

Stock Code: 603605

Stock Abbreviation: Proya

Bond Code: 113634

Bond Abbreviation: Proya Convertible Bond



Proya Cosmetics Co., Ltd.
Annual Report 2023

Important Notes

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

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

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

IV. HOU Juncheng, chairman of the Company, and WANG Li, CFO (and Head of Accounting Department) 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

1. Based on the total share capital (excluding the shares in the Company's special securities account for repurchase) as of the record date on which equity distribution is implemented, the Company proposes to distribute to all shareholders registered a cash dividend of RMB9.10 (tax inclusive) per 10 shares. Based on the total share capital of 396,757,184 shares on December 31, 2023, deducting 2,210,825 shares in the Company's special securities account for repurchase, it is estimated that the cash dividend to be distributed will amount to RMB359,037,186.69 (tax inclusive) without converting the capital reserve into share capital or giving any bonus shares. In case of a change in the Company's total share capital due to the conversion of convertible bonds before the record date for equity distribution, the Company maintains the said distribution ratios and yet adjusts the total distribution amounts.

2. On October 23, 2023, the Company completed the implementation of the 2023 semi-annual profit distribution plan. Based on the Company's total share capital of 396,823,346 shares before the implementation of the plan, a cash dividend of RMB0.38 per share (tax inclusive) was distributed, with a total of RMB150,792,871.48 cash dividends distributed.

3. According to the *Guideline No. 7 for the Self-regulatory Rules of Companies Listed on the Shanghai Stock Exchange - Share Repurchase* and other relevant regulations, for listed companies that repurchase shares using cash as consideration through centralized bidding or tender offer, the amount of repurchased shares in the current year shall be treated as the amount of cash dividends and counted in the calculation of the cash dividend proportion for that year. In 2023, the Company repurchased shares amounting to RMB39,076,754.20 (excluding transaction expenses) through centralized bidding.

To conclude, the amount of cash dividends for the year 2023 (including the proposed annual dividend for 2023, the semi-annual cash dividend for 2023, and the amount of repurchased shares through centralized bidding for 2023) accounts for 45.98% of the net profit attributable to the shareholders of the Company in the consolidated statement of 2023.

VI. Disclosure of risks involved in forward-looking statements

Applicable Not applicable

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

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

No

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

No

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

No

X. Disclosure of major risks

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

XI. Other

Applicable Not applicable

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Documents Available for Inspection	Financial statements signed and sealed by the Legal Representative, CFO of the Company, and person in charge of Accounting Department.
	Original copy of the audit report stamped by the accounting firm and 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 China Securities Regulatory Commission.

Section I Definitions

I. Definitions

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

Definition		
Proya Cosmetics, this Company, or the Company	refers to	Proya Cosmetics Co., Ltd.
Huzhou Branch	refers to	Proya Cosmetics Co., Ltd. Huzhou Branch, a branch of the Company
Shanghai Branch	refers to	Proya Cosmetics Co., Ltd. Shanghai Branch, a branch of the Company
Proya Trade	refers to	Hangzhou Proya Trade Co., Ltd., a wholly-owned subsidiary of the Company
Korea Hanna	refers to	Hanna Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Anya (Huzhou)	refers to	Anya (Huzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of Korea Hanna
Yueqing Laiya	refers to	Yueqing Laiya Trading Co., Ltd., a wholly-owned subsidiary of the Company
Huzhou UZERO	refers to	Huzhou UZERO Trading Co., Ltd., a wholly-owned subsidiary of the Company
Mijing Siyu (Hangzhou)	refers to	Mijing Siyu (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Meiligu	refers to	Zhejiang Meiligu Electronic Commerce Co., Ltd., a wholly-owned subsidiary of the Company
Chuangdai Electronics	refers to	Huzhou Chuangdai E-commerce Co., Ltd., a wholly-owned subsidiary of Meiligu
Hangzhou CORRECTORS	refers to	Hangzhou CORRECTORS Trade Co., Ltd., a wholly-owned subsidiary of Meiligu
Huzhou Keyan	refers to	Huzhou Keyan E-commerce Co., Ltd., a wholly-owned subsidiary of Meiligu
Hapsode (Hangzhou)	refers to	Hapsode (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Korea Hapsode	refers to	Hapsode Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Huzhou Hapsode	refers to	Huzhou Hapsode Trading Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Proya Commercial	refers to	Hangzhou Proya Commercial Management Co., Ltd., a wholly-owned subsidiary of the Company
Tielexin Aini	refers to	Hangzhou Tielexin Aini Catering Management Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Luxiaotie	refers to	Hangzhou Luxiaotie Fitness Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Hong Kong Keshi	refers to	Hong Kong Keshi Trading Co., Ltd., a holding subsidiary of the Company
Hong Kong Xinghuo	refers to	Hong Kong Xinghuo Industry Limited, a wholly-owned subsidiary of the Company
Hong Kong Zhongwen	refers to	Hong Kong Zhongwen Electronic Commerce Co., Limited, a wholly-owned subsidiary of Hong Kong Xinghuo
Hong Kong Xuchen	refers to	Hong Kong Xuchen Trading Limited, a wholly-owned subsidiary of Hong Kong Xinghuo
Proya Luxembourg	refers to	Proya Europe SARL, a wholly-owned subsidiary of Hong Kong Xinghuo
Shanghai Zhongwen	refers to	Shanghai Zhongwen Electronic Commerce Co., Ltd., a wholly-owned

