co., Ltd. complies with the criteria for tax payment of small and micro enterprises, and would calculate taxable income as per a reduced tax rate of 25% and pay the enterprise income tax as per the tax rate of 20% in 2021. The subsidiary Xuzhou Proya Information Technology Co., Ltd. complies with the criteria for tax payment of small and micro enterprises. The taxable income that does not exceed RMB1 million shall be included in the taxable income at the reduced rate of 12.5% and shall pay the enterprise income tax at the tax rate of 20%. The part of the taxable income that exceeds RMB1 million but not more than RMB3 million is entitled to a reduced rate of 50%, and the enterprise income tax shall be paid at the tax rate of 20%.

In accordance with the provisions of the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* jointly issued by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs (Announcement No.39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs in 2019), Hangzhou Proya Commercial Management Co., Ltd., a subsidiary of the Company, complies with the conditions for general tax payers engaged in consumer-oriented service industries, and the input tax deductible in the current period plus 10% would be used for deducting the tax payable from October 1, 2019 to December 31, 2021.

3. Others

Applicable" Not applicable"

VII. Notes on Items in Consolidated Financial Statements**1. Cash and cash equivalents**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Cash on hand	22,348.23	26,853.58
Cash at bank	2,339,040,989.92	1,368,800,012.77
Other monetary capital	51,984,911.66	47,827,774.58
Total	2,391,048,249.81	1,416,654,640.93
Of which: Total cash deposited outside China	69,786,305.02	83,771,568.02

Other description

At the end of the period, the scope of restricted use covered the margin for fixed-term deposits of transformer of RMB293,481.72 in bank deposits, as well as an L/C deposit of RMB7,000,000.00, an ETC vehicle deposit of RMB70,000.00, a Pinduoduo deposit of RMB5,000,000.00, and Tmall and Alipay deposits of RMB350,000.00 in other monetary capital.

At the beginning of the period, the scope of restricted use covered the margin for fixed-term deposits of transformer of RMB293,481.72 in bank deposits, as well as a land construction deposit of RMB7,036,404.33, an L/C deposit of RMB7,000,000.00, an ETC vehicle deposit of RMB69,000.00, and Tmall and Alipay deposits of RMB405,000.00 in other monetary capital.

2. Trading financial assets

Applicable" Not applicable"

3. Derivative financial assets

Applicable" Not applicable"

4. Notes receivable**(1). List by the classification of notes receivable**

Applicable" Not applicable"

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

Applicable" Not applicable"

(3). Notes receivable endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date Applicable" Not applicable"**(4). Notes that have been transferred to accounts receivable by the Company at the end of the period due to the non-performance of the contract of the drawer** Applicable" Not applicable"**(5). Disclosed by the classification of bad debt accrual method** Applicable" Not applicable"

Provision for bad debts accrued by item:

 Applicable" Not applicable"

Provision for bad debts by portfolio:

 Applicable" Not applicable"

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

 Applicable" Not applicable"**(6). Information of bad-debt provision** Applicable" Not applicable"**(7). Notes receivable actually written off in the current period** Applicable" Not applicable"

Other description

 Applicable" Not applicable"**5. Accounts receivable****(1). Disclosed by account receivable age** Applicable" Not applicable"

Unit: Yuan Currency: RMB

Account age	Book balance at the end of the period
Within 1 year	
Including: Sub-item within 1 year	
Sub-total within 1 year	141,934,418.24
1 to 2 years	5,534,941.10

2 to 3 years	9,367,566.25
Above 3 years	6,233,959.11
3 to 4 years	
4 to 5 years	
Above 5 years	
Total	163,070,884.70

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Category	Ending balance					Opening balance				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)		Amount	Percentage (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by item	14,489,512.75	8.89	14,489,512.75	100.00		16,916,210.88	5.29	16,916,210.88	100.00	
Including:										
Provision for bad debts by portfolio	148,581,371.95	91.11	9,954,744.05	6.70	138,626,627.90	303,007,487.69	94.71	18,129,068.11	5.98	284,878,419.58
Including:										
Total	163,070,884.70	/	24,444,256.80	/	138,626,627.90	319,923,698.57	/	35,045,278.99	/	284,878,419.58

Provision for bad debts accrued by item:

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Name	Ending balance			
	Carrying amount	Provision for bad debts	Provision ratio (%)	Reason for accrual
Individual provision for bad debt reserves	14,489,512.75	14,489,512.75	100.00	Expected as unable to recover
Total	14,489,512.75	14,489,512.75	100.00	/

Explanation of bad debt provision by item:

Applicable" Not applicable"

Provision for bad debts by portfolio:

Applicable" Not applicable"

Provision by portfolio: Aging portfolio

Unit: Yuan Currency: RMB

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Aging portfolio	148,581,371.95	9,954,744.05	6.70
Total	148,581,371.95	9,954,744.05	6.70

Confirmation standard and explanation of bad debts accrued by portfolio

Applicable" Not applicable"

Account age	Ending amount		
	Carrying amount	Provision for bad debts	Provision ratio (%)
Within 1 year	141,929,594.23	7,096,479.76	5.00
1-2 years	4,799,597.04	1,439,879.12	30.00
2-3 years	867,591.00	433,795.49	50.00
Above 3 years	984,589.68	984,589.68	100.00
Subtotal	148,581,371.95	9,954,744.05	6.70

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

Applicable" Not applicable"

(3). Information of bad-debt provision

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount of the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Individual provision for bad debt reserves	16,916,210.88	2,423,301.87		4,850,000.00		14,489,512.75
Provision for bad debts by portfolio	18,129,068.11	-7,784,583.95		2,416.48	-387,323.63	9,954,744.05
Total	35,045,278.99	-5,361,282.08		4,852,416.48	-387,323.63	24,444,256.80

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The RMB-387,323.63 recorded in the other change in the provision for bad debts by portfolio of the current period involves the disposal of shares in Shanghai Healthlong Biochemical Technology Co., Ltd. (hereinafter referred to as "Shanghai Healthlong") where the bad debt provision for account receivable is transferred out.

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Written off amount
Accounts receivable actually written off	4,852,416.48

Among them, information of accounts receivable significantly written off

Applicable" Not applicable"

Explanation of the write-off of the account receivable

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Company name	Ending balance	Proportion of total balance of accounts receivable at the end of the period (%)	Ending balance of bad debt provision
Beijing Jingdong Century Trading Co., Ltd.	88,195,266.10	54.08	4,409,763.31
Vipshop (China) Co., Ltd.	26,206,593.95	16.07	1,310,329.70
Shanghai Zimei Investment Management Co., Ltd.	5,372,504.78	3.29	268,625.24
Hangzhou Yongyi Network Technology Co., Ltd.	4,640,580.00	2.85	4,640,580.00
Shandong Chengtian Trading Co., Ltd.	1,722,490.44	1.06	86,124.52
Total	126,137,435.27	77.35	10,715,422.77

Other description

No

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

6. Receivables financing

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Notes receivable	3,242,000.00	5,531,997.32
Total	3,242,000.00	5,531,997.32

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

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

Item	Recognized amount terminated at the end of the period
Bank acceptance bills	6,531,222.00
Subtotal	6,531,222.00

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

7. Prepayment

(1). Prepayments are listed by age

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Account age	Ending balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	57,284,969.16	98.08	81,149,897.32	98.07
1 to 2 years	1,062,309.95	1.82	802,393.47	0.97
2 to 3 years	59,368.00	0.10	790,525.13	0.96
Above 3 years				
Total	58,406,647.11	100.00	82,742,815.92	100.00

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

No

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

Applicable" Not applicable"

Company name	Ending balance	Ratio of total ending balance of prepayment (%)
Hangzhou Alimama Software Service Co., Ltd.	32,022,593.57	54.83
Guangxi Jingdong Xinjie E-commerce Co., Ltd.	6,467,532.61	11.07
Tianjin Xingyou Intalk Culture Co., Ltd.	1,590,025.00	2.72
Guangzhou Xiangjiao Culture Development Co., Ltd.	1,422,586.47	2.44
Wuhan Juliang Xingtu Technology Co., Ltd.	815,127.91	1.40
Total	42,317,865.56	72.46

Other description

No

Other description

Applicable" Not applicable"

8. Other receivables

List by item

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	66,043,707.81	48,733,527.35
Total	66,043,707.81	48,733,527.35

Other explanations:

Applicable" Not applicable"

Interest receivables

(1). Classification of interest receivables

Applicable" Not applicable"

(2). Significant overdue interest

Applicable" Not applicable"

(3). Provision for bad debts

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

Dividend receivables

(4). Dividend receivable

Applicable" Not applicable"

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

Applicable" Not applicable"

(6). Provision for bad debts

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

Other receivables

(7). Disclosed by account receivable age

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Account age	Book balance at the end of the period
Within 1 year	
Including: Sub-item within 1 year	
Sub-total within 1 year	71,395,423.09
1 to 2 years	22,327,310.76
2 to 3 years	6,084,598.80
Above 3 years	1,211,141.49
3 to 4 years	
4 to 5 years	
Above 5 years	
Total	101,018,474.14

(8). Classification by nature of payment

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the period	Book balance at the beginning of the period
Security deposits	24,126,373.18	15,177,436.77
Suspense payment receivables	74,931,769.08	39,073,769.81
Reserve funds	624,289.31	712,751.90
Others	1,336,042.57	744,011.86
Total	101,018,474.14	55,707,970.34

(9). Provision for bad debts

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses over the next 12 months	Expected credit loss for the entire duration (credit impairment not occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance as of January 1, 2021	2,141,112.44	3,171,320.29	1,662,010.26	6,974,442.99
The balance as of January 1, 2021 is in the current period				
--Transferred to the second stage	-295,221.34	295,221.34		
--Transferred to the third stage	-1,145,169.47	-1,862,891.32	3,008,060.79	
--Returned to the second stage				
--Returned to the first stage				
Accrual in the current period	3,170,915.48	167,677.75	26,857,636.03	30,196,229.26
Amount written				

back in the current period				
Current write-off				
Amount written off in the current period	-73.40			-73.40
Other changes	-617,233.34	-1,254,200.30	-324,398.88	-2,195,832.52
Balance as of December 31, 2021	3,254,330.37	517,127.76	31,203,308.20	34,974,766.33

Explanation of significant changes in book balance of other receivables with changes in provision for loss in the current period:

Applicable" Not applicable"

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

Applicable" Not applicable"

(10). Information on bad-debt provision

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount of the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Individual provision for bad debt reserves		26,987,367.33				26,987,367.33
Provision for bad debts by portfolio	6,974,442.99	3,208,861.93		-73.40	-2,195,832.52	7,987,399.00
Total	6,974,442.99	30,196,229.26		-73.40	-2,195,832.52	34,974,766.33

Other changes are the disposal of the equity of Shanghai Healthlong, and the bad debt reserves of other receivables are transferred out accordingly.

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Written off amount
Other accounts receivable actually written off	73.40

Wherein, write-off of other important receivables:

Applicable" Not applicable"

Explanation on write-off of other receivables:

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Company name	Nature of payment	Ending balance	Account age	As a proportion of total ending balance in other receivables (%)	Provision for bad debts Ending balance
Zhejiang Tmall Network Co., Ltd.	Suspense payment receivable	22,958,784.33	Within 1 year	22.73	1,147,939.22
Beijing Space Transformation Technology Co., Ltd.	Suspense payment receivable	20,478,374.41	Within 1 year	20.27	1,023,918.72
EURL Pharmatica [Note 1]	Suspense payment receivable	19,606,379.23	[Note 2]	19.41	19,606,379.23

Wuxing District Daixi Town People's Government of Huzhou City	Security deposit	13,493,392.00	Within 1 year	13.36	674,669.60
Sikerom Europe, GMBH	Suspense payment receivable	7,380,988.10	1-2 years	7.31	7,380,988.10
Total	/	83,917,918.07	/	83.08	29,833,894.87

[Note 1] EURL Pharmatica amount is the consolidated amount of URL Pharmatica, Parisezhan HK, Ltd., SARL Ortus and SAS Aredis under the same control.

[Note 2] RMB6,308,815.77 in 1 year; RMB13,222,563.46 in 1-2 years; RMB75,000.00 in 2-3 years

(13). Receivables involving government subsidies

Applicable" Not applicable"

(14). Other receivables de-recognized due to transfer of financial assets

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

9. Inventories

(1). Classification of inventories

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Inventory falling price reserves/ Provision for impairment of contract performance cost	Book value	Carrying amount	Inventory falling price reserves/ Provision for impairment of contract performance cost	Book value
Raw materials	29,764,865.65	1,131,843.45	28,633,022.20	25,023,198.10	790,191.51	24,233,006.59

Goods in process	13,001,345.50	168,931.64	12,832,413.86	19,699,809.41	333,215.45	19,366,593.96
Inventory commodities	373,318,017.14	25,067,162.01	348,250,855.13	402,419,036.40	21,221,419.14	381,197,617.26
Turnover materials						
Consumable biological assets						
Performance cost						
Packaging	37,042,703.68	650,080.09	36,392,623.59	32,988,469.32	1,383,453.99	31,605,015.33
Low value consumables	7,337,309.01	300,823.91	7,036,485.10	2,643,028.64	268,617.88	2,374,410.76
Outsourcing gifts	14,904,454.81	111,096.40	14,793,358.41	11,494,429.58	1,630,055.73	9,864,373.85
Total	475,368,695.79	27,429,937.50	447,938,758.29	494,267,971.45	25,626,953.70	468,641,017.75

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

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increased amount in the current period		Decreased amount in the current period		Ending balance
		Accrual	Other	Write-back or charge-off	Other	
Raw materials	790,191.51	855,979.02		514,327.08		1,131,843.45
Goods in process	333,215.45	50,806.32		215,090.13		168,931.64
Inventory commodities	21,221,419.14	36,751,801.64		32,449,929.84	456,128.93	25,067,162.01
Turnover materials						
Consumable biological assets						
Performance cost						
Packaging	1,383,453.99	674,166.02		1,407,539.92		650,080.09
Low-value consumables	268,617.88	200,597.02		168,390.99		300,823.91
Outsourcing gifts	1,630,055.73	309,771.43		1,828,730.76		111,096.40
Total	25,626,953.70	38,843,121.45		36,584,008.72	456,128.93	27,429,937.50

The RMB456,128.93 recorded under "Other" items of the current period decrease in the provision for inventory depreciation involves the disposal of shares in Shanghai Healthlong where the inventory depreciation provision is transferred out.