	to	subsidiary of the Company
Huzhou Niuke	refers to	Huzhou Niuke Technology Co., Ltd., a wholly owned subsidiary of the Company
Hangzhou Wanyan	refers to	Hangzhou Wanyan Culture Media Co., Ltd., a wholly-owned subsidiary of Huzhou Niuke
Hong Kong Wanyan	refers to	Hong Kong Wanyan Electronic Commerce Co., Limited, a wholly-owned subsidiary of Huzhou Niuke
Huzhou Younimi	refers to	Huzhou Younimi Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Ningbo TIMAGE	refers to	Ningbo TIMAGE Cosmetics Co., Ltd., a holding subsidiary of the Company
Hangzhou TIMAGE	refers to	Hangzhou TIMAGE Cosmetics Co., Ltd., a wholly-owned subsidiary of Ningbo TIMAGE
Ningbo Keshi	refers to	Ningbo Keshi Trading Limited, a holding subsidiary of the Company
Zhejiang Beauty	refers to	Zhejiang Beauty Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Ningbo Proya	refers to	Ningbo Proya Enterprise Consulting Management Co., Ltd., a wholly-owned subsidiary of the Company
Zhejiang Qingya	refers to	Zhejiang Qingya Culture Art Communication Co., Ltd., a holding subsidiary of the Company
Boya (Hong Kong)	refers to	Boya (Hong Kong) Investment Management Co., Limited, a wholly-owned subsidiary of the Company
Japan OR	refers to	OR Off & Relax, a holding subsidiary of Boya (Hong Kong)
Ningbo Tangyu	refers to	Ningbo Tangyu Trading Co., Ltd., a wholly-owned subsidiary of Japan OR
Hangzhou Weiluo	refers to	Hangzhou Weiluo Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Hangzhou Yizhuo	refers to	Hangzhou Yizhuo Culture Media Co., Ltd., a wholly-owned subsidiary of the Company
Hangzhou Oumisi	refers to	Hangzhou Oumisi Trading Co., Ltd., a wholly-owned subsidiary of the Company
Guangzhou Qianxi	refers to	Guangzhou Qianxi Network Technology Co., Ltd., a wholly-owned subsidiary of the Company
Proya (Hainan)	refers to	Proya (Hainan) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Singuladerm (Hangzhou)	refers to	Singuladerm (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Xuzhou Laibo	refers to	Xuzhou Laibo Information Technology Co., Ltd., a wholly-owned subsidiary of the Company
Proya (Zhejiang)	refers to	Proya (Zhejiang) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Hubei Laibo	refers to	Hubei Laibo Technology Co., Ltd., a wholly-owned subsidiary of the Company
PROYA PTE	refers to	PROYA PTE. LTD., a wholly-owned subsidiary of the Company
PROYA MALAYSIA	refers to	PROYA BEAUTY MALAYSIA SDN. BHD., a wholly-owned subsidiary of PROYA PTE
CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shanghai Stock Exchange
Pan-China	refers to	Pan-China Certified Public Accountants (Special General Partnership)
CSC	refers to	China Securities Co., Ltd.

	to	
Company Law	refers to	Company Law of the People's Republic of China
Securities Law	refers to	Securities Law of the People's Republic of China
Articles of Association	refers to	Articles of Association of Proya Cosmetics Co., Ltd.
RMB/RMB'0,000	refers to	RMB/RMB '0,000
Reporting Period	refers to	January 1, 2023 to December 31, 2023

Section II Company Profile and Key Financial Indicators

I. Company Information

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

II. Contact Details

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

III. General Information

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

IV. Information Disclosure and Place for Obtaining the Report

Media for the Company's information disclosure	<i>Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily, Economic Information Daily, China Daily</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	Proya	603605	None

VI. Other Relevant Information

Auditor of the Company (domestic)	Name	Pan-China Certified Public Accountants (Special General Partnership)
	Office address	Office Tower 2, Run'ao Business Center, Xiaoshan District, Hangzhou
	Name of the signing accountant	YIN Zhibin, WU Shaofang
Sponsor performing continuous supervisory duty during the Reporting Period	Name	China Securities Co., Ltd.
	Office address	Room 2203, North Tower, Shanghai Securities Building, No.528, Pudong South Road, Shanghai
	Names of the sponsor's signing representatives	GE Liang, WANG Zhan
	Period of continuous 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	2023	2022	Year-on-year change (%)	2021
Operating revenue	8,904,573,501.39	6,385,451,424.00	39.45	4,633,150,538.43
Net profit attributable to shareholders of the listed company	1,193,868,141.81	817,400,223.93	46.06	576,119,025.56
Net profit attributable to shareholders of the listed company net of non-recurring profit or loss	1,174,144,260.32	788,513,237.01	48.91	568,092,480.38
Net cash flow from operating activities	1,468,793,814.58	1,111,136,117.23	32.19	829,670,943.82
	As of the end of 2023	As of the end of 2022	Year-on-year change (%)	As of the end of 2021
Net assets attributable to shareholders of the listed company	4,349,545,381.60	3,524,488,659.96	23.41	2,876,975,835.98
Total assets	7,323,078,222.45	5,778,071,824.19	26.74	4,633,049,783.03

(II) Key financial indicators

Key financial indicators	2023	2022	Year-on-year change (%)	2021
Basic earnings per share (RMB/share)	3.01	2.07	45.41	2.05
Diluted earnings per share (RMB/share)	2.97	2.05	44.88	2.01
Basic earnings per share net of non-recurring profit and loss (RMB/share)	2.96	2.00	48.00	2.02
Weighted average ROE (%)	29.94	25.95	Up by 3.99 percentage points	22.25
Weighted average ROE net of non-recurring profit and loss (%)	29.44	25.03	Up by 4.41 percentage points	21.94