Some products have net realizable value lower than costs at the end of the current period, so the provision for inventory depreciation is made at the difference between the costs and the net realizable value.

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Other description

Applicable" Not applicable"

10. Contract assets

(1). Description of contract assets

Applicable" Not applicable"

(2). The amount and reasons of significant changes in book value during the reporting period

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

11. Assets held for sale

Applicable" Not applicable"

12. Non-current assets due within one year

Applicable" Not applicable"

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

Applicable" Not applicable"

Other description

No

13. Other current assets

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Contract costs		
Return cost receivable	3,425,429.44	4,434,684.01
Input VAT to be deducted	39,013,811.93	24,162,220.64
Advance payment of taxes	11,095,721.02	6,638,906.62
Total	53,534,962.39	35,235,811.27

Other description

No

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

Applicable" Not applicable"

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

Applicable" Not applicable"

(3). Impairment provision accrual

Applicable" Not applicable"

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

Applicable" Not applicable"

Other description

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

(3). Impairment provision accrual

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

16. Long-term receivables

(1). Description of long-term receivables

Applicable" Not applicable"

(2). Provision for bad debts

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

(4). The amount of assets and liabilities formed by transferring long-term receivables and continuing to be involved

Applicable" Not applicable"

Other description

Applicable" Not applicable"

17. Long-term equity investments

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Invested entity	Initial balance	Increase or decrease in the current period								Ending balance	Ending balance of impairment provision	
		Additional investment	Investment decrease	Recognized investment gain and loss under equity method	Other comprehensive income adjustments	Other changes in equity	Declared payment of cash dividends or profits	Provision for impairment	Others			
I. Joint Venture												
Huzhou Panrui Industry	3,306,630.57			-231,871.89							3,074,758.68	

Investment Partnership (Limited Partnership)											
Subtotal	3,306,630.57			-231,871.89						3,074,758.68	
II. Affiliated enterprises											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,985,511.35			-196,050.69						2,789,460.66	
Jiaxing Woyong Investment Partnership (Limited Partnership)	45,623,486.90	28,206,800.00		-1,148,553.52						72,681,733.38	
Zhuhai Healthlong Biotechnology Co., Ltd.		99,540,881.10		-5,456,530.14				14,670,468.59		79,413,882.37	14,670,468.59
Beijing Xiushi Culture Development Co., Ltd.		6,000,000.00		-575,307.63						5,424,692.37	
Metis Info Tech (Guangzhou) Co., Ltd.	6,304,430.78			270,578.03						6,575,008.81	
Subtotal	54,913,429.03	133,747,681.10		-7,105,863.95				14,670,468.59		166,884,777.59	14,670,468.59
Total	58,220,059.60	133,747,681.10		-733,735.84				14,670,468.59		169,959,536.27	14,670,468.59

Other description

No

18. Investment in other equity instruments

(1). Description of investment in other equity instruments

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Hangzhou Regenovo Biotechnology, Ltd.	20,580,000.00	20,580,000.00
LipoTrue, SL	35,822,400.00	
Total	56,402,400.00	20,580,000.00

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

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

19. Other non-current financial assets

" Applicable" " Not applicable"

Other explanations:

" Applicable" " Not applicable"

20. Investment real estate

Measurement mode of investment properties

(1). Investment real estate adopting the Cost Measurement model

Unit: Yuan Currency: RMB

Item	Building and construction	Land use rights	Construction in progress	Total
I. Original book value				
1. Balance at the beginning of the period	76,860,032.10			76,860,032.10
2. Amount increased in the current period	960,547.30			960,547.30
(1) Outsourcing	960,547.30			960,547.30
(2) Transfer-in of inventory\fixed assets\construction in process				
(3) Increase in enterprise merger				
3. Decrease in the current period				
(1) Disposal				
(2) Others transferred out				
4. Ending balance	77,820,579.40			77,820,579.40
II. Accumulated depreciation and accumulated amortization				
1. Balance at the beginning of the period	4,622,422.00			4,622,422.00
2. Amount increased in the current period	2,876,289.40			2,876,289.40
(1) Provision or amortization	2,876,289.40			2,876,289.40
3. Decrease in the current period				
(1) Disposal				
(2) Others transferred out				
4. Ending balance	7,498,711.40			7,498,711.40
III. Impairment Provision				
1. Balance at the beginning of the				

period				
2. Amount increased in the current period				
(1) Provision				
3. Decrease in current period				
(1) Disposal				
(2) Others transferred out				
4. Ending balance				
IV. Book Value				
1. Book value at the end of the period	70,321,868.00			70,321,868.00
2. Book value at the beginning of period	72,237,610.10			72,237,610.10

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

Applicable" Not applicable"

Other description

Applicable" Not applicable"

21. Fixed assets**List by item**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Fixed assets	558,981,209.20	565,864,152.62
Disposal of fixed assets		
Total	558,981,209.20	565,864,152.62

Other explanations:

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Property and buildings	Special equipment	Means of transportation	General equipment	Total
I. Original book value:					
1. Balance at the beginning of the period	533,689,138.34	177,652,603.03	21,224,973.25	62,250,935.84	794,817,650.46
2. Amount increased in the current period	6,112,077.65	18,999,249.35	265,221.24	14,910,468.14	40,287,016.38
(1) Purchase	6,112,077.65	6,846,572.87	265,221.24	14,910,468.14	28,134,339.90
(2) Transfer from construction in progress		12,152,676.48			12,152,676.48
(3) Increase in enterprise merger					
3. Decrease in the current period			1,612,387.59	2,525,173.77	4,137,561.36
(1) Disposal or scrapping				154,019.72	154,019.72
2) Other decreases [Note]			1,612,387.59	2,371,154.05	3,983,541.64
4. Ending balance	539,801,215.99	196,651,852.38	19,877,806.90	74,636,230.21	830,967,105.48
II. Accumulated depreciation					
1. Balance at the beginning of the period	89,221,072.09	101,568,423.97	12,505,940.35	25,658,061.43	228,953,497.84
2. Amount increased in the current period	18,699,867.06	15,566,905.29	1,953,825.63	8,285,671.38	44,506,269.36
(1) Provision	18,699,867.06	15,566,905.29	1,953,825.63	8,285,671.38	44,506,269.36
3. Decrease in the current period			425,968.71	1,047,902.21	1,473,870.92
(1) Disposal or scrapping				71,332.84	71,332.84
2) Other decreases [Note]			425,968.71	976,569.37	1,402,538.08
4. Ending balance	107,920,939.15	117,135,329.26	14,033,797.27	32,895,830.60	271,985,896.28
III. Impairment Provision					
1. Balance at the beginning of the period					
2. Amount increased in the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or scrapping					
4. Ending balance					
IV. Book Value					
1. Book value at the end of the period	431,880,276.84	79,516,523.12	5,844,009.63	41,740,399.61	558,981,209.20
2. Book value at the beginning of period	444,468,066.25	76,084,179.06	8,719,032.90	36,592,874.41	565,864,152.62

[Note] The RMB3,983,541.64 recorded under other decrease of original value of fixed assets and the RMB1,402,538.08 recorded under Other decrease of accumulated depreciation involve the disposal of shares in Shanghai Healthlong where the original value of fixed assets and the accumulated depreciation are transferred out.

(2). Description of temporarily idle fixed assets

Applicable" Not applicable"

(3). Description of fixed assets rented through finance lease

Applicable" Not applicable"

(4). Fixed assets leased out through operating lease

Applicable" Not applicable"

(5). Fixed assets without property right certificate

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

Disposal of fixed assets

Applicable" Not applicable"

Construction in progress**List by item**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Construction in progress	108,678,896.27	47,324,523.36
Project goods and material		
Total	108,678,896.27	47,324,523.36

Other explanations:

Applicable" Not applicable"

Construction in progress**(1). Description of construction in progress**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Huzhou Production Base Expansion Project (Phase I)	55,292,163.04		55,292,163.04	2,483,716.82		2,483,716.82
Make-up Factory	26,447,530.33		26,447,530.33	28,236,822.35		28,236,822.35

Longwu R&D Center Construction Project	7,157,088.81		7,157,088.81			
Decoration engineering	5,374,335.45		5,374,335.45	1,725,308.02		1,725,308.02
Information System Upgrade Project	641,190.64		641,190.64			
Other sporadic projects	13,766,588.00		13,766,588.00	14,878,676.17		14,878,676.17
Total	108,678,896.27		108,678,896.27	47,324,523.36		47,324,523.36

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

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Budget	Initial balance	Increased amount in the current period	Amount transferred to fixed assets in current period	Other decreased amount in the current period	Ending balance	Proportion of accumulated project investment to budget (%)	Progress of works	Accumulated amount of interest capitalization	Including: Amount of interest capitalization in the current period	Interest capitalization rate in the current period (%)	Source of fund
Huzhou Production Base Expansion Project (Phase I)	RMB416,783,300	2,483,716.82	56,398,711.61	3,590,265.39		55,292,163.04	14.13	14.13%	916,247.40	916,247.40	4.57	Raised funds and owned funds
Make-up Factory	RMB66,110,000	28,236,822.35	405,575.23	2,194,867.25		26,447,530.33	90.70	97.31%				Self-owned capital
Longwu R&D Center Construction Project	RMB128,611,300		7,157,088.81			7,157,088.81	5.56	5.56%	526,470.07	526,470.07	4.57	Raised funds and owned funds
Information System Upgrade Project	RMB112,395,000		641,190.64			641,190.64	0.57	0.57%	244,964.22	244,964.22	4.57	Raised funds and owned funds
Total	RMB723,899,600	30,720,539.17	64,602,566.29	5,785,132.64		89,537,972.82	/	/	1,687,681.69	1,687,681.69	/	/

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

Applicable" Not applicable"

Other description

Applicable" Not applicable"

Project goods and material**(4). Project goods and materials**

Applicable" Not applicable"

22. Productive biological assets**(1). Productive biological assets with Cost Measurement mode**

Applicable" Not applicable"

(2). Productive biological assets with Fair Value Econometric mode

Applicable" Not applicable"

Other description

Applicable" Not applicable"

23. Oil and gas assets

Applicable" Not applicable"

24. Right-of-use assets

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Land use rights	Software	Patent right	Unpatented technology	Customer resources	Trademark right	Total
I. Original book value							
1. Balance at the beginning of the period	376,212,928.4 7	19,559,130.8 4	420,000.00	659,500.00	12,833,684.0 0	137,131.75	409,822,375.0 6
2. Amount increased in the current period	96187201.63	4415332.73	26367.92	30693.07			100,659,595.3 5
(1) Purchase	96,187,201.63	4,415,332.73	26,367.92	30,693.07			100,659,595.3

							5
(2) Internal R&D							
(3) Increase in business mergers							
3. Decrease in the current period		427,966.61		126,900.00			554,866.61
(1) Disposal							
12) Other decreases [Note]		427,966.61		126,900.00			554,866.61
4. Ending balance	472,400,130.10	23,546,496.96	446,367.92	563,293.07	12,833,684.00	137,131.75	509,927,103.80
II. Accumulated amortization							
1. Balance at the beginning of the period	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. Amount increased in the current period	11,382,886.90	2,172,967.49	3,582.17	26,060.64	4,277,894.66	27,612.17	17,891,004.03
(1) Provision	11,382,886.90	2,172,967.49	3,582.17	26,060.64	4,277,894.66	27,612.17	17,891,004.03
3. Decrease in the current period		266,553.85		21,521.76			288,075.61
(1) Disposal							
1(2) Other decreases [Note]		266,553.85		21,521.76			288,075.61
4. Ending balance	80,337,918.89	19,671,238.01	423,582.17	533,063.88	11,764,210.33	51,966.23	112,781,979.51
III. Impairment Provision							
1. Balance at the beginning of the period							
2. Amount increased in the current period							
(1) Provision							
3. Decrease in the current period							
(1) Disposal							
4. Ending balance							
IV. Book Value							
1. Book value at the end of the period	392,062,211.21	3,875,258.95	22,785.75	30,229.19	1,069,473.67	85,165.52	397,145,124.29

2. Book value at the beginning of period	307,257,896.48	1,794,306.47		130,975.00	5,347,368.33	112,777.69	314,643,323.97
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[Note] The RMB554,866.61 recorded under Other decrease of original value of intangible assets and the RMB288,075.61 recorded under Other decrease of accumulated amortization, involve the disposal of shares in Shanghai Healthlong where the original value of intangible assets and the accumulated depreciation are transferred out.

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

(2). Land use right without a property ownership certificate

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

26. Development expenses

Applicable" Not applicable"

27. Goodwill

(1). Original book value of goodwill

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Name of the invested unit or items forming goodwill	Opening balance	Increase in the current period		Decrease in the current period		Ending balance
		Formed by business combination		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 goodwill

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

(5). Impact of goodwill impairment test

Applicable" Not applicable"

Other description

Applicable" Not applicable"

28. Long-term deferred expenses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increased amount in the current period	Amortized amount in the current period	Other decreased amount	Ending balance
Renovation costs	33,212,097.21	10,724,782.99	14,728,760.61	1,172,897.07	28,035,222.52
Endorsement fee	16,863,206.69		15,566,037.72		1,297,168.97
Garage use fee	385,900.48		192,949.92		192,950.56
Software service fee	115,589.15	446,294.55	191,637.50	139,114.14	231,132.06
Total	50,576,793.53	11,171,077.54	30,679,385.75	1,312,011.21	29,756,474.11

Other explanations:

The Other decrease of long-term prepaid expense includes: 1) RMB1,177,497.94, involving the disposal of shares in Shanghai Healthlong where the long-term prepaid expense is transferred out; and 2) RMB134,513.27, involving the Company's disposal of unfinished amortized store equipment where the fitting-out expense is transferred out.