Description of 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

1. 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

2. 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

3. Description of differences between international and Chinese accounting standards:

Applicable Not applicable

IX. Major Financial Data for 2023 by Quarter

Unit: Yuan Currency: RMB

	Q1 (January - March)	Q2 (April - June)	Q3 (July - September)	Q4 (October - December)
Operating revenue	1,621,514,039.25	2,005,477,838.97	1,621,577,872.94	3,656,003,750.23
Net profit attributable to shareholders of the listed company	208,032,832.00	291,461,165.71	246,469,143.36	447,905,000.74
Net profit attributable to shareholders of the listed company net of non-recurring profit and loss	197,980,896.41	280,910,955.86	246,996,239.57	448,256,168.48
Net cash flow from operating	409,773,960.44	771,494,111.59	-382,251,543.16	669,777,285.71

activities				
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Description of differences between quarterly data and disclosed regular report data

Applicable Not applicable

X.Non-recurring Profit and Loss Items and Amounts

Applicable Not applicable

Unit: Yuan Currency: RMB

Non-recurring profit and loss item	Amount for 2023	Notes (if applicable)	Amount for 2022	Amount for 2021
Gains or losses from disposal of non-current assets, including write-offs of provision for adjusted asset impairment	-703,593.33		60,155.60	-112,183.24
Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the Company's business operations, compliant with national policies, granted at set standards, and imposing sustaining influence on the Company's gains and losses)	44,043,618.77		38,463,732.07	15,448,962.01
Gains or losses from change in fair value generated by financial assets and liabilities held by non-financial businesses as well as gains or losses from disposal of financial assets and liabilities				
Capital occupation fees charged to the non-financial enterprises and included in profit or loss for the current period				
Gains or losses from entrusting others with investment or asset management				
Gains or losses from outward entrusted loaning				
Asset loss incurred by force majeure such as natural disasters				
Reversal of impairment provisions of accounts receivable that have undergone impairment testing alone	289,706.45		2,782,350.76	

Gains when the investment cost of acquiring a subsidiary, an associate and a joint venture is less than the fair value of the identifiable net assets of the invested entity				
Current net gains or losses of subsidiaries established by business combination involving enterprises under common control from the beginning of the period to the combination date				
Gains or losses from exchange of non-monetary assets				
Gains or losses from debt restructuring				
One-time expenses incurred due to the cessation of relevant business activities, such as staffing expenses				
One-time impact on current profit and loss due to the adjustments of taxes and accounting laws and regulations				
One-time share-based payment recognized for cancellation and modification of equity incentive plans				
Gains and losses from changes in the fair values of employee compensation payable for share-based payment in cash after the exercise date				
Gains or losses from changes in the fair values of Investment real estate that are subsequently measured using the fair value model				
Profits generated from transactions with unreasonable transaction price				
Gains or losses on contingencies that have no relation with the normal operation of the Company				
Custody fees of entrusted operation				

Other non-operating revenue and expenses besides the above items	-7,456,554.85		-2,926,959.81	-3,078,442.83
Other items that conform to the definition of non-recurring profit or loss	-113,212.70	Investment income from disposal of long-term equity investment		
Less: Effect of income tax	10,105,613.47		3,689,885.55	1,917,310.27
Effect of minority equity (after tax)	6,230,469.38		5,802,406.15	2,314,480.49
Total	19,723,881.49		28,886,986.92	8,026,545.18

The reasons should be explained for the Company defining the non-recurring gains and losses items not listed in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Non-Recurring Gains and Losses as non-recurring gains and losses items of high value and defining the non-recurring profit and loss items listed in the same document as recurring gains and losses items.

Applicable Not applicable

XI. Items Measured at Fair Value

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Ending balance	Current change	Amount of impact on the current profit
Receivable financing		7,378,700.06	7,378,700.06	
Other equity instrument investments	146,402,400.00	107,660,400.00	-38,742,000.00	
Total	146,402,400.00	115,039,100.06	-31,363,299.94	

XII. Other

Applicable Not applicable

Section III Management Discussion and Analysis

I. Business Discussion and Analysis

1. Year-on-year growth in operating revenue

Operating revenue - RMB8.905 billion, up by 39.45% YOY
RMB8.89billion prime operating revenue, up by 39.74% YOY
RMB15 million non-operating revenue

Prime operating revenue:

(1) By channel

Channel	Amount (RMB100 million)	Change in 2023 over the previous year YOY (%)	Change in 2022 over the previous year YOY (%)	Change in 2021 over the previous year YOY (%)	2023 Percentage (%)	2022 Percentage (%)	2021 Percentage (%)

Online	Direct sales	67.48	50.70	59.79	76.16	75.91	70.40	60.66
	Distribution	15.26	16.49	16.79	8.56	17.16	20.58	24.27
	Subtotal	82.74	42.96	47.50	49.54	93.07	90.98	84.93
Offline	Household chemicals	4.94	11.59	-11.96	-40.52	5.56	6.96	10.88
	Other	1.22	-6.98	-32.32	-30.50	1.37	2.06	4.19
	Subtotal	6.16	7.35	-17.62	-38.03	6.93	9.02	15.07
Total		88.90	39.74	37.69	23.28	100.00	100.00	100.00

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

(2) By brand

Brand		Amount (RMB100 million)	Change in 2023 over the previous year YOY (%)	Change in 2022 over the previous year YOY (%)	Change in 2021 over the previous year YOY (%)	2023 Percentage (%)	2022 Percentage (%)	2021 Percentage (%)
Self-owned brands	Proya	71.77	36.36	37.46	28.25	80.73	82.74	82.87
	TIMAGE	10.01	75.06	132.04	103.48	11.26	8.99	5.33
	OR	2.15	71.17	509.93	-	2.42	1.98	-
	Hapsode	3.03	61.82	188.27	-	3.41	2.94	-
	Other brands	1.94	18.86	-60.11	-5.96	2.18	2.57	8.85
	Subtotal	88.90	40.86	40.74	26.63	100.00	99.22	97.05
Agency brands	Cross-border agency brands	0.00	-100.00	-63.01	-34.04	0.00	0.78	2.95
Total		88.90	39.74	37.69	23.28	100.00	100.00	100.00

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

(3) By category

Category	Amount (RMB100 million)	Change in 2023 over the previous year YOY (%)	Change in 2022 over the previous year YOY (%)	Change in 2021 over the previous year YOY (%)	2023 Percentage (%)	2022 Percentage (%)	2021 Percentage (%)
Skincare (including cleansing)	75.59	37.85	38.56	22.70	85.03	86.20	86.10
Make-up cosmetics	11.16	48.28	21.70	32.97	12.55	11.82	13.38
Body & hair	2.15	71.17	509.93	-	2.42	1.98	-
Others	0.00	-	-100.00	-41.05	0.00	0.00	0.52
Total	88.90	39.74	37.69	23.28	100.00	100.00	100.00

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

2. YOY growth in net profit

RMB1.194 billion net profit attributable to shareholders of the listed company, up by 46.06% YOY
RMB1.174 billion net profit attributable to shareholders of the listed company net of non-recurring profit and loss, up by 48.91% YOY

Indicator	2023	2022	2021	Note
1. Net profit margin	13.82%	13.02%	12.02%	Mainly due to: 1. Increase in gross profit margin; 2. Decrease in income tax expenses.
2. Gross profit margin	69.93%	69.70%	66.46%	Mainly due to increased percentage of online direct sales.
3. Sales expense ratio	44.61%	43.63%	42.98%	Mainly due to the increased prepayment for image promotion expenses.
Of which: Image promotion fee rate	39.69%	37.90%	36.12%	
4. Administrative expense ratio	5.11%	5.13%	5.12%	
5. R&D expense ratio	1.95%	2.00%	1.65%	The parent company's R&D expense ratio was 4.13% in 2023 (compared with 4.31% for the same period the previous year).
6. Accounts receivable turnover rate (times/year)	39.87	53.04	21.88	Mainly due to increased sales incurred by Beijing Jingdong Century Trading Co., Ltd.
7. Accounts receivable turnover days (days)	9.03	6.79	16.45	
8. Inventory turnover rate (times/year)	3.65	3.46	3.39	
9. Inventory turnover days (days)	98.57	103.91	106.19	

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

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

According to statistics from the National Bureau of Statistics, in 2023, the total retail sales of consumer goods reached RMB47,149.5 billion, up by 7.2% YOY; the total retail sales of cosmetics reached RMB414.2 billion, up by 5.1% YOY (covering consumer goods above designated units).

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

(I) Main business

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

1. Popular exquisite skincare brand

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

(2) Hapsode, positioned as an “expert in oily skin care”, focusing on college students and other young female customers, generally priced at RMB50 to RMB200, sold mainly online.

2. Make-up brand

TIMAGE, a professional make-up artist brand customized for Chinese faces, generally priced at RMB150 to RMB300, sold mainly online.

3. Body & hair brand

Off&Relax, positioned as an “expert in Asian scalp health, generally priced at RMB150 to RMB200, sold mainly online.

4. High-efficiency skincare brand

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

(II) Business models**1. Sales models**

Mainly online sales, supplemented by offline sales.

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

Offline sales are mainly operated through dealers. Channels include cosmetics franchise stores and department stores.

2. Production/R&D models

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

Independent R&D is the main R&D model of the Company, supplemented by industry-university-research cooperation. The Company maintains R&D cooperation with front-end research institutions and high-quality raw material suppliers including Zhejiang University, Zhejiang University of Technology, Hangzhou Dianzi University, Jiangnan University, Beijing Technology and Business University, BASF China, Ashland China, DSM Shanghai, CRODA China, Evonik China, Spanish 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:

Facing the rapidly changing external market, the Company was firmly committed to the leadership and implementation of the 6*N Strategy. We consolidated and deepened precise operation management system highlighting "R&D, products, contents, operation". Supplemented by the construction of a self-driven organization featuring "culture-strategy-mechanism-talents". We flexibly responded to market development changes, rapidly established our presence and invested in emerging channels. Furthermore, we explored overseas development opportunities, seized the chance for Chinese brands to expand globally, and drove business growth with an expanded market scope and enhanced responsiveness.

We continued to make our "hero products" more competitive, and developed and improved the portfolio of "hero products", strengthened brand appeal, and enhanced brand vitality based on our keen insight into consumer needs. This was possible because of our strong R&D and our ability to rapidly respond to internal organizational requirements. A self-driven agile organization was built to serve the second-brand product pipeline and the brands at the incubation stage, forming a fledgling brand matrix in skincare, make-up, and personal care products. By building our own MCN team and content marketing team, we strengthened the internal circular ecology and fostered the external ecosystem of Proya brand.

V. Main Operations during the Reporting Period**1. New product strategy****Proya:**

During the Reporting Period, Proya continued to consolidate the hero product strategy and performed all-around upgrades for the hero products "Double Effect Brightening Series" and "Advanced Firming Nourishing Series" and used exclusive ingredients. Proya also improved product efficacy and user experiences and enhanced the sustainability. In the second half of 2023, Proya launched the first patented new cyclic peptide raw material approved and filed in China's makeup industry, and applied it in Advanced Firming Nourishing Light Cream 3.0 as a way to further secure our professionalism and technological capability in peptide, marking Proya's leadership in independent ingredient development.

Meanwhile, Proya launched the first premium product line, the "Energy Series", which marked a brand new solution to the anti-aging of mature skin by utilizing the unique and advanced skin energy enhancement and awakening technology Cellergy that helps repair skin wrinkles mildly and efficiently.