29. Deferred income tax assets/deferred income tax liabilities

(1). Deferred income tax assets without offset

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income taxes Assets	Deductible temporary difference	Deferred income taxes Assets
Provision for impairment of assets				
Unrealized profit from internal transactions	51,427,566.52	11,315,875.56	28,021,116.50	7,005,279.12
Deductible loss	24,661,711.36	6,165,427.84	14,342,610.24	3,585,652.56
Provisions for bad debts of accounts receivable	12,133,125.37	3,033,245.75	27,188,715.77	6,796,972.50
Inventory valuation reserve	13,851,297.64	2,192,173.55	15,796,150.28	2,634,264.73
Impact of share-based payments	64,709,836.24	13,951,922.23	103,953,760.07	22,803,327.25
Asset-related government subsidies	6,416,263.33	962,439.50	8,495,353.33	1,274,303.00
Unused membership credits			4,487,591.14	1,121,897.79
Anticipated return losses	4,699,734.32	1,174,933.59	5,755,415.21	1,438,853.81
Total	177,899,534.78	38,796,018.02	208,040,712.54	46,660,550.76

(2). Deferred income tax liabilities without offset

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance		Opening balance	
	Taxable temporary difference	Deferred income taxes Liabilities	Taxable temporary difference	Deferred income taxes Liabilities
Asset appreciation assessment in businesses consolidation under common control				
Changes in the fair value of other creditors' investment				

Changes in the fair value of other equity instruments				
One-time deduction for depreciation of fixed assets	56,019,830.45	8,408,158.81	44,252,231.66	6,874,105.45
Total	56,019,830.45	8,408,158.81	44,252,231.66	6,874,105.45

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

Applicable" Not applicable"

(4). Details of unrecognized deferred income tax assets

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Deductible temporary difference	86,680,894.07	25,362,258.78
Deductible loss	328,350,840.97	379,300,493.32
Total	415,031,735.04	404,662,752.10

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Year	Ending balance	Beginning balance	Remarks
2021		48,812,246.22	
2022	36,720,246.07	62,924,802.76	
2023	54,275,434.81	63,485,783.30	
2024	92,977,432.81	99,748,285.21	
2025	80,408,649.72	104,329,375.83	
2026	63,969,077.56		
Total	328,350,840.97	379,300,493.32	/

Other explanations:

Applicable" Not applicable"

30. Other non-current assets

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Contract costs						
Performance cost						
Return cost receivable						
Contract assets						
Prepaid for long-term asset purchase funds	39,897,000.00		39,897,000.00	83,203,303.76		83,203,303.76
Other long-term assets	4,270,303.56		4,270,303.56	4,119,476.27		4,119,476.27
Total	44,167,303.56		44,167,303.56	87,322,780.03		87,322,780.03

Other explanations:

No

31. Short-term borrowings**(1). Classification of short-term loans**

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Pledge loans		
Mortgage loan		
Guaranteed loan		99,116,462.50
Credit loans	200,251,506.85	200,163,972.59
Total	200,251,506.85	299,280,435.09

Explanation on the classification of short-term loans:

No

(2). Overdue and outstanding short-term loans

"□ Applicable" "√ Not applicable"

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

Applicable" Not applicable"

Other description

Applicable" Not applicable"

32. Trading financial liabilities

Applicable" Not applicable"

33. Derivative financial liabilities

Applicable" Not applicable"

34. Notes payable

(1). Presentation of notes payable

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Type	Ending balance	Opening balance
Trade acceptances		
Bank acceptance bills	79,156,771.40	64,580,000.00
Total	79,156,771.40	64,580,000.00

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

35. Accounts payable

(1). List by accounts payable

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Payment for goods	309,697,429.86	428,697,891.17
Expenses payable	84,316,536.83	69,493,675.06
Payment for engineering equipment	10,012,274.47	17,640,465.04
Total	404,026,241.16	515,832,031.27

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

Applicable" Not applicable"

Other description

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

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

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

Applicable" Not applicable"

Other description

Applicable" Not applicable"

37. Contract liabilities**(1). Information of contract liability**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Advance payment	82,548,148.92	25,430,738.70
Unused membership credits	8,603,836.40	5,188,040.29
Total	91,151,985.32	30,618,778.99

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

38. Employee benefits payable**(1). List by employee pay payable**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
I. Short-term compensation	70,254,622.82	429,154,291.95	421,339,109.67	78,069,805.10
II. Post-employment benefits - defined contribution plans	573,616.88	22,579,188.61	22,573,560.87	579,244.62
III. Dismissal Benefit				
IV. Other benefits due within one year				
Total	70,828,239.70	451,733,480.56	443,912,670.54	78,649,049.72

(2). List by short-term compensation

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
I. Salaries, bonuses, allowances, and subsidies	68,643,838.60	385,853,200.13	377,326,904.66	77,170,134.07
II. Welfare expense of employee	6,815.56	15,643,674.87	15,643,798.87	6,691.56
III. Social insurance premium	882,228.00	14,854,750.86	15,218,853.67	518,125.19
Incl.: Medical insurance premium	776,190.95	14,154,214.39	14,445,606.46	484,798.88
Industrial injury insurance premium	57,859.33	478,761.18	523,610.82	13,009.69
Maternity insurance premium	48,177.72	221,775.29	249,636.39	20,316.62
IV. Housing provident fund	721,740.66	10,831,471.83	11,178,358.21	374,854.28
V. Trade union fund and staff education fund		1,971,194.26	1,971,194.26	
VI. Short-term paid leave				
VII. Short-term profit-sharing plan				
Total	70,254,622.82	429,154,291.95	421,339,109.67	78,069,805.10

(3). List by defined contribution plan

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
1. Basic endowment insurance	546,117.72	21,815,875.75	21,806,474.75	555,518.72
2. Unemployment insurance expense	27,499.16	763,312.86	767,086.12	23,725.90
3. Enterprise annuity payment				
Total	573,616.88	22,579,188.61	22,573,560.87	579,244.62

Other explanations:

"□ Applicable" "√ Not applicable"

39. Taxes payable

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Value added tax ("VAT")	23,812,907.23	25,557,167.53
Consumption tax	3,547.12	359.31
Business tax		
Enterprise income tax	63,190,175.54	32,994,016.76
Personal income tax	1,481,039.09	1,193,830.42
Urban maintenance and construction tax	4,705,718.03	2,971,080.02
Property tax	2,133,274.27	5,822,344.89
Surtax for education expenses	2,598,933.67	1,469,430.26
Local education surcharge	1,732,622.45	979,620.14
Stamp duties	175,861.55	330,703.60
Disabled security fund	14,175.52	16,737.84
Land use tax	44,922.50	
Total	99,893,176.97	71,335,290.77

Other explanations:

No

40. Other payables**List by item**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Dividends payable		
Dividend payable		
Other payables	62,162,153.55	75,546,323.32
Total	62,162,153.55	75,546,323.32

Other explanations:

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Security deposit	52,827,845.96	54,289,062.52
Restricted stock repurchase obligations	5,628,128.21	12,653,905.25
Other	3,706,179.38	8,603,355.55
Total	62,162,153.55	75,546,323.32

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Reasons for outstanding or carry-over
Restricted stock repurchase obligations	5,628,128.21	The restricted stock repurchase obligations have not been fulfilled
Total	5,628,128.21	/

Other explanations:

Applicable" Not applicable"

41. Holding liabilities for sale

Applicable" Not applicable"

42. Non-current liabilities due within one year

Applicable" Not applicable"

43. Other current liabilities

Other current liabilities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Short-term bonds payable		
Return payment payable		
Tax on items to be resold	9,521,415.32	1,439,262.02
Total	9,521,415.32	1,439,262.02

Changes in short-term bonds payable:

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations, including interest rate range:

Applicable" Not applicable"

45. Bonds payable

(1). Bonds payable

Applicable" Not applicable"

Unit: Yuan Currency: RMB

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

(2). Increase and decrease of bonds payable: (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Bond Name	Face value	Issuance date	Bond period	Issuance amount	Initial balance	Issuance in the current period	Interest accrued by face value	Premium or discount amortization	Current period repayment	Issuance expense	Equity division	Ending Balance
Proya Convertible Corporate Bond	100.00	December 08, 2021	6	751,713,000.00		751,713,000.00	148,283.10	1,886,443.87		7,204,326.06	50,956,622.11	695,586,778.80
Total	/	/	/	751,713,000.00		751,713,000.00	148,283.10	1,886,443.87		7,204,326.06	50,956,622.11	695,586,778.80

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

Applicable" Not applicable"

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

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

The convertible period of convertible bonds starts from the first trading day after the expiration of 6 months from the issuance date of convertible bonds until the maturity date of convertible bonds. The initial conversion price shall be RMB195.98 per share, in no case, lower than the average trading price of A shares of the Company in the twenty trading days prior to the publication of the prospectus (if the stock price is adjusted for ex-dividend or ex-dividend in the twenty trading days, the closing price of the trading day before such adjustment is calculated according to the price after the ex-dividend or ex-dividend adjustment) or the average trading price of A shares of the Company in the previous trading day, and shall not be adjusted up.

As at December 31, 2021, the convertible bonds have not yet reached the end of convertible period.

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

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

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

46. Lease liabilities

Applicable" Not applicable"

47. Long-term accounts payable

List by item

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

Long-term payable

(1). Long-term payables presented by nature

Applicable" Not applicable"

Special accounts payable

(2). Special payables presented by nature

Applicable" Not applicable"

48. Long-term employee benefits payable

Applicable" Not applicable"

49. Estimated liabilities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Ending balance	Cause of formation
Provide external guarantees			
Pending litigations			
Product quality assurance			
Restructuring obligation			
Loss-making contract to be performed			
Return payment payable	10,190,099.22	10,812,084.88	Estimated future potential return losses
Others			
Total	10,190,099.22	10,812,084.88	/

Other particulars, including the particulars on key assumptions and estimates concerning estimated significant liabilities

No

50. Deferred income

Information of deferred income

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance	Cause of formation
Government grants	84,95,353.33		2,079,090.00	6,416,263.33	Government grants
Total	8,495,353.33		2,079,090.00	6,416,263.33	/

Items involving government subsidies:

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Liability item	Opening balance	Amount of new subsidies in current period	Amount included in non-operating revenue of the current period	Amount included in other income in current period	Other changes	Ending balance	Asset-related/income-related
Grants for modified cosmetic technology	8,495,353.33			2,079,090.00		6,416,263.33	Asset-related

Other explanations:

Applicable" Not applicable"

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

51. Other non-current liabilities

Applicable" Not applicable"

52. Share capital

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

	Opening balance	Increase or decrease in the change (+, -)					Ending balance
		Issuance of shares	Bonus shares	Provident fund Share conversion	Others	Subtotal	
Total shares	201,116,925				-106,959	-106,959	201,009,966

Other explanations:

According to the provisions in the Resolution of the 20th meeting of the second session of Board of Directors in 2021, the Resolution of the 1st Extraordinary Meeting of Shareholders in 2021 and the amended *Articles of Association*, the Company applied for repurchase in cash of 106,959 restricted RMB ordinary shares (A shares) granted but not yet issued and paying total repurchase price of RMB1,733,805.39, whereby share capital would be reduced by RMB106,959.00 and the capital reserve (share premium) would be reduced by RMB1,626,846.39. The above matter has been verified by Pan-China Certified Public Accountants LLP (Special General Partnership) which has issued the *Capital Verification Report* (TJY (2021) No. 693).

(3) Particulars on equity pledges

The following is a schedule of frozen shares of key shareholders of the Company as of December 31, 2021:

Name of shareholder	Number of shareholding (shares)	Frozen shares (share)	Type of freeze
Fang Yuyou	38,669,643	6,460,000	Pledged
Subtotal	38,669,643	6,460,000	

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

"□ Applicable" "√ Not applicable"

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

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Outstanding financial instruments	Initial		Increase in the current period		Decrease in the current period		Ending	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
Proya convertible corporate bonds			7,517,130	50,956,622.11			7,517,130	50,956,622.11
Total			7,517,130	50,956,622.11			7,517,130	50,956,622.11

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

Applicable" Not applicable"

Other notes:

Applicable" Not applicable"

The RMB50,956,622.11 recorded in the current period increase is the amount of convertible corporate bonds of the Company issued in 2021 apportioned into equity instruments according to the *Accounting Standards for Business Enterprises*.

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

54. Capital reserve

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Capital premium (Equity premium)	794,285,959.20	9,046,766.01	3,658,192.45	799,674,532.76
Other capital reserves	42,748,877.49	664,956.26	8,816,160.85	34,597,672.90
Total	837,034,836.69	9,711,722.27	12,474,353.30	834,272,205.66

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

1) Increase/decrease in capital premium

The increase of RMB9,046,766.01 in capital premium (share premium) of the current period includes: (1) RMB8,816,160.85, involving the released part of restricted shares issued under the equity incentive plan, for which other capital reserve recognized during the waiting period is transferred to share premium and (2) RMB230,605.16, involving the difference between the payment made for acquiring minority shares

of a subsidiary, Zhejiang Biyouiti Cosmetics Co., Ltd., and the identifiable share of net assets of the subsidiary, as calculated at the newly-increased shareholding ratio.

The decrease of RMB3,658,192.45 in capital premium (share premium) of the current period includes: (1) RMB1,626,846.39, involving the repurchase in cash of restricted RMB ordinary shares granted but not yet released. Please see Section X Financial Reports, VII. Notes on Items in Consolidated Financial Statements, 53. Share capital for details; and (2) RMB2,031,346.06, involving the difference between the payment made for acquiring minority shares of the subsidiaries, Shanghai Zhongwen Electronic Commerce Co., Ltd., Hong Kong Zhongwen Electronic Commerce Co., Limited, Hangzhou Wanyan Culture Media Co., Ltd. and Hong Kong Wanyan Electronic Commerce Co., Limited, and the identifiable share of net assets of the subsidiaries, as calculated at the newly-increased shareholding ratio, for which the capital reserve is written down RMB2,031,346.06 and the undistributed profit is written down RMB8,640.67.

2) Other decrease or increase in capital reserves

The increase of RMB664,956.26 in other capital reserves of the current period includes: (1) RMB-66,494.65, involving the recognition of RMB-372,647.76 as 2021 restricted stock incentive fee and the inclusion of same into other capital reserves; the recognition of RMB306,153.11 as deferred tax asset the portion of which the estimated pre-tax deductible amount in future period is higher than the recognized restricted stock incentive fee and the inclusion of same into other capital reserves; (2) RMB731,450.91, involving the adjustment of capital reserves for the difference between the actual pre-tax deductible amount of the released portion and the recognized amount of previous years.

The decrease of RMB8,816,160.85 in other capital reserves of the current period involves the released portion of restricted shares issued under the equity incentive plan, for which other capital reserves recognized during the waiting period are transferred to share premium.