In 2023, Proya maintained 1st in the essence category, ranked 1st in the face cream category, 2nd in the mask category, and 5th in the eye cream category on Tmall.

TIMAGE:

During the Reporting Period, TIMAGE continued to improve the hero product strategy in the facial make-up category, with core products ranking top in all categories. The "tri-colored contour palette" ranked 1st in the highlighter category on Tmall. The "dual-colored highlighter palette" ranked 2nd in the highlighter category on Tmall. The "face primer" ranked 2nd in the sun block/primer category on Tmall. The "tri-colored concealer palette" ranked 1st in the concealer category on Tmall.

In the first half of the year, TIMAGE launched the colorful brilliance product. In March, the brand introduced the brand new "Vigorous and Flowing Jade Series" and launched three new products: the "Tri-color Blush Palette", the "All-in-one Brow Palette", and the "Matte Lipstick". Among them, the "Tri-color Blush Palette" ranked 1st in the blush category on Tmall. Additionally, TIMAGE launched the all-new "Original Skin Cushion Compact" and upgraded the "Soft Mist Powder Compact (For Oily Skin)."

In the second half of the year, TIMAGE launched the "Soft Mist Powder Compact (for dry skin)" to create hero products in the powder category, gaining momentum for the growth in 2024. The "Porcelain Flawless Foundation" maintained remarkable growth and skyrocketed in the rankings on Tmall and TikTok.

Off&Relax (OR):

During the Reporting Period, OR continued to increase the market share and word of mouth of the hero products "OR Refreshing Springs Bouncy Shampoo" and "OR Refreshing Springs Hair Masque." Meanwhile, OR established and furthered the brand awareness of an "Expert in Asian Scalp Health" by launching the advanced oil-control and anti-hair loss series. The oil-control hero product "OR Purifying Scalp Cleanser" ranked 1st in the pre-shampoo category on both Tmall and Little Red Book during the promotion period. The "OR Medicated Hair Tonic" ranked 9th in the anti-hair loss category on Tmall, as well as ranked 1st in the Imported Scalp Essence Leaderboard and the Pre-sale Leaderboard on Tmall during the 11.11 period.

Hapsode:

During the Reporting Period, Hapsode continuously enhanced the brand awareness of an "Expert in Oily Skin Care" among consumers. In the first half of the year, the brand focused on upgrading "Cleansing Honey 2.0" and "Multi-Acid Clay Mask 2.0" to strengthen its capability in cleansing product lines. In the second half of the year, the brand focused on addressing oxidation and dullness on oily skin, and launched the "Energizing Brightening Facial Mask" and the "Energizing Brightening Serum". Based on the pain points of users with oily skin, the brand perfected the care process by expanding not only the range of products, but their efficacy.

2. New marketing strategy

Proya:

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

- (1) "Thank You for Participation" in January. In this event, Proya expressed the most important "thank you" to our users through short films posted in user stories and offline user story exhibitions. Proya expressed its gratitude to them for staying with us throughout 2022.
- (2) "It's Gender, Not Border" on Women's Day in March. In this event, Proya created educational picture books focusing on gender equality, produced thematic short films adapted from real stories, and collaborated with law firms to launch the "Proya Public Welfare · Labor Legal Consultation Service". Through concrete efforts, Proya not only encouraged mention and discussion of "gender equality" on Women's Day, but helped push for the issues to be considered on all other days of the year.
- (3) On Mother's Day in May, Proya showed care for mothers and acknowledged both the visible physical labor and the invisible mental labor they undertake as they support their families. Proya mentioned that "Mom can take care of family, but every family member can do the same". Through the short film "More Than Just Moms", Proya called on every family member to not only recognize the goodness of mothers but also collectively take on family responsibilities.
- (4) "Scientific Formulation, the Scientific Choice for Skin" in June. In this event, Proya organized 7 "Daytime Coffee and Evening Alcohol Pop-Up stores" in 6 cities around China. The purpose of these pop-

up stores was to communicate the brand's concept of "scientific formulas" to consumers. Through offline interactions between the stores and consumers, participants had the opportunity for in-depth experience of the products and technological concepts.

(5) "Scientific Formulation, the Scientific Choice for Skin" light&shade technology exhibition in August. In this event, Proya interpreted the scientific skincare concept of "scientific formula" with a dynamic experiential installation that utilized digital interaction technologies.

(6) "Glimmering Project" in September. In this event, Proya appealed for action against school bullying and released the public welfare film "Aftermath of School Bullying", the "School Bullying Evidence" posters, and the public welfare picture book "It's Not Your Fault: A Healing Guide for the Aftermath of School Bullying". Proya also worked with the Beijing New Sunshine Charity Foundation to establish the "Glimmering Project" anti-school-bullying helpline.

(7) "Echo Project" in October. In this event, Proya advocated that "We are not alone in the face of emotions". By producing healing videos, Proya partnered with Dejavu and nine publishing houses to create a curated list of emotional healing books and blind boxes of books. It also worked with Tencent Music to hold public campus concerts at 30 universities in 6 cities across China, teaching people how to cope with their emotions in multiple ways.

(8) In the "Brand 20th Anniversary" event in late November, Proya produced a microfilm to capture the real-life experiences of YANG Jianjun, a representative inheritor of the national-level intangible cultural heritage project "Iron Flower," over the past 30 years. The film showcases the spirit of the brand that has been dedicated to scientific research in the past 20 years. Also, Proya interpreted the "Stupid Genius" spirit with six true stories, paying tribute to resilient and hardworking people in all industries. With those "Stupid Genius" stories, Proya hopes to spark the aspiration in the heart of people.