55. Treasury stock

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Restricted shares with repurchase obligation	12,653,905.25		7,025,777.04	5,628,128.21
Total	12,653,905.25		7,025,777.04	5,628,128.21

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

The decrease of RMB7,025,777.04 in the current period includes: 1) RMB4,964,976.45, involving the Company's release of 293,265 restricted shares according to the *Proposal on the Satisfaction of Conditions for Releasing the Sales Restrictions for the Second Release Period of the Restricted Shares*

Granted for the First Time and Reserved Grant under the 2018 Restricted Share Incentive Plan deliberated and approved at the 18th meeting of the second session of board of directors of the Company held on January 5, 2021, with the grant price after distributed cash dividends are deducted being RMB16.93 per share; 2) RMB1,733,805.39, involving the repurchase in cash of 106,959 restricted RMB ordinary shares (A shares) granted but not yet released; and 3) RMB326,995.20, involving the write-down of treasury stocks for distributed dividends attributable to 106,959 restricted shares repurchased in the current period and 347,201 restricted shares locked and the resulting adjustment of other payables.

56. Other comprehensive income

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Initial balance	Amount incurred in the current period						Ending balance
		Amount incurred before income tax in the current period	Less: Included in other comprehensive income for the previous period and transferred in profit or loss for the current period	Less: Included in other comprehensive income for the previous period and transferred in retained earnings for the current period	Less: Income tax expenses	Attributed to parent company after tax	Attributed to minority shareholders after tax	
I. Other comprehensive income that will not be subsequently reclassified into profit and loss								
Including:								
Remeasuring of the variation amount of defined benefit plan								
Other comprehensive income that can't be reversed through profit and loss under the Equity method								
Changes in the fair value of other equity instruments								
Changes in fair value of enterprise's own credit risk								
II. Other comprehensive income that will be reclassified	-269,066.13	-978,607.97				-978,607.97		-1,247,674.10

into profit or loss								
Including: other comprehensive income that can be converted into gains and losses under the Equity method								
Changes in the fair value of other creditors' investment								
The amount of financial assets reclassified into other comprehensive income								
Credit impairment provision for other credits investment								
Cash flow hedge reserve								
Difference from translation of financial statements in foreign currency	-269,066.13	-978,607.97				-978,607.97		-1,247,674.10
Total other comprehensive incomes	-269,066.13	-978,607.97				-978,607.97		-1,247,674.10

Other explanations, including the adjustment of the effective portion of cash flow hedging gains and losses into the initially-recognized amount of the hedged item:

No

57. Special reserve

Applicable" Not applicable"

58. Surplus reserve

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Ending balance
Legal surplus	100,634,780.00			100,634,780.00
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				

Other				
Total	100,634,780.00			100,634,780.00

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

Pursuant to the *Company Law*, the Company does not need to allocate further amounts if the cumulative amount of the statutory reserve reaches fifty percent or more of registered capital.

59. Undistributed profit

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Current period	Prior period
Undistributed profit at the end of last period before adjustment	1,265,671,865.63	908,411,607.62
Total undistributed profit at the beginning of the adjustment period (+ for increase, - for decrease)		
Unappropriated earnings at the beginning of period after adjustment	1,265,671,865.63	908,411,607.62
Plus: net profit attributable to the owner of the parent company in the current period	576,119,025.56	476,009,298.41
Less: Withdrawal of statutory surplus reserve		
Withdrawal of any surplus reserves		
Withdrawal of general risk provision		
Dividends payable on common stock	144,804,186.00	118,749,040.40
Common stock dividends converted to share capital		
Other decreases [Note]	8640.67	
Undistributed profit at the end of the period	1,696,978,064.52	1,265,671,865.63

[Note] For relevant details, please see the particulars contained in "55. Capital Reserve", "VII. Notes to the Consolidated Financial Accounts", "Section X Financial Report".

According to the Resolution of the 2020 Annual General Meeting of the Company, the Company distributed a cash dividend of RMB7.20 (tax inclusive) per 10 shares to all shareholders based on the total share capital of 201,116,925 shares registered on the registration date of dividend-paying equity, totaling RMB144,804,186.00 (tax inclusive).

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

1. The undistributed profit affected by the retroactive adjustment in accordance with *Accounting Standards for Business Enterprises* and its related new regulations at the beginning of the period is RMB0.00.
2. The undistributed profit affected by the change of accounting policy at the beginning of the period is RMB0.00.
3. The undistributed profit affected by the correction of major accounting errors at the beginning of the period is RMB0.00.
4. The undistributed profit affected by the change of combination scope caused by the common control at the beginning of the period is RMB0.00.
5. The undistributed profit affected by other adjustments at the beginning of the period is RMB0.00.

60. Operating income and operating costs

(1). Information of operating income and operating costs

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the last period	
	Revenue	Cost	Revenue	Cost
Main business	4,620,431,686.01	1,545,098,469.32	3,747,924,600.60	1,363,486,774.26
Other business	12,718,852.42	9,057,177.29	4,462,248.42	40,751,75.52
Total	4,633,150,538.43	1,554,155,646.61	3,752,386,849.02	1,367,561,949.78

(2). Information of income generated by the contract

Applicable" Not applicable"

Income generated by the contract:

Applicable" Not applicable"

(3). Explanation of performance obligations

Applicable" Not applicable"

(4). Explanation of remaining performance obligations allocated

Applicable" Not applicable"

Other explanations:

1) Income breakdown by goods or service type

Main product type	Amount
Products sales	4,620,431,686.01
Others	12,718,852.42
Subtotal	4,633,150,538.43

2) Income breakdown by goods or service transfer time

Item	Amount for the current period	Amount for the same period last year
Income recognized at a certain point	4,630,019,693.64	3,750,668,733.61
Income recognized at a certain point	3,130,844.79	1,718,115.41
Subtotal	4,633,150,538.43	37,52,386,849.02

3) Revenue included in the opening book value of contract liabilities during the reporting period is RMB26,458,932.65.

61. Taxes and surcharges

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Consumption tax	67,697.81	66,493.56
Business tax		
Urban maintenance and construction tax	17,952,927.40	13,634,530.33

Education surcharge	9,040,908.31	6,988,508.15
Resource tax		
Property tax	6,121,024.24	5,822,344.89
Land use tax	44,922.50	
Vehicle and vessel use tax	19,195.60	15,600.00
Stamp duties	1,391,884.80	1,758,703.64
Local education surcharge	6,041,735.14	4,659,005.42
Total	40,680,295.80	32,945,185.99

Other explanations:

No

62. Sales expenses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Image promotion expense	1,673,478,545.28	1,226,430,935.32
Employee remuneration	259,892,827.21	216,021,800.31
Office allowances	26,009,040.14	22,228,325.98
Travel expenses	13,885,848.84	15,220,908.88
Meeting affair charges	8,691,079.85	6,610,405.20
Survey consulting fees	5,815,173.17	7,764,271.67
Other	3,761,562.24	2,782,295.98
Total	1,991,534,076.73	1,497,058,943.34

Other explanations:

No

63. Administrative expenses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Employee remuneration and service fees	127,971,906.74	99,248,945.51
Expenses for depreciation, amortization, and leases	43,230,494.44	40,809,336.86
Office allowance and business entertainment expenses	45,243,541.73	33,851,704.91

Consultation and intermediary fees	10,207,746.14	17,799,433.91
Travel expense and conference fees	4178358.16	3,368,329.40
Equity incentive expense for restricted shares	-372,647.76	4,193,320.87
Others	6,529,119.78	5,008,307.22
Total	236,988,519.23	204,279,378.68

Other explanations:

No

64. R&D expenses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Labor cost	40,214,757.14	42,457,484.59
Outsourced R&D expense	26,453,748.31	22,198,043.50
Expenses for depreciation, amortization, and leases	4,857,429.74	3,976,173.74
Direct input cost	3,452,688.42	2,232,870.29
Others	1,605,027.22	1,335,456.65
Total	76,583,650.83	72,200,028.77

Other explanations:

No

65. Financial expenses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Interest expenses	9,759,260.83	9,190,674.26
Interest income	-28,096,157.42	-20,740,463.77
Handling fees	757,405.88	963,155.58
Exchange gains and losses	10,095,095.58	-3,020,481.60
Total	-7,484,395.13	-13,607,115.53

Other explanations:

No

66. Other income

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Government subsidies related to assets [Note]	2,079,090.00	1,995,756.67
Government subsidies related to income [Note]	13,369,872.01	10,202,653.51
Refund of service charges for withholding personal income tax	473,539.34	684,529.89
VAT input tax addition and reduction	535,768.10	608,569.65
Total	16,458,269.45	13,491,509.72

Other explanations:

[Note] For details on government grants included in other income of the current period, please see the particulars contained in "84. Government Grants", "VII. Notes to the Consolidated Financial Accounts", "Section X Financial Report".

67. Investment income

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Return on long-term equity investments measured by the Equity method	-7,337,735.84	-646,615.60
Investment income from disposal of long-term equity investment.		149,705.73
Investment income of tradable financial assets during holding period		
Dividend income from investment in other equity instruments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of tradable financial asset		
Investment income from disposal of		

investment in other equity instruments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investment		
Gains of debt restructuring		
Gains of financial products		2,266,301.37
Total	-7,337,735.84	1,769,391.50

Other explanations:

No

68. Net exposure hedging income

Applicable" Not applicable"

69. Income from the change in fair value

Applicable" Not applicable"

70. Credit impairment loss

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Bad debt loss on notes receivable		
Bad debt loss on accounts receivable	-5,361,282.08	24,292,116.38
Bad debt loss on other receivables	30,196,229.26	-383,393.99
Impairment losses of creditors' investment		
Other impairment losses of creditors' investment		
Bad debt loss on long-term receivables		
Loss from impairment of contract assets		
Total	24,834,947.18	23,908,722.39

Other explanations:

No

71. Asset impairment loss

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
I. Loss on bad debts		
II. Loss of inventory falling price and impairment loss of contract performance cost	38,843,121.45	28,234,605.50
III. Impairment loss of long-term equity investment	14,670,468.59	
IV. Impairment loss of investment real estate		
V. Asset impairment losses		
VI. Impairment loss from construction materials		
VII. Impairment loss of projects under construction		
VIII. Impairment loss of productive biological assets		
IX. Loss of impairment of oil and gas assets		
X. Impairment loss of intangible assets		
XI. Impairment loss of goodwill		
XII. Others		
Total	53,513,590.04	28,234,605.50

Other explanations:

No

72. Income from disposal of assets

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Gains on disposal of fixed assets	-112,183.24	854.57
Total	-112,183.24	854.57

Other explanations:

No

73. Non-operating revenue

Non-operating revenue

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period	Amount included in current non-recurring gains and losses
Total profit from disposal of non-current assets			
Including: Gains from disposal of fixed assets			
Gains from disposal of intangible assets			
Non-monetary asset exchange profits			
Accepting donations			
Government grants			
Revenue from fines and/or liquidated damages	160,694.23	1,438,505.28	160,694.23
Others	89,158.66	104,088.97	89,158.66
Total	249,852.89	1,542,594.25	249,852.89

Government subsidies included in current profit and loss

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

74. Non-operating expenditure

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period	Amount included in current non-recurring gains and losses
Total loss from disposal of non-current assets			
Including: Loss from disposal of fixed assets			
Loss from disposal of intangible assets			
Non-monetary asset exchange losses			
External donation	3,700,000.00	8,419,034.02	3,700,000.00
Other	101,835.06	614,781.74	101,835.06
Loss through damage and/or scrapping of non-current assets		4,113.95	
Total	3,801,835.06	9,037,929.71	3,801,835.06

Other explanations:

No

75. Income tax expenses**(1). Income tax expense statement**

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Current income tax expense	104,812,397.97	97,265,732.16
Deferred income tax expense	5,934,490.34	-1,303,715.96
Total	110,746,888.31	95,962,016.20

(2). Adjustment process of accounting profit and income tax expense

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period
Total profit	667,800,575.34
Income tax expense calculated at statutory/applicable tax rate	166,950,143.84
Influence of different tax rates applied to subsidiaries	-52,139,068.10
Influence of adjusting income tax in previous periods	1,339,459.90
Influence of non-taxable income	
Influence of non-deductible costs, expenses, and losses	1,999,922.97
Influence of deductible loss of unrecognized deferred income tax assets in previous period	-19,851,929.38
Influence of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in this period	22,436,367.49
Additional deductions for R&D expenditures	-9,988,008.41
Income tax expenses	110,746,888.31

Other explanations:

"□ Applicable" "√ Not applicable"

76. Other comprehensive income

"√ Applicable" "□ Not applicable"

For details on other comprehensive income, please see the particulars contained in "57. Other Comprehensive Income", "VII. Notes to the Consolidated Financial Accounts", "Section X Financial Report".

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

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Interest income from bank deposits	28,096,157.42	20,755,011.64
Government grants	13,369,872.01	12,198,410.18
Receivables, payables, and other	13,148,492.13	48,786,531.20

Total	54,614,521.56	81,739,953.02
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Explanation of other cash received related to business activities:

No

(2). Other cash receipts paid relating to operating activities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Image promotion expense	1,543,547,383.40	114,644,0191.10
Other expenses paid in cash	303,165,221.29	241,438,672.23
Receivables, payables, and other	18,273,196.33	35,086,174.43
Total	1,864,985,801.02	1,422,965,037.76

Explanation of Other cash paid related to business activities:

No

(3). Other cash receipts relating to investment activities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Net cash received from acquisition of subsidiaries		66,052,759.40
Total		66,052,759.40

Other cash received related to investment activities:

No

(4). Other cash paid related to investment activities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Net cash payment for disposal of subsidiaries	64,245,982.88	1,035,148.02
Payment of construction deposits	13,493,392.00	

Total	77,739,374.88	1,035,148.02
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Other cash paid related to investment activities:

No

(5). Other cash received related to fund-raising activities

Applicable" Not applicable"

(6). Other cash payments relating to financing activities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Payment for share repurchases	1,733,805.39	2,584,110.55
Amount for acquisition of minority equity	181,983.21	100,000.00
Expense fee for issuing convertible bonds	2,919,604.52	
Total	4,835,393.12	2,684,110.55

Other cash payments relating to financing activities:

No

78. Supplementary information on cash flow statement

(1). Supplementary information on cash flow statement

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	557,053,687.03	451,609,554.23
Add: provision for impairment of assets	53,513,590.04	23,908,722.39
Credit impairment loss	24,834,947.18	28,234,605.50
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	47,382,558.76	41,946,043.10

Amortization of right to use assets		
Amortization of intangible assets	17,891,004.03	14,982,350.71
Amortization of long-term unamortized expenses	30,679,385.75	30,864,025.47
Losses on disposal of fixed assets, intangible assets and other long-term assets ("- for income)	112,183.24	-854.57
Loss on retirement of fixed assets ("- for income)		4,113.95
Losses on changes in fair value ("- for income)		
Financial expenses ("- for income)	9,759,260.83	9,190,674.26
Investment loss ("- for income)	7,337,735.84	-1,769,391.50
Decrease in deferred income tax assets ("- for increase)	4,400,436.98	-3,045,810.03
Increase in deferred income tax liabilities ("- for decrease)	1,534,053.36	1,742,094.07
Decrease in inventory ("- for increase)	-30,645,504.60	-174,795,286.43
Decrease of operational receivable items ("- for increase)	62,613,217.00	-145,846,608.97
Increase in operational payables ("- for decrease)	42,845,585.19	48,171,169.04
Others	358,803.19	6,354,707.92
Net cash flow from operating activities	829,670,943.82	331,550,109.14
2. Major investment and financing activities that do not involve cash receipts and/or payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under finance leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	2,378,334,768.09	1,401,850,754.88
Less: Opening balance of cash	1,401,850,754.88	1,099,092,785.07
Add: Ending balance of cash equivalents		
Less: Opening balance of cash		

equivalents		
Net increase in cash and cash equivalents	976,484,013.21	302,757,969.81

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

	Amount
Cash or cash equivalents received from disposal of subsidiaries during current period	
Including: Shanghai Healthlong [Note]	
Less: Cash and cash equivalents held by subsidiary on date of loss of control	64,245,982.88
Including: Shanghai Healthlong	64,245,982.88
Plus: Cash or cash equivalents received from disposal of subsidiaries during current period	
Net cash amount received from disposal of subsidiaries	-64,245,982.88

Other notes:

[Note] In April 2021, the Company contributed to the capital increase of Zhuhai Healthlong Biotechnology Co., Ltd. with its 52.00% equity held in Shanghai Healthlong.