TIMAGE:

During the Reporting Period, TIMAGE continued to carry out marketing activities by following the "Chinese make-up, original beauty" brand philosophy. By launching and marketing new products through e-commerce channels, TIMAGE carried out the following marketing events to enrich the core of Chinese aesthetics:

(1) In March, the "Vigorous and Flowing Jade Series" products were launched, accompanied by the unveiling of concept advertisement. Instructor TANG Yi hosted an online master class, collaborating with beauty bloggers to create the "Vigorous and Flowing Jade Makeup" and sparking a trend of imitation makeup. On March 2, a new product launch conference was held, with celebrities GAO Ye and MA Sichun appearing in person to arouse discussions on the Internet. The whole campaign received more than 500 million views and topped the chart on Sina, TikTok, and Kwai, bringing up voices and discussions around the brand.

(2) "Beyond Love" in May. In this event, TIMAGE produced a video to convey the brand idea of how to better love our partners, ourselves, and life. The brand also released TIMAGE 520 gift boxes to communicate brand emotions on holidays through KOLs in love life and female growth.

(3) On the Chinese Valentine's Day in August, TIMAGE established a partnership with the Zibo Ceramic and Glass Museum by virtue of the cultural heat in Shandong. With the theme "The Unique Love amidst Myriad Glimmers", TIMAGE extended its Chinese aesthetic legacy via the millennium-old intangible cultural heritage craftsmanship. Meanwhile, TIMAGE launched limited-edition blush and lipstick for Chinese Valentine's Day, which included a pair of glass cups to imprint the brand image of "Chinese culture" and "craftsmanship."

(4) In September, the "Revitalizing Hue" blush of the Vigorous and Flowing Jade Series was launched. With the theme "Origin of Primitive", the event debuted at the physical pop-up store in Huaihai Center in Shanghai, bringing primitive nature into the city to create an immersive and original makeup experience. As for the online platform, the brand worked with the physiological media KnowYourself to jointly launch the White Paper of Color Emotions, trying to bond colors and emotions. Inspired by autumn landscapes, Mr. Tang Yi launched the autumn edition of "Mountain Makeup", which has taken social media by storm.

3. New channel strategy

Proya:

Online:

(1) Tmall flagship store

During the Reporting Period, the Company continued to deepen the hero product strategy, optimize the portfolio, and improve the ranking of core categories and hero products; expanded product offerings across

various price segments and enhanced customer perception, thereby increasing average customer spending and market penetration; refined operations, optimized the advertising strategy with decreased costs and increased efficiency, and deepened collaboration between on-site and off-site audiences. By relying on the user operation system, the Company increased the purchase frequency of customers to gain a higher customer retention.

In 2023, the gross merchandise volume (GMV) of Proya Flagship Store ranked 2nd on Tmall Beauty and 1st among all domestic products. During the November 11 campaign, the GMV of Proya Flagship Store climbed to 1st on Tmall Beauty.

(2) TikTok

During the Reporting Period, the Company strengthened the universal operation of TikTok, completed the transformation and efficiency enhancement of livestreaming accounts, and divided those accounts by product lines and target audience. The KOL livestreaming accounts kept a keen sight into market needs, and expanded the cooperation with more KOLs, while discovering new KOLs with high potential. Based on the features of KOLs and fans, the Company customized the matchmaking mechanism to maximize the value of exposure and unique visitors. The e-commerce channel focused on key platforms and gained more visitor flows from livestreaming accounts to further enhance the sales ratio. Efforts were made to refine population-based operation, improve the advertising strategy, and enhance efficiency.

In 2023, Proya ranked 3rd on TikTok Beauty and 2nd among all domestic products in terms of the gross merchandise volume (GMV). During the November 11 campaign, Proya ranked 1st on TikTok Beauty in terms of GMV.

(3) JD

During the Reporting Period, the Company continued to strengthen the hero product strategy, improved the ranking of core hero products, optimized the brand layout in the long run, and increased the market share; refined operations based on target audience, established more targeted promotion strategies, sought opportunities for collaboration between on-site and off-site audiences, and drew the attention of new customers with fewer costs and higher efficiency; continuously improved the product portfolios across all channels and added more value for customers; sensed the bellwether for the industry and channels, and took swift actions to explode the word of mouth.

In 2023, Proya ranked 7th on JD Beauty and 1st among all domestic products in terms of the gross merchandise volume (GMV). During the November 11 campaign, Proya ranked 4th on JD Beauty and 1st among all domestic products in terms of GMV.

Offline:

(1) Department store channel: In 2023, the main goal for the department channel was to optimize the store structure by phasing out low-performing and low-potential stores, and transitioning flagship stores to a directly operated model. Meanwhile, the Company continuously strengthened internal management, further improved the training system for counter consultants, enhanced retail management skills, and increased the average sales per counter.

(2) Cosmetics store channel: In terms of market positioning, the Company leveraged the potential of the Proya brand to solidify our existing channels and increase the frequency of cooperation with major clients. Also, the Company actively sought opportunities for market growth and expanded collaboration with new store clusters. In the first and second half of 2023, promotional measures were taken for the high-end anti-aging Capture Totale Series and the mid-end Youth Activating series, helping retail stores increase their average customer spending and expand the customer base.

4. New organizational strategy

(1) Institutional construction: Based on strategic planning, the Company maintains a sophisticated front, middle, and back office coordination model, deepens the application of digital technology, and develops a flexible and efficient organizational operation mechanism. Based on the value return philosophy of "high investments, performance, and return", the Company has established a multifaceted and effective incentive system around the existing business strategy.

(2) Talent development: The Company insists on a talent strategy of introducing and cultivating young talents with international backgrounds to engage in research and development, design, and brand construction, aiming to build a dynamic, self-driven, and creative team of young talents. The dual-channel

promotion mechanism provides career opportunities for professional and managerial individuals to increase the vitality and talent accumulation of the Company.

5. New R&D strategy

During the Reporting Period, the Longwu R&D Center and the Shanghai R&D Center were put into use. The Company continuously improved the R&D layout of all key stages from raw material to finished products, including fundamental research, formula development, physical and chemical analysis, raw material and product efficacy evaluation, etc. The focus was to conduct research on skin texture, design active substances, verify their efficacy, as well as research and develop new skin care, make-up, and body&hair products.

(1) Patents: During the Reporting Period, the Company newly applied for 14 national invention patents, 6 utility model patents, and 27 design patents, totaling 47 new patents applied for; obtained 15 nationally licensed invention patents, 9 utility model patents, and 17 design patents, totaling 41 patents obtained. As of the end of the Reporting Period, the Company had 122 nationally licensed invention patents, 22 utility model patents, and 112 design patents, totaling 256 patents obtained.

(2) Standard releasing: During the Reporting Period, the Company released 12 group standards, 3 national standards and 1 light industry standard as a drafter. As of the end of the Reporting Period, the Company had led or participated in the development of 17 national standards, 4 light industry standards, and 26 group standards.

(3) Achievements and awards: During the Reporting Period, the Company was granted the Excellence Participation Award in the “2020-2022 Zhejiang Province Cosmetics Safety Popular Science Week” by Zhejiang Medical Products Administration, the No.1 of Top 10 Enterprises in the Cosmetics Sector of China Light Industry (Universal Leaderboard), the Advanced Unit in Cosmetic Standardization of 2023 by the Secretariat of Zhejiang Provincial Cosmetics Standardization Technology Committee. The paper on the research of the Deep Ocean Energy Series was published in the journal *Skin Health and Disease* of the British Association of Dermatologists. The paper *Research on Preparation and Properties of Crystalline Amino Acid Cleaning Cream* was published in the journal *Detergent & Cosmetics*. The paper *Enhancing Sun Protection through Zinc Oxide and Titanium Dioxide Processed by Bead Milling* was published in the journal *Frontiers in Materials*. Additionally, the Company showcased a number of scientific research achievements at the IFSCC 2023.

(4) Strategic cooperation: During the Reporting Period, the Company deepened the cooperation with existing strategic partners, including Zhejiang University and Hangzhou Dianzi University, Beijing Technology and Business University, and Jiangnan University in areas such as materials, functional active substances, and skin texture.

6. New supply chain guarantee

(1) During the Reporting Period, the Company realized green, low-carbon, and sustainable development by following the national "dual carbon" strategy; built a green supply chain system with a focus on resource conservation and environmental friendliness; promoted upstream and downstream enterprises to improve resource utilization efficiency; reduced carbon emissions, and take active measures to become an enterprise featuring green supply chain management.

(2) During the Reporting Period, the Company continuously upgraded the supply chain information platform to achieve seamless data connectivity, enabling transparency in material procurement, production, product inspection, equipment operation, and logistics delivery throughout the entire supply chain, thereby creating a truly modern and intelligent transparent factory in the cosmetics industry. Additionally, with the three intelligent engines (intelligent procurement platform, intelligent production scheduling, and intelligent logistics operations), the Company enhanced the efficiency of data transmission and business collaboration among business units on the supply chain, providing sustained support for brand promotions.

(3) During the Reporting Period, the Huzhou production base added multiple fully automated production lines and installed several sets of emulsification equipment to ensure the enhancement of future capacity. The Company also installed fire water monitors and sprinkler systems in the warehouse to safeguard the security of buildings and property. Additionally, the Company continues to strengthen safety training and emergency drills, represented by the "Employee Safety Training" that has been conducted for three consecutive years to ensure that every employee possesses safety awareness, concepts, and capabilities, thereby improving the capability and responsibility of all staff in safety management. Furthermore, the Company conducted internal safety compliance assessments, graded the risks, established a control list for graded risks, and created a spatial color-coded map to prevent safety hazards. Based on the assessment

result, the Company formulated and implemented improvement plans, identified key risks, and enhanced intrinsic safety.

(4) During the Reporting Period, the Company was honored with the title "National Green Supply Chain Management Companies 2023" by the General Office of the Ministry of Industry and Information Technology of the PRC, and the Huzhou Factory was awarded the "2023 Zhejiang Provincial Level Green and Low-Carbon Factory" by the Economy and Information Technology Department of Zhejiang.

(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	8,904,573,501.39	6,385,451,424.00	39.45
Operating cost	2,677,445,706.61	1,934,850,203.65	38.38
Selling expenses	3,972,201,152.49	2,785,837,352.95	42.59
General and administrative expenses	455,441,770.70	327,296,749.37	39.15
Financial expenses	-59,079,577.33	-40,996,523.01	Not applicable
Research and development expenses	173,570,127.49	128,009,104.49	35.59
Net cash flow from operating activities	1,468,793,814.58	1,111,136,117.23	32.19
Net cash flow from investing activities	-475,831,195.84	-298,215,550.57	Not applicable
Net cash flow from financing activities	-460,280,193.92	-65,251,320.73	Not applicable

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

Cause for changes in operating costs: mainly due to increased operating revenue.

Cause for change in sales expenses: In 2023, sales expenses amounted to RMB3.972billion, accounting for 44.61% of the operating revenue (compared with 43.63% for the same period last year). Sales expenses increased by RMB1.186 billion or 42.59% YOY, mainly due to an increase of RMB1.114 billion or 46.04% in the image promotion expenses in the current period (used for the incubation of new brands as well as development of offline channels and overseas channels).