(4). Composition of cash and cash equivalents

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
I. Cash	2,378,334,768.09	1,401,850,754.88
Including: cash in vault	22,348.23	26,853.58
Bank deposits that can be used for payment at any time	2,338,747,508.20	1,368,515,531.05
Other monetary funds that can be used for payment at any time	39,564,911.66	33,308,370.25
Funds deposited with the central bank for payment		

Deposits in other banks		
Funds for interbank lending		
II. Cash equivalents		
Including: Bond investment due within three months		
III. Ending balance of cash and cash equivalents	2,378,334,768.09	1,401,850,754.88
Including: Cash and cash equivalents with restricted use by the parent company or a subsidiary of the group		

The transferred amount of commercial bill endorsement that does not involve cash receipts and/or expenditures

Item	Amount for the current period	Amount in prior period
Amount of trade bills transferred by endorsement	27,230,343.90	12,176,952.00
Including: Payment of goods	27,230,343.90	12,176,952.00

Other explanations:

"√ Applicable" "□ Not applicable"

Supplementary information to cash flow statement

Point in time	Balance of monetary capital	Cash and cash equivalents	Difference	Cause of difference
December 31, 2021	2,391,048,249.81	2,378,334,768.09	12,713,481.72	RMB293,481.72 fixed-term deposit margin for transformers, RMB7,000,000.00 L/C deposit, RMB70,000.00 ETC vehicle deposit, RMB5,000,000.00 Pinduoduo deposit, and RMB350,000.00 Tmall and Alipay deposits
December 31, 2020	1,416,654,640.93	1,401,850,754.88	14,803,886.05	RMB293,481.72 fixed-term deposit margin for transformers, RMB69,000.00 ETC vehicle deposit,

				RMB7,036,404.33 land construction deposit, RMB7,000,000.00 L/C deposit, and RMB405,000.00 Tmall and Alipay deposits
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79. Notes on items in changed statement of owner's equity

Explanation on the names of Other items for adjusting the ending balance of last year and adjustment amounts:

Applicable" Not applicable"

80. Assets with limited ownership or use rights

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Book value as of the end of the period	Cause for restrictions
Cash and cash equivalents	12,713,481.72	Including transformer , L/C, Tmall , and Alipay deposits
Notes receivable		
Inventories		
Fixed assets		
Intangible assets		
Total	12,713,481.72	/

Other explanations:

No

81. Foreign monetary currency items**(1). Foreign monetary currency items**

"√ Applicable" "□ Not applicable"

Unit: RMB

Item	Ending foreign currency balance	Converted exchange rate	Converted RMB at the end of period balance
Cash and cash equivalents	-	-	61,634,042.13
Including: SF	22,953.26	6.9776	160,158.67
EUR	5,024,661.44	7.2197	36,276,548.20
HKD	6,676,215.00	0.8176	5,458,473.39
JPY	127,773,201.08	0.0554	7,080,551.94
KRW	333,524,876.00	0.0054	1,787,693.34
USD	1,705,007.54	6.3757	10,870,616.59
Accounts receivable	-	-	5,454,130.54
Including: EUR	293,483.12	7.2197	2,118,860.07
HKD	1,646,407.90	0.8176	1,346,103.10
JPY	33,957,880.00	0.0554	1,881,775.92
KRW	20,035,718.76	0.0054	107,391.45
Long-term borrowing	-	-	
Including: USD			
EUR			
HKD			
Other receivables	-	-	6,614,462.93
Including: EUR	873,833.51	7.2197	6,308,815.77
JPY	1,604,938.00	0.0554	88,937.64
USD	33,989.92	6.3757	216,709.52
Accounts payable	-	-	7,190,839.39
Including: EUR	849,875.42	7.2197	6,135,845.55
HKD	236,938.20	0.8176	193,720.67
KRW	160,685,293.49	0.0054	861,273.17
Other payables	-	-	1,032,101.36
Including: HKD	5,975.00	0.8176	4,885.16
KRW	191,644,813.43	0.0054	1,027,216.20

Other explanations:

No

(2). Explanation of overseas operating entities, including for important overseas operating entities, main overseas operating places, bookkeeping base currency and selection basis shall be disclosed, and the reasons for changes in bookkeeping base currency shall also be disclosed.

Applicable" Not applicable"

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

82. Hedging

Applicable" Not applicable"

83. Government subsidies

(1). Basic information of government subsidies

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Type	Amount	Reported items	Amount included in current profits and losses
Asset-related government subsidies	2,079,090.00	Other incomes	2,079,090.00
Benefit-related government subsidies	13,369,872.01	Other incomes	13,369,872.01

(2). Return of government subsidies

Applicable" Not applicable"

Other explanations:

1) Government subsidies related to assets

Item	Initial deferred income	Current period new subsidy	Amortization in the current period	Ending deferred income	Amortization in the current period Reported items	Notes
Grants for	8,495,353.33		2,079,090.00	6,416,263.33	Other income	

Item	Initial deferred income	Current period new subsidy	Amortization in the current period	Ending deferred income	Amortization in the current period Reported items	Notes
modified cosmetic technology						
Subtotal	8,495,353.33		2,079,090.00	6,416,263.33		

According to the *Decision on the Award for Technical Transformation of Proya Cosmetics Co., Ltd. Huzhou Branch* issued by the People's Government of Daixi Town, Huzhou, the Company received technical a transformation subsidy of RMB14,561,400.00 from the Government of Daixi Town in 2014, and apportioned the subsidy on an average basis over the service life of the asset. RMB1,456,140.00 was recorded under Other Income in the current period.

According to the *Notice on Issuing Construction and Development Fund (First Batch) for Powerful Industrial City in 2015* (HCQ [2015] No. 150) issued by Huzhou Finance and Huzhou Economy and Information Bureau, a technical transformation subsidy of RMB2,350,000.00 was paid by Huzhou Finance in 2015. The Company apportioned the subsidy on an average basis over the service life of the asset. RMB235,000.00 was recorded under Other Income in the current period.

According to the *Notice on Issuing Special Funds (Second Batch) for the "Machine Substitution for Humans" Project in 2014* (WFG [2015] No. 18) issued by Development and Reform Commission of Wuxing District, Huzhou and the Finance Bureau of Wuxing District, a technical transformation subsidy of RMB500,000.00 was paid by the Finance Bureau of Wuxing District, Huzhou in 2015. The Company apportioned the subsidy on an average basis over the service life of the asset. RMB50,000.00 was recorded under Other Income in the current period.

According to the *Notice on Issuing Special Funds (Second Batch) for Industrial Development in Huzhou in 2018* (HCQ [2018] No. 319) issued by Huzhou Finance and Huzhou Economy and Information Bureau, the technical transformation subsidy of RMB1,379,500.00 was paid by Huzhou Finance in December 2018. The Company apportioned the subsidy on an average basis over the service life of the asset. RMB137,950.00 was recorded under Other Income in the current period.

According to the *Notice on Appropriating Special Subsidy Fund for Demonstration Intelligent Workshop in Wuxing District in 2019* (WCQH [2020] No. 145) issued by the Huzhou Finance and Development, Reform and Economic Information Technology Commission of Wuxing District, the technical transformation subsidy of RMB2,000,000.00 was paid by the Finance Bureau of Wuxing District, Huzhou in May 2020. The Company apportioned the subsidy on an average basis over the service life of the asset. RMB200,000.00 was recorded under Other Income in the current period.

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

Item	Amount	Reported items	Notes
Enterprise development support fund	7,973,000.00	Other incomes	According to the <i>Supporting Opinions of Xihu District on Supporting Gazelle Enterprise Development (Trial)</i> (XFGJX (2019) No. 40) issued by the Xihu District Development, Reform, and Economic Informatization Bureau of Hangzhou City and other documents, it was paid by the Xihu District Development, Reform, and Economic Informatization Bureau of Hangzhou City.
Special fund subsidies for talents development	1,270,000.00	Other incomes	According to the <i>Opinions on Implementing the Strategy of Strengthening Wuxing District with Talents in the New Era to Serve the High-quality Development</i> (WWF (2020) No. 8) and other documents, it was paid by the Wuxing District Finance Bureau of Huzhou City.
IoT project subsidy	800,000.00	Other incomes	According to the <i>Notice on Issuing the Financial Subsidy Fund for 2020 Factory Internet of Things Project</i> (XFGJX (2021) No. 38), it was paid by the Xihu District Development, Reform, and Economic Informatization Bureau of Hangzhou City.
Policy support fund for E-commerce industry	500,000.00	Other incomes	According to the <i>Notice on Issuing the Policy Support Fund for Live-streaming and E-commerce Industry in Xihu District in 2021</i> (XWC (2021) No. 9), it was paid by the Xihu District Development, Reform, and Economic Informatization Bureau of Hangzhou City.
Position stability subsidy, special fund subsidy for service business, IP subsidy and fiscal grants of the Qingpu District Finance Bureau	2,826,872.01	Other incomes	They were paid by the Wuxing District Human Resources and Social Security Bureau of Huzhou City, the Hangzhou Employment Management Service Center, the Xihu District Administration for Market Regulation of Hangzhou, and the Qingpu District Finance Bureau of Shanghai, et al
Subtotal	13,369,872.01		

3) The amount of government subsidies included in the current profits and losses in the current period is

RMB15,448,962.01.

84. Others

Applicable" Not applicable"

VIII. Change of Combination Scope

1. Business combination not under common control

Applicable" Not applicable"

2. Business combination under common control

Applicable" Not applicable"

3. Counter purchase

Applicable" Not applicable"

4. Disposal of subsidiaries

Is there a single disposal of investment in a subsidiary, that is, is there a loss of control?

Applicable" Not applicable"

Unit: Currency: RMB

Name of subsidiary	Payment for equity disposal	Equity disposal ratio (%)	Equity disposal method	Time point of losing control	The basis for determining the time point when the control right is lost	Difference in net assets of the subsidiary at the consolidated statement level corresponding to the disposal price and disposal investment	Ratio of remaining equity on the date of loss of control (%)	Book value of residual equities at time point of losing control	Fair value of residual equities at time point of losing control	Gain or loss from surplus equity re-measured at fair value	The determination method and main assumption of the fair value of the remaining equity on the date of loss of control	Amount of other comprehensive income related to the equity investment of previous subsidy transferred to the investment profit and loss
Shanghai Healthlong Biochemical Technology Co., Ltd.		52.00	Equity transfer	April 2021	Equity closing							

[Note] In April 2021, the Company contributed to the capital increase of Zhuhai Healthlong Biotechnology Co., Ltd. with its 52.00% equity held in Shanghai Healthlong. After the completion of the capital increase, Shanghai Healthlong became a wholly-owned subsidiary of Zhuhai Healthlong Biotechnology Co., Ltd., and the Company held 10.00% equity of Zhuhai Healthlong Biotechnology Co., Ltd. and appointed one director to Zhuhai Healthlong Biotechnology Co., Ltd.

Other explanations:

Applicable" Not applicable"

5. Change of combination scope for other reasons

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

Applicable" Not applicable"

1. Increase of consolidation scope

Company name	Equity acquisition method	Time point of equity acquisition	Amount of contribution	Contribution ratio
Xuzhou Pelaya Information Technology Co., Ltd.	New subsidiaries	January 2021	500,000.00	100.00%
Singuladerm (Hangzhou) Cosmetics Co., Ltd.	New subsidiaries	October 2021	500,000.00	100.00%
Ningbo Tangyu Trading Co., Ltd.	New subsidiaries	October 2021		100.00%
Proya (Hainan) Cosmetics Co., Ltd.	New subsidiaries	January 2021		100.00%

2. Decrease in merger scope

Company name	Equity disposal method	Time point of equity disposal	Net assets as at the disposal date	From the beginning to the disposal date Net profit
Shanghai Tiyu Cosmetics Co., Ltd.	Cancel	April 2021	-2729077.89	-676.18

6. Others

Applicable" Not applicable"

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

"√ Applicable" "□ Not applicable"

Subsidiary Name	Main place of business	Registration place	Nature of business	Shareholding ratio (%)		Mode of Acquisition
				Direct	Indirect	
Hangzhou Proya Trading Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Huzhou Chuangdai E-commerce Co., Ltd.	Huzhou	Huzhou	Wholesale and retail		100.00	Establishment
Hapsode (Hangzhou) Cosmetics Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail	100.00		Establishment
Huzhou Uzero Trading Co., Ltd.	Huzhou	Huzhou	Wholesale and retail	100.00		Establishment
Hong Kong Xinghuo Industry, Ltd.	Hong Kong	Hong Kong	Wholesale and retail	100.00		Establishment
Hong Kong Keshi Trading, Ltd.	Hong Kong	Hong Kong	Wholesale and retail	52.00		Establishment
Ningbo Keshi Trading, Ltd.	Ningbo	Ningbo	Wholesale and retail	52.00		Establishment
Ningbo Timage Cosmetics Co., Ltd.	Ningbo	Ningbo	Wholesale and retail	61.36		Establishment
Huzhou Younimi Cosmetics Co., Ltd.	Huzhou	Huzhou	Wholesale and retail	51.00		Establishment

Explanation of the shareholding ratio in subsidiaries different from the voting ratio;

No

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

No

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

No

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

No

Other explanations:

No

(2). Important non-wholly-owned subsidiaries

Applicable" Not applicable"

Unit: Currency: RMB

Name of subsidiary	Shareholding ratio of the minority shareholder Percentage	Gain or loss attributable to minority shareholders in the current period	Dividends declared and distributed to minority shareholders in the current period	Balance of minority interest at the end of the period
Hong Kong Keshi Trading, Ltd.	48.00%	-9,016,360.58		8,349,220.68
Ningbo Keshi Trading, Ltd.	48.00%	-1,702,865.42		-7,317,021.06
Ningbo Timage Cosmetics Co., Ltd.	38.64%	3,898,740.76		-4,737,887.27
Huzhou Younimi Cosmetics Co., Ltd.	49.00%	-2,482,012.99		10,759,919.41

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

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

"√ Applicable" "□ Not applicable"

Unit: Currency: RMB

Name of subsidiary	Ending balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hong Kong Keshi Trading, Ltd.	49,200,15 3.47		49,200,15 3.47	32,875,41 7.41		32,875,41 7.41	81,655,12 3.48		81,655,123.4 8	50,824,197. 54		50,824,197.54
Ningbo Keshi Trading, Ltd.	4,292,368 .90		4,292,368 .90	19,536,16 2.78		19,536,16 2.78	10,518,76 5.49		10,518,765.4 9	22,214,923. 08		22,214,923.08
Ningbo Timage Cosmetics Co., Ltd.	83,031,78 5.97	94,867.22	83,126,65 3.19	94,774,66 6.19		94,774,66 6.19	42,477,96 7.12	85,010.0 7	42,562,977.1 9	64,300,899. 00		64,300,899.00
Huzhou Younimi Cosmetics Co., Ltd.	13,500,28 1.62	59,858.63	13,560,14 0.25	6,192,958 .05		6,192,958 .05	17,778,43 9.65	132,572. 99	17,911,012.6 4	5,478,497.8 0		5,478,497.80
Shanghai Healthlong [Note]							163,008,5 18.70	3,945,88 5.57	166,954,404. 27	20,775,875. 45		20,775,875.45

Name of subsidiary	Amount incurred in the current period				Amount incurred in the last period			
	Operating revenue	Net profit	Total comprehensive incomes	Cash flows generated from operating activities	Operating revenue	Net profit	Total comprehensive incomes	Cash flows generated from operating activities
Hong Kong Keshi Trading, Ltd.	18,832,962.09	-14,506,189.88	-14,506,189.88	6,863,938.82	115,636,625.15	-8,183,739.30	-8,183,739.30	3,713,547.69
Ningbo Keshi Trading, Ltd.	6,867,017.15	-3,547,636.29	-3,547,636.29	1,465,348.01	11,342,789.14	-8,161,793.79	-8,161,793.79	-3,229,770.29
Ningbo Timage Cosmetics Co., Ltd.	280,899,630.28	10,089,908.81	10,089,908.81	36,200,196.82	176,461,811.57	-18,666,438.28	-18,666,438.28	4,907,611.95
Huzhou Younimi Cosmetics Co., Ltd.	97,362,407.34	-5,065,332.64	-5,065,332.64	1,169,298.05	94,703,225.03	-3,638,665.37	-3,638,665.37	2,243,889.53
Shanghai Healthlong [Note]	127,309,397.91	-14,434,836.72	-14,434,836.72	-37,058,480.61	181,257,879.50	-6,640,391.94	-6,640,391.94	-72,438,611.71

Other explanations:

In April 2021, the Company signed a capital increase and share exchange agreement with Zhuhai Healthlong Biotechnology Co., Ltd., under which the Company contributed to the capital increase of Zhuhai Healthlong Biotechnology Co., Ltd. with its 52% equity in Shanghai Healthlong. After the capital increase and share exchange, Shanghai Healthlong which had been controlled by the Company became a wholly-owned subsidiary of Zhuhai Healthlong Biotechnology Co., Ltd. Shanghai Healthlong has been excluded from the consolidated scope since May 2021.

The amount in the current period of Shanghai Healthlong represents the profit or loss and cash flow amount incurred from January to April 2021, and the amount in the same period of the last year represents the profit or loss and cash flow amount incurred from October to December 2020.

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Name of subsidiary	Time of change	Shareholding ratio before change	Shareholding ratio after change
Zhejiang Biyouti Cosmetics Co., Ltd.	December 2021	95.00%	100.00%
Shanghai Zhongwen Electronic Commerce Co., Ltd.	January 2021	83.00%	100.00%
Hong Kong Zhongwen Electronic Commerce Co., Ltd.	January 2021	83.00%	100.00%
Hangzhou Wanyan Culture Media Co., Ltd.	December 2021	80.00%	100.00%
Hong Kong Wanyan Electronic Commerce Co., Ltd.	December 2021	80.00%	100.00%

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

"√ Applicable" "□ Not applicable"

Unit: Currency: RMB

	Zhejiang Biyouti Cosmetics Co., Ltd.	Shanghai Zhongwen Electronic Commerce Co., Ltd.	Hong Kong Zhongwen Electronic Commerce Co., Ltd.	Hangzhou Wanyan Culture Media Co., Ltd.	Hong Kong Wanyan Electronic Commerce Co., Ltd.
Purchase cost/disposal consideration	181,983.21				
--Cash	181,983.21				
--Fair value of non-cash assets					
Total purchase cost/disposal consideration	181,983.21				
Less: The net asset share of a subsidiary calculated according to the proportion of the equity acquired/disposed of	412,588.37	-706,570.34	-84,104.71	-681,624.37	-567,687.31
Difference	-230,605.16	706,570.34	84,104.71	681,624.37	567,687.31
Including: adjustment of capital reserves	-230,605.16	706,570.34	75,464.04	681,624.37	567,687.31
Adjusted surplus reserves					
Undistributed profits after adjustment			8,640.67		

Other description

"□ Applicable" "√ Not applicable"

3. Rights and interests in cooperative enterprises or joint ventures

Applicable" Not applicable"

(1). Important joint ventures and affiliated enterprises

Applicable" Not applicable"

(2). Main financial information of important cooperative enterprises

Applicable" Not applicable"

(3). Major financial information of important joint ventures

Applicable" Not applicable"

(4). Summary financial information of unimportant joint ventures and affiliates

Applicable" Not applicable"

Unit: Yuan Currency: RMB

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period
Joint ventures:		
Total book value of investment	3,074,758.68	3,306,630.57
Total of the following items calculated according to the shareholding ratio		
--Net profit	-231,871.89	-7,859.00
--Other comprehensive income		
--Total comprehensive income	-231,871.89	-7,859.00
Joint ventures:		
Total book value of investment	166,884,777.60	54,913,429.03
The total of the following items calculated according to the shareholding ratio		
--Net profit	-7,105,863.95	-638,756.60
--Other comprehensive income		
--Total comprehensive income	-7,105,863.95	-638,756.60

Other description

No

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

Applicable" Not applicable"

(6). Excessive losses incurred by joint ventures or affiliated enterprises

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

4. Important joint operation

Applicable" Not applicable"

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

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

Applicable" Not applicable"

6. Other

Applicable" Not applicable"

X. Risks related to Financial Instruments

Applicable" Not applicable"

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

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

(I) Credit risk

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

1. Approach to credit risk

(1) Assessment method of credit risk

The Company, on each balance sheet date, assesses whether the credit risk of relevant financial

instruments has increased significantly since initial recognition. In determining whether said credit risk has increased significantly since initial recognition, the Company takes into account reasonable and well-founded information available without unnecessary additional cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk ratings, and forward-looking information. The Company determines changes that may result in default risk of financial instruments within their expected duration by comparing the default risk of the financial instruments on the balance sheet date and the initial recognition date based on an individual financial instrument or the combined financial instruments with similar credit risk characteristics.

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

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

(2) Definitions of default and assets with credit impairment

If a financial instrument meets any one or more of the following conditions, the Company defines that financial asset as in default, with its standard consistent with the definition of credit impairment:

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

2. Measurement of expected credit loss

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

3. For the details of the Reconciliation Statement of Beginning Balance and Ending Balance of Financial Instrument Loss Reserves, please see the particulars contained in "5. Account Receivable; 6. Receivable Financing; and 8. Other Receivables", "VII. Notes to the Consolidated Financial Accounts", "Section X Financial Report".
4. Credit risk exposure and credit risk concentration

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

(1) Monetary capital

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

(2) Accounts receivable

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

No guarantee is required as the Company only transacts with recognized and reputable third parties. Credit risk concentration is managed as per customers. As of December 31, 2021, there was certain credit concentration risk in the Company and 77.35% (December 31, 2020: 49.42%) of the accounts receivable of the Company were concentrated on its top five customers in the balance of accounts receivable. The Company had no guarantee or other credit enhancement on the balance of the accounts receivable.

The maximum credit risk exposure of the Company is the book value of the financial assets in the balance sheet.

(II) Liquidity risk

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

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

Classification of financial liabilities by the remaining due days

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

(Continued)

Item	Balance at the end of the previous year				
	Book value	Undiscounted contract value	Within 1 year	1-3 years	Above 3 years
Bank loans	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		
Subtotal	955,238,789.68	962,923,364.31	962,923,364.31		

(III) Market risk

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

1. Interest rate risk

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

2. Foreign exchange risk

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

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

XI. Disclosure of Fair Value**1. The ending fair value of assets and liabilities measured at fair value**

Applicable" Not applicable"

Unit: Currency: RMB

Item	Ending fair value			
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	Total
I. Continuous fair value measurement				
(1) Tradable financial assets				
1. Financial assets measured at fair value with changes included in current profits and losses				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Financial assets designated as measured at fair value and the changes of which are accounted in current profit or loss				
(1) Debt				

instrument investment				
(2) Equity instrument investment				
(II) Other debt investments				
(III) Other equity instrument investments			56,402,400.00	56,402,400.00
(IV) Real estate investment				
1. Land use rights for lease				
2. Leased buildings				
3. Land use rights that are held for transfer upon appreciation				
(V) Biological assets				
1. Consumable biological assets				
2. Productive biological assets				
(VI) Receivables financing			3,242,000.00	3,242,000.00
Total assets consistently measured at fair value			59,644,400.00	59,644,400.00
(VI) Financial liabilities held				

for trading				
1. Financial liabilities measured at fair value through profit or loss				
Including: Trading bonds issued				
Derivative financial liabilities				
Other				
2. Financial liabilities designated to be measured at fair value through profit or loss				
Total liabilities continuously measured in terms of fair value				
II. Non-continuous Fair Value Measurement				
(1) Assets held for sale				
Total assets measured by non-continuous fair value				
Total liabilities not continuously				

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

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

The fair value of notes receivable held by the Company is determined according to their nominal amount. The fair value of other equity instrument investments is determined according to their historic cost.

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

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

9. Other

Applicable" Not applicable"

XII. Related Parties and Related Transactions**1. Information about the parent company of the Company**

Applicable" Not applicable"

2. Information on subsidiaries of the Company

See the notes for details of subsidiaries of the Company

Applicable" Not applicable"

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

3. Information on joint ventures and associated enterprises of the Company

See the notes for details of important joint ventures or associated enterprises of the Company

Applicable" Not applicable"

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

Applicable" Not applicable"

Other description

Applicable" Not applicable"

4. Information on other related parties

Applicable" Not applicable"

Name of other related party	Relationship between other related party and the Company
Chu Xiuqi	Other
Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	Other
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Other
China Commerce Association for General Merchandise	Other
Xiongke Culture Media (Hangzhou) Co., Ltd.	Other
Metis Info Tech (Guangzhou) Co., Ltd.	Other
Beijing Mitangpai Cosmetics Co., Ltd.	Other
Ningbo Weiman Cosmetics Co., Ltd.	Other
CBIC	Other
Zhuhai Healthlong Biotechnology Co., Ltd.	Other

Shaoxing Keqiao Qingteng Culture Investment Co., Ltd.	Other
Parisezhan HK, Ltd.	Other
EURL Pharmatica	Other
SARL Ortus	Other
SAS Aredis	Other
Korea Youke Co., Ltd.	Other
Shanghai Youke Brand Management Co., Ltd.	Other
Pan Xiang	Other
Beauty Hi-tech Innovation Co., Ltd	Other

Other description

No

5. Information of related transactions

(1). Related transactions of purchasing and selling goods, providing and receiving labor services

Statement of purchasing goods/accepting labor services

"√ Applicable" "□ Not applicable"

In RMB10,000

Related party	Related transaction content	Amount incurred in the current period	Amount incurred in the previous period
Zhuhai Healthlong Biotechnology Co., Ltd.	Procurement of goods	2456.11	2914.13
EURL Pharmatica	Procurement of goods		2908.10
SARL Ortus	Procurement of goods		959.72
Metis Info Tech (Guangzhou) Co., Ltd.	Advertising and communication service fees		203.88
SAS Aredis	Procurement of goods		117.16
Shaoxing Keqiao Qingteng Culture Investment Co., Ltd.	Procurement of goods		54.08
Beijing Mitangpai Cosmetics Co., Ltd.	Procurement of goods		10.00
Xiongke Culture Media (Hangzhou) Co., Ltd.	Consulting fees, video production service		0.53

China Commerce Association for General Merchandise	Membership fee		0.50
Beauty Hi-tech Innovation Co., Ltd	Procurement of goods	35.16	
Ningbo Weiman Cosmetics Co., Ltd.	Procurement of goods	12.22	

Statement of sales of goods/provision of services

"□ Not applicable"

In RMB10,000

Related party	Related transaction content	Amount incurred in the current period	Amount incurred in the last period
Shanghai Youke Brand Management Co., Ltd.	Sales of goods	8,198.31	5,672.40
Parisezhan HK Ltd.	Sales of goods	842.97	
Korea Youke Co., Ltd.	Sales of goods	136.06	630.03
Beijing Mitangpai Cosmetics Co., Ltd.	Sales of goods, agent operation service		224.53
Shaoxing Keqiao Qingteng Culture Investment Co., Ltd.	Sales of goods	2.62	0.71
Ningbo Weiman Cosmetics Co., Ltd.	Sales of goods	6.99	
Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	Sales of goods	1.41	
CBIC	Sales of goods	0.30	

Explanation of related party transactions in purchasing and selling goods, providing and receiving labor services

"□ Applicable" "√ Not applicable"

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

Statement of entrusted management/contracting of the Company:

"□ Applicable" "√ Not applicable"

Explanation of related trusteeship/contracting

Applicable" Not applicable"

Statement of entrusted management/outsourcing of the Company

Applicable" Not applicable"

Explanation of related management/outsourcing

Applicable" Not applicable"

(3). Related-party lease

The Company as the lessor:

Applicable" Not applicable"

The Company as the lessee:

Applicable" Not applicable"

In RMB10,000

Name of lessor	Types of leased assets	Rental expenses recognized in current period	Rental expenses recognized in last period
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Venue	87.15	65.26
Shanghai Youke Brand Management Co., Ltd.	Venue	27.41	

Explanation of related lease

Applicable" Not applicable"

(4). Information on related guarantees

The Company as the warrantee

Applicable" Not applicable"

Explanation of related guarantees

Applicable" Not applicable"

Information on related guarantees

Applicable" Not applicable"

(5). Borrowing of related-party funds

Applicable" Not applicable"

(6). Information on asset transfers and debt restructuring of related parties

Applicable" Not applicable"

(7). Remuneration of key management personnel

"√ Applicable" "□ Not applicable"

In RMB10,000

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key management personnel	700.02	734.87

(8). Other related-party transactions

"√ Applicable" "□ Not applicable"

The Company and its subsidiaries have opened bank accounts with Zhejiang Yueqing Rural Commercial Bank Company Ltd and have collected interest accrued on their deposits at market interest rates.

(1) Deposits with related-party banks

Unit: RMB '0,000

Related parties	Related transaction content	Ending amount	Beginning amount
Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	Cash at bank	14,645.33	14,390.77

(2) Interests collected from related parties

Unit: RMB '0,000

Related party	Related transaction content	Amount for the current period	Amount in prior period
Zhejiang Yueqing Rural Commercial Bank Co., Ltd.	Interest income	638.49	593.97

6. Accounts receivable and payable from related parties**(1). Accounts receivable items**

"√ Applicable" "□ Not applicable"

Unit: Currency: RMB

Item	Related party	Ending balance		Opening balance	
		Carrying	Provision for	Carrying	Provision for

		amount	bad debts	amount	bad debts
Accounts receivable					
	Ningbo Weiman Cosmetics Co., Ltd.	79,007.60	3,950.38		
Subtotal		79,007.60	3,950.38		
Prepayment					
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	43,000.00		44,000.00	
	Zhuhai Healthlong Biotechnology Co., Ltd.			21,432,452.28	
	Shanghai Youke Brand Management Co., Ltd.			39,150.95	
Subtotal		43,000.00		21,515,603.23	
Other receivables					
	EURL Pharmatica	19,606,379.23	19,606,379.23	24,242,639.75	1,230,881.99
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	133,568.20	121,334.10	132,568.20	61,770.46
Subtotal		19,739,947.43	19,727,713.33	24,375,207.95	1,292,652.45

[Note] EURL Pharmatica amount is the consolidated amount of EURL Pharmatica, Parisezhan HK Ltd., SARL Ortus and SAS Aredis under the same control.

(2). Payable items

"√ Applicable" "□ Not applicable"

Unit: Currency: RMB

Item	Related party	Book balance at the end of the period	Book balance at the beginning of the period
Accounts payable			
	SAS Aredis	236,930.48	263,358.19
	Ningbo Weiman Cosmetics Co., Ltd.	121,884.94	
	Metis Info Tech (Guangzhou) Co., LTD.		99,718.88
Subtotal		358,815.42	363,077.07
Contract liabilities			
	Shanghai Youke Brand Management Co., Ltd.		34,200.00
Subtotal			34,200.00

7. Commitment of related parties

"□ Applicable" "√ Not applicable"

8. Other

"□ Applicable" "√ Not applicable"

XIII. Share-based Payments**1. Overall situation of share-based payment**

"√ Applicable" "□ Not applicable"

Unit: Share Currency: RMB

Total amount of equity instruments granted by the Company in the current period	Not applicable
Total amount of equity instruments exercised by the Company in the current period	293,265
Total amount of equity instruments of the Company which are invalid in the current period	106,959
The range of exercise pricing of stock options issued by the Company at the end of the period and their remaining period of contract	Not applicable
The range of exercise pricing of other equity instrument options issued by the Company at the end of the period and their remaining period of contract	The price for granted restricted shares is

	RMB17.95 per share, and the grant period is 60 days from the grant date.
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Other description

On July 12, 2018, according to the *Proposal on 2018 Restricted Share Incentive Plan of the Company (Draft) and Its Summary* deliberated and approved at the First Extraordinary General Meeting of the Company in 2018, under the Incentive Plan, the Company proposed to grant up to 1,467,200 restricted shares to incentive objects, of which 1.2011 million shares would be initially granted and 266,100 shares would be reserved. The initial grant date of the restricted shares is July 12, 2018. The incentive objects include senior management, middle-level managers, and backbone employees working for the Company (excluding independent directors and supervisors and shareholders or actual controllers severally or jointly holding more than 5% shares of the Company and their spouses, parents, and children), 32 persons in total, and the grant price is RMB17.95 per share. The subject shares under the Incentive Plan are derived from ordinary shares A of the Company privately issued by the Company to the incentive objects. The validity period of the Incentive Plan begins from the date when the registration of the grant of restricted shares is completed to the date when all the restricted shares granted to the incentive objects are released or repurchased and de-registered, in no case longer than 60 months. The granted restricted shares will be released in three tranches (30%:30%:40%) over 36 months after the end of 12 months following the initial grant of the restricted shares. The performance condition for the initial release is that: On the basis of the operating revenue and net profit in 2017, the growth rate of operating revenue and net profit in 2018 was no less than 30.8% and 30.1%, respectively. The performance condition for the second release is that: On the basis of the operating revenue and net profit in 2017, the growth rate of operating revenue and net profit in 2019 was no less than 74.24% and 71.21%, respectively. The performance condition for the third release is that: On the basis of the operating revenue and net profit in 2017, the growth rate of operating revenue and net profit in 2020 was no less than 132.61% and 131.99%, respectively.

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

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

On December 30, 2019, the *Proposal on Satisfying the Conditions for Release from Sales Restrictions in the First Release Period for Initially Granted Shares and Reserved Shares Under 2018 Restricted Share*

Incentive Plan deliberated and approved at the 10th meeting of the second session of the board of directors of the Company released the 369,500 restricted shares held by the incentive objects who had satisfied the first release conditions. The circulating date of the sales was January 6, 2020.

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

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

The equity instruments exercised by the Company in the current period represent, according to the *Proposal on the Satisfaction of Conditions for Releasing the Sales Restrictions for the Second Release Period of the Restricted Shares Granted for the First Time and Reserved Grant under the 2018 Restricted Share Incentive Plan* deliberated and approved at the 8th meeting of the second session of the board of directors of the Company, the release by the Company of 293,265 restricted shares held by the incentive objects who satisfy the second release conditions, and the circulating date is January 14, 2021. According to the *Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares* deliberated and approved by the resolution of the 20th meeting of the second session of the board of directors of the Company in 2021 and by resolution of the 1st Extraordinary General Meeting of the Company in 2021, the Company repurchased and de-registered 106,959 restricted shares and paid the repurchase price of RMB1,733,805.39, as some incentive objects left the Company or their performance did not satisfy the condition for releasing all the restricted shares.

2. Equity-settled share-based payment

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Determination method of the fair value of equity instruments on grant date	Determined as per the share price on the grant date and the grant price of restricted shares
Basis for determining the quantity of feasible equity instruments	Determined according to the estimated performance conditions in the release period
Reason for significant difference with estimation in the current period and estimation in the previous period	Not applicable
Cumulative amount of equity-settled share-based payment included in capital reserves	54,608,529.39
Pay confirmed total expenses settled with equities in current period	-372,647.76

Other description

No

3. Share-based payment settled in cash

Applicable" Not applicable"

4. Modification and termination of share-based payment

Applicable" Not applicable"

5. Other

Applicable" Not applicable"

XIV. Commitments and Contingencies**1. Important commitments**

Applicable" Not applicable"

Important external commitments, nature, and amount existing at the balance sheet date

As of December 31, 2021, the investment projects of the Company's public offering for fund raising are as follows:

Unit: RMB'0,000

Item	Total investment amount	Fund raising commitment	Ending accumulated investment	Project Filing or Approval No.
Huzhou Production Base Expansion Project (Phase I)	43,752.54	33,850.00	8,608.46	2011-330502-04-01-178735
Longwu R&D Center Construction Project	21,774.45	19,450.00	9,007.13	2101-330106-04-02-307916
Information System Upgrade Project	11,239.50	9,050.00	476.06	
Additional working capital	18,000.00	12,821.30		
Total	94,766.49	75,171.30	18,091.65	

[note] As of December 31, 2021, the Company's raised funds have not been used, and the Company has invested RMB180,916,500 yuan of the raised funds in the investment projects of raised funds in advance.

2. Contingencies

(1). Important contingencies on the balance sheet date

Applicable" Not applicable"

(2). Even if the Company does not have important contingencies to be disclosed, it shall also state:

Applicable" Not applicable"

3. Other

Applicable" Not applicable"

XV. Events after Balance Sheet Day

1. Important non-adjustment matters

Applicable" Not applicable"

2. Profit distribution

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Profits or dividends to be distributed	172,868,570.76
Profits or dividend declared after deliberation and approval	144,804,186.00

3. Sales return

Applicable" Not applicable"

4. Explanation of other events after the balance sheet date

Applicable" Not applicable"

It is to be decided at the 5th meeting of the third session of the board of directors of the Company held on April 20, 2022 that, based on the total share capital of the Company as of the dividend payment date of record, that a cash dividend of RMB8.60 (including tax) will be distributed to all registered shareholders at the date of record for every 10 shares. A total cash dividend of RMB172,868,570.76 (including tax) will be distributed. At the same time, four shares will be issued for every 10 shares to all shareholders through capitalization of the capital reserve. The abovementioned matter is to be deliberated and approved by the General Meeting.

XVI. Other Significant Issues**1. Correction of early accounting errors****(1). Retrospective restatement**

Applicable" Not applicable"

(2). Prospective application

Applicable" Not applicable"

2. Debt restructuring

Applicable" Not applicable"

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

Applicable" Not applicable"

(2). Replacement of other assets

Applicable" Not applicable"

4. Annuity plan

Applicable" Not applicable"

5. Termination of operations

Applicable" Not applicable"

6. Division information**(1). Determination basis and accounting policy of reportable division**

Applicable" Not applicable"

The Company does not have diversified operations or cross-regional operations, so there is no division-based reporting. Details of main business income and main business costs of the Company classified by brand are as follows:

2021

Brand	Income from main business	Cost of main business	Gross profit
Proya brand	3,829,139,612.21	1,173,186,069.95	2,655,953,542.26
Other brands	791,292,073.80	371,912,399.37	419,379,674.43
Subtotal	4,620,431,686.01	1,545,098,469.32	3,075,333,216.69

2020

Brand	Income from main business	Cost of main business	Gross profit
Proya brand	2,985,608,479.56	986,945,516.11	1,998,662,963.45
Other brands	762,316,121.04	376,541,258.15	385,774,862.89
Subtotal	3,747,924,600.60	1,363,486,774.26	2,384,437,826.34

(2). Financial information of the reportable division

Applicable" Not applicable"

(3). If the Company has no reportable division, or cannot disclose the total assets and liabilities of each reportable division, the reasons shall be explained

Applicable" Not applicable"

(4). Other description

Applicable" Not applicable"

7. Other important transactions and matters that have an impact on investors' decisions

Applicable" Not applicable"

8. Other

Applicable" Not applicable"

Lease

1. The Company as lessee

For details on accounting policies for short-term leases and low-value asset leases of the Company, please see the particulars contained in "42. Lease", "V. Significant Accounting Policies and Estimates", "Section X Financial Report". Short-term lease charges included in current profits and losses are as below:

Item	Amount for the current period
Short-term rental fee	6,675,815.55
Low-value asset leasing fees (except for short-term rental fees)	402,597.20
Total	7,078,412.75

2. The Company as lessor

Operating lease

(1) Lease income

Item	Amount for the current period
Lease income	3,130,844.79

(2) Assets under operating lease

Item	Ending amount
Investment real estate	70,321,868.00
Subtotal	70,321,868.00

For details on the operation and rental of investment real estate, please see the particulars contained in "20. Investment Real Estate", "VII. Notes on Consolidated Financial Accounts", "Section X Financial Report".

XVII. Notes on Main Items in Financial Statements of the Parent Company

1. Accounts receivable

(1). Disclosed by account receivable age

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Book balance at the end of the period
Within 1 year	
Including: Sub-item within 1 year	
Sub-total within 1 year	410,747,781.21
1 to 2 years	55,196,327.39
2 to 3 years	
Above 3 years	
3 to 4 years	

4 to 5 years	
Above 5 years	
Total	465,944,108.60

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

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Category	Ending balance					Opening balance				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision proportion (%)		Amount	Percentage (%)	Amount	Provision proportion (%)	
Provision for bad debts accrued by item	108,670,171.06	23.32	80,084,373.88	73.69	28,585,797.18					
Including:										
Provision for bad debts by portfolio	357,273,937.54	76.68	31,662,778.73	8.86	325,611,158.81	617,474,114.36	100.00	52,436,703.21	8.49	565,037,411.15
Including:										
Total	465,944,108.60	/	111,747,152.61	/	354,196,955.99	617,474,114.36	/	52,436,703.21	/	565,037,411.15

Provision for bad debts accrued by item:

Applicable" Not applicable"

Unit: RMB Currency: RMB

Name	Ending balance			
	Carrying amount	Provision for bad debts	Provision ratio (%)	Reason for accrual
Hapsode (Hangzhou) Cosmetics Co., Ltd.	56,798,448.89	80,084,373.88	73.69	Expected as unable to recover
Huzhou Hapsode Trading Co., Ltd.	51,871,722.17			
Total	108,670,171.06	80,084,373.88	73.69	/

Explanation of bad debt provision by item:

Applicable" Not applicable"

Provision for bad debts by portfolio:

Applicable" Not applicable"

Provision by portfolio: Aging portfolio

Unit: Yuan Currency: RMB

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	302,077,610.15	15,103,880.51	5.00
1-2 years	55,196,327.39	16,558,898.22	30.00
Total	357,273,937.54	31,662,778.73	8.86

Confirmation standard and explanation of bad debts accrued by portfolio

Applicable" Not applicable"

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

Applicable" Not applicable"

(3). Information on bad-debt provision

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount of the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Individual provision for bad debt reserves		80,084,373.88				80,084,373.88
Provision for bad debts by portfolio	52,436,703.21	-20,773,924.48				31,662,778.73
Total	52,436,703.21	59,310,449.40				111,747,152.61

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Among them, information of accounts receivable significantly written off

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Company name	Ending balance	Proportion of total balance of accounts receivable at the end of the period (%)	Ending balance of bad debt provision
Zhejiang Meiligu Electronic Commerce Co., Ltd.	110,043,461.55	23.62	5,502,173.08
Huzhou UZERO Trading Co., Ltd.	80,866,449.58	17.36	15,624,839.02
Hapsode (Hangzhou) Cosmetics Co., Ltd.	56,798,448.89	12.19	41,857,560.10

Huzhou Hapsode Trading Co., Ltd.	51,871,722.17	11.13	38,226,813.78
Hangzhou Proya Trading Co., Ltd.	47,876,767.57	10.28	2,393,838.38
Total	347,456,849.76	74.58	103,605,224.36

Other description

No

(6). Accounts receivable de-recognized due to transfer of financial assets

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

2. Other receivables

List by item

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	222,452,930.42	236,585,409.48
Total	222,452,930.42	236,585,409.48

Other explanations:

Applicable" Not applicable"

Interest receivable

(1). Classification of interest receivable

Applicable" Not applicable"

(2). Significant overdue interest

Applicable" Not applicable"

(3). Provision for bad debts

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

Dividends receivable**(4). Dividends receivable**

Applicable" Not applicable"

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

Applicable" Not applicable"

(6). Provision for bad debts

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

Other receivables**(1). Disclosed by account receivable age**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Account age	Book balance at the end of the period
Within 1 year	
Including: Sub-item within 1 year	
Sub-total within 1 year	86,870,983.61
1 to 2 years	193,245,412.33
2 to 3 years	9,307,414.72
Above 3 years	87,000.00
3 to 4 years	
4 to 5 years	
Above 5 years	
Total	289,510,810.66

(2). Classification by nature of payment

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Nature of payment	Book balance at the end of the period	Book balance at the beginning of the period
Security deposits	269,104,993.77	402,005,709.08
Suspended payments receivable	19,187,006.72	5,100,314.72
Reserve funds	416,500.00	932,910.70
Other	802,310.17	4,924.76
Total	289,510,810.66	408,043,859.26

(3). Provision for bad debts

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses over the next 12 months	Expected credit loss for the entire duration (credit impairment not occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance as of January 1, 2021	8,005,556.84	2,792,224.42	160,660,668.52	171,458,449.78
Balance as of January 1, 2021 in the current period				
--Transferred to the second stage	-9,662,270.62	9,662,270.62		
--Transferred to the third stage		-2,792,224.42	2,792,224.42	
--Returned to the second stage				
--Returned to the first stage				
Accrual in the current period	6,000,262.96	48,311,353.08	-158,712,185.58	-104,400,569.54
Amount written				

back in the current period				
Current write-off				
Amount written off in the current period				
Other changes				
Balance as of December 31, 2021	4,343,549.18	57,973,623.70	4,740,707.36	67,057,880.24

Explanation of significant changes in the book balance of other receivables with changes in provision for loss in the current period:

Applicable" Not applicable"

Amount of bad debt provision in the current period and the basis for evaluating whether the credit risk of financial instruments has increased significantly:

Applicable" Not applicable"

(4). Information on bad-debt provision

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Category	Opening balance	Changes in amount of the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Individual provision for bad debt reserves	160,573,168.52	-160,573,168.52				
Provision for bad debts by portfolio	10,885,281.26	56,172,598.98				67,057,880.24
Total	171,458,449.78	-104,400,569.54				67,057,880.24

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

Applicable" Not applicable"

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

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Company name	Nature of payment	Ending balance	Account age	As a proportion of total ending balance in other receivables (%)	Provision for bad debts Ending balance
Hong Kong Xinghuo Industry, Ltd.	Intercourse funds of related parties within the scope of consolidation	140,666,088.54	1-2 years	48.59	40,986,144.97
Hapsode (Hangzhou) Cosmetics Co., Ltd.	Intercourse funds of related parties within the scope of consolidation	58,877,290.54	1-2 years	20.34	13,556,060.20
Boya (Hong Kong) Investment Management Co., Ltd.	Intercourse funds of related parties within the scope of consolidation	34,654,560.00	Within 1 year	11.97	1,732,728.00

Ningbo Timage Cosmetics Co., Ltd.	Intercourse funds of related parties within the scope of consolidation	16,768,050.04	1-2 years	5.79	5,720,529.17
Wuxing District Daixi Town People's Government of Huzhou City	Security deposit	13,493,392.00	Within 1 year	4.66	674,669.60
Total	/	264,459,381.12	/	91.35	62,670,131.94

(7). Receivables involving government subsidies

Applicable" Not applicable"

(8). Other receivables de-recognized due to transfer of financial assets

Applicable" Not applicable"

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

Applicable" Not applicable"

Other explanations:

Applicable" Not applicable"

3. Long-term equity investments

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investments in subsidiaries	229,119,013.03	42,500,000.00	186,619,013.03	337,957,327.24	42,500,000.00	295,457,327.24

Investments in associates and joint ventures	178,054,996.05	14,670,468.59	163,384,527.46	51,915,628.82		51,915,628.82
Total	407,174,009.08	57,170,468.59	350,003,540.49	389,872,956.06	42,500,000.00	347,372,956.06

(1). Investments in subsidiaries

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Invested entity	Opening balance	Increase in the current period	Decrease in the current period	Ending balance	Provision for impairment in the current period	Ending balance of impairment provision
Hangzhou Proya Trading Co., Ltd.	30,875,097.64		102,109.32	30,772,988.32		
Hanna Cosmetics Co., Ltd.	2,094,048.00			2,094,048.00		
Zhejiang Meiligu Electronic Commerce Co., Ltd.	16,383,777.51		1,426,900.37	14,956,877.14		
Yueqing Laiya Trading Co., Ltd.	1,000,000.00			1,000,000.00		
Hapsode (Hangzhou) Cosmetics Co., Ltd.	42,500,000.00			42,500,000.00		42,500,000.00
Mijing Siyu (Hangzhou) Cosmetics Co., Ltd.	18,000,000.00			18,000,000.00		
Huzhou Uzero Trading Co., Ltd.	5,568,795.63		108,518.93	5,460,276.70		
Huzhou Niuke Technology Co., Ltd.	3,500,000.00			3,500,000.00		
Hangzhou Proya Commercial Management Co., Ltd.	5,000,000.00			5,000,000.00		
Huzhou Younimi Cosmetics Co., Ltd.	20,308,163.00			20,308,163.00		
Shanghai Zhongwen Electronic Commerce Co., Ltd.	5,400,000.00			5,400,000.00		
Korea Younimi Cosmetics Co., Ltd.	5,046,455.61			5,046,455.61		
Hong Kong Keshi Trading, Ltd.	24,736,491.00			24,736,491.00		
Hong Kong Xinghuo Industry, Ltd.	10,185,924.00			10,185,924.00		
Ningbo TIMAGE Cosmetics Co., Ltd.	15,902,200.00			15,902,200.00		
Ningbo Keshi Trading, Ltd.	520,000.00			520,000.00		

Zhejiang Biyouyi Cosmetics Co., Ltd.	10,000,000.00	181,98 3.21		10,181,983.21		
Ningbo Proya Enterprise Consulting Management Co., Ltd.	4,186,374.85	1,167,2 31.20		5,353,606.05		
Hangzhou Yizhuo Culture Media Co., Ltd.	1,000,000.00			1,000,000.00		
Hangzhou Oumisi Trading Co., Ltd.	2,000,000.00	400,00 0.00		2,400,000.00		
Guangzhou Qianxi Network Technology Co., Ltd	1,000,000.00			1,000,000.00		
Zhejiang Qingya Culture Art Communication C	550,000.00	550,00 0.00		1,100,000.00		
Huzhou Poyun Electronic 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 Weiluo Cosmetics Co., Ltd.	500,000.00			500,000.00		
Xuzhou Pelaya Information Technology Co., Ltd.		500,00 0.00		500,000.00		
Singuladerm (Hangzhou) Cosmetics Co., Ltd.		500,00 0.00		500,000.00		
Total	337,957,327.24	3,299,2 14.41	112,137,528 .62	229,119,013.03		42,500,0 00.00

(2). Investments in associates and joint ventures

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Investment Unit	Initial balance	Increase or decrease in the current period								Ending balance	Ending balance of impairment provision
		Additional investment	Investment decrease	Recognized investment gain and loss under equity method	Other comprehensive income adjustments	Other changes in equity	Declared payment of cash dividends or profits	Provision for impairment	Other		
I. Joint Venture											
Huzhou Panrui Industry Investment Partnership (Limited Partnership)	3,306,630.57			-231,871.89						3,074,758.68	
Subtotal	3,306,630.57			-231,871.89						3,074,758.68	
II. Affiliated enterprises											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,985,511.35			-196,050.69						2,789,460.66	
Jiaxing Woyong	45,623,486.90	28,206,800.00		-1,148,553.52						72,681,733.38	

Investment Partnership (Limited Partnership)											
Zhuhai Healthlong Biotechnology Co., Ltd.		99,540,881 .10		-5,456,530. 14				14,670,468 .59		79,413,882 .37	14,670,46 8.59
Beijing Xiushi Culture Development Co., Ltd.		6,000,000. 00		-575,307.6 3						5,424,692. 37	
Subtotal	48,608,998 .25	133,747,68 1.10		-7,376,441. 98				14,670,468 .59		160,309,76 8.78	14,670,46 8.59
Total	51,915,628 .82	133,747,68 1.10		-7,608,313. 87				14,670,468 .59		163,384,52 7.46	14,670,46 8.59

Other explanations:

No

4. Operating income and operating costs**(1). Information of operating income and operating costs**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	2,239,048,621.69	1,059,535,186.57	1,877,388,044.31	906,212,295.56
Other business	34,799,744.81	17,291,073.35	73,581,174.62	12,405,049.40
Total	2,273,848,366.50	1,076,826,259.92	1,950,969,218.93	918,617,344.96

(2). Information on income generated by the contract

Applicable" Not applicable"

(3). Explanation of performance obligations

Applicable" Not applicable"

(4). Explanation of remaining performance obligations allocated

Applicable" Not applicable"

Other explanations:

1) Income breakdown by goods or service type

Main product type	Amount
Products sales	2,240,616,768.07
Other	33,231,598.43
Subtotal	2,273,848,366.50

2) Income breakdown by goods or service transfer time

Item	Amount for the current period	Amount for the same period last year
Income recognized at a certain point	2,240,732,805.87	1,878,501,274.23
Income recognized at a certain point	33,115,560.63	72,467,944.70
Subtotal	2,273,848,366.50	1,950,969,218.93

3) Revenue included in the opening book value of contract liabilities during the reporting period is RMB10,212,194.96.

5. Investment income

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the last period
Long-term equity investment income calculated by Cost method		
Return on long-term equity investments measured by the Equity method	-7,608,313.87	-1,112,228.47
Investment income from disposal of long-term equity investment.	-10,959,118.90	-114,873.70
Investment income of tradable financial assets during holding period		
Dividend income from investment in other equity instruments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of tradable financial assets		
Investment income from disposal of investment in other equity instruments		
Investment income from disposal of debt investments		
Investment income from disposal of other debt investments		
Gains on debt restructuring		
Gains on financial products		2,266,301.37
Total	-18,567,432.77	1,039,199.20

Other explanations:

No

6. Others

"□ Applicable" "√ Not applicable"

XVIII. Supplementary Information**1. Statement of non-recurring gains and losses for the current period**

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount	Notes
Gain or loss on disposal of non-current assets	-112,183.24	
Tax refund and reduction with ultra vires approval or without formal approval documents		
Government subsidies included in the current profits and losses (except those closely related to the business of the enterprise and enjoyed in accordance with the national unified standard quota or quantitative amount)	15,448,962.01	
Fund occupation fees charged from non-financial businesses included in current profit and loss		
Gains arising from investment costs for acquisition of subsidiaries, associates, and joint ventures at less than fair value of attributable identifiable net assets of the invested entity at the time of acquisition		
Gain or loss from exchange of non-monetary assets		
Gain or loss on entrusted investment or asset management		
Provision for various asset impairments due to force majeure factors such as natural disasters		
Gain or loss from restructuring of debt		
Restructuring expenses such as re-settlement costs, integration costs, etc.		
Profit or loss of the portion exceeding fair value generated from transactions with unreasonable transaction pricing		
Net profit or loss of subsidiaries generated		

from the merger of companies under common control from the beginning of the period to the date of merger		
Profit or loss generated from contingencies unrelated to the Company's normal operations		
Profit or loss from changes in fair value arising from holding of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment gains from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and other debt investments, except for effective hedging related to the Company's normal operations		
Reversal of provision for impairment of receivables and contract assets individually tested for impairment		
Profit or loss from entrusted loans		
Profit or loss arising from changes in the fair value of investment property subsequently measured with the Fair Value model		
Impact of one-time adjustments to the current profit and loss according to the requirements of tax and accounting laws and regulations on the current profit and loss		
Custody fee income from entrusted operations		
Other non-operating revenue and expenses other than said items	-3,078,442.83	
Other profit or loss items under the definition of non-recurring profit and loss		
Less: Income tax impact	1,917,310.27	
Affected amount of minority shareholder equity	2,314,480.49	

Total	8,026,545.18	
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The reasons for non-recurring gain and loss items defined by the Company are explained according to the definitions contained in the *Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1--Non-recurring Gains and Losses*, and the non-recurring profit and loss items listed in *Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1--Non-recurring Gains and Losses* as recurring gain and loss items.

Applicable" Not applicable"

2. Net asset income rate and earnings per share

Applicable" Not applicable"

Profit during the reporting period	Weighted average ROE (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	22.25	2.87	2.81
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	21.94	2.83	2.78

3. Differences between Chinese and International Accounting Standards Concerning Accounting Data

Applicable" Not applicable"

4. Other

Applicable" Not applicable"

Chairman: Hou Juncheng

Date of submission approved by the Board of Directors: April 20, 2022

Revision information

Applicable" Not applicable"