Cause for change in administrative expenses: In 2023, administrative expenses amounted to RMB455million, accounting for 5.11% of the operating revenue (compared with 5.13% for the same period last year). General and administrative expenses increased by RMB128 million or 39.15% YOY, mainly due to increased equity incentive expenses for restricted shares, employee compensation, and service fees.

Cause for change in financial expenses: mainly due to increased interest income.

Cause for change in R&D expenses: In 2023, R&D expenses amounted to RMB174million, an increase of RMB45.56million YOY, accounting for 1.95% of the operating revenue (compared with 2.00% for the same period last year). The parent company's R&D expense ratio was 4.13% in 2023 (compared with 4.31% for the same period the previous year).

Cause for change in net cash flow from operating activities: mainly due to 1. A YOY increase in operating revenue and the increase in cash received from the sale of goods; 2. The increase in the payment for goods; 3. The increase in the payment for image promotion expenses.

Cause for change in net cash flow from investment activities: 1. RMB90million was paid for the equity investment in Gaolang Holdings Co., Ltd. in the previous period. No such event exists in the current period. 2. RMB300million was increased in other cash paid related to investment activities.

Cause for change in net cash flow from financing activities: 1. RMB165million of equity incentive expense for restricted shares was received in the previous period. The event is not recognized in the current period. 2. RMB224million was increased in cash paid for distribution of dividends or profits or settlement of interest expenses.

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

□ Applicable √ Not applicable

2. Revenue and cost analysis

√ Applicable □ Not applicable

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

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

Unit: Yuan Currency: RMB

Main business activities by industry						
Industry	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Household chemicals industry	8,890,227,788.97	2,666,864,872.50	70.00	39.74	39.16	Up by 0.13 percentage points
Main business activities by product						
Product	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Skincare (including cleansing)	7,559,420,109.98	2,246,373,210.16	70.28	37.85	38.92	Decreased by 0.23 percentage points
Make-up cosmetics	1,115,712,421.20	340,597,637.72	69.47	48.28	35.34	Up by 2.92 percentage points
Body & hair	215,095,257.79	79,894,024.62	62.86	71.17	67.54	Up by 0.81 percentage points
Total	8,890,227,788.97	2,666,864,872.50	70.00	39.74	39.16	Up by 0.13 percentage points
Main business activities by region						
Region	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Northeast China	19,623,333.54	7,297,459.08	62.81	18.92	20.56	Decreased by 0.51 percentage points
North	66,141,324.36	25,601,181.22	61.29	-5.22	-2.97	Decreased

China						by 0.90 percentage points
East China	682,273,015.88	264,640,456.25	61.21	-4.28	-11.36	Up by 3.10 percentage points
South China	52,827,183.21	19,406,138.04	63.26	17.59	7.53	Up by 3.44 percentage points
Central China	127,858,964.46	52,800,759.63	58.70	-14.74	-14.63	Decreased by 0.05 percentage points
Northwest China	42,799,826.73	15,112,592.49	64.69	22.04	29.28	Decreased by 1.98 percentage points
Southwest China	74,752,733.67	27,725,014.63	62.91	-5.64	-7.30	Up by 0.66 percentage points
Hong Kong and overseas	83,159,245.45	32,884,507.37	60.46	24.19	14.28	Up by 3.43 percentage points
Others (e-commerce)	7,740,792,161.67	2,221,396,763.79	71.30	49.25	54.79	Decreased by 1.03 percentage points
Total	8,890,227,788.97	2,666,864,872.50	70.00	39.74	39.16	Up by 0.13 percentage points
Main business activities by sales model						
Sales model	Operating revenue	Operating cost	Gross profit margin (%)	Change in operating revenue YOY (%)	Change in operating cost YOY (%)	Change in gross profit margin YOY (%)
Online	8,274,350,956.67	2,413,275,186.30	70.83	42.96	43.29	Decreased by 0.07 percentage points
Offline	615,876,832.30	253,589,686.20	58.82	7.35	9.23	Decreased by 0.71 percentage points
Total	8,890,227,788.97	2,666,864,872.50	70.00	39.74	39.16	Up by 0.13 percentage points

Explanation on main business activities by industry, product, region and sales model

(1) Description of growth in household chemicals: The growth in prime operating revenue this year was mainly due to RMB8.274billion online sales (accounting for 93.07% of the online sales revenue), an increase of RMB2.486billion or 42.96% YOY.

(2) Description of growth in make-up cosmetics: Mainly due to RMB1.001billion sales of TIMAGE that falls under the make-up cosmetics category during the Reporting Period, an increase of RMB429 million or 75.06% YOY.

(3) Description of growth in body & hair: Mainly due to RMB215million sales of OR that falls under the body & hair category during the Reporting Period, an increase of RMB89million or 71.17% YOY.

(4) Description by region: The main reason for the increase in revenue in the Northeast China, South China, and Northwest China is the growth in offline sales of household chemicals. The decline in revenue in the North China, East China, Central China, and Southwest China is primarily due to a decrease in online distribution sales. The growth in revenue in Hong Kong, overseas markets, and e-commerce is mainly due to the growth in online direct sales.

(2). Analysis table of production and sales

√ Applicable □ Not applicable

Major products	Unit	Production	Sales	Inventory	Change in production YOY (%)	Change in sales YOY (%)	Change in inventory YOY (%)
Household chemicals	Piece	355,211,533	336,222,351	109,169,214	13.10	21.81	21.06

Description of production and sales

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

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

□ Applicable √ Not applicable

(4). Cost statement analysis

Unit: Yuan

Statement by industry							
Industry	Cost composition	Amount for the current period	Proportion % in total cost for the current period (%)	Amount for the same period last year	Proportion % in total cost for the same period last year (%)	YOY change ratio (%)	Description Note
Household chemicals industry	Raw materials	1,675,244,940.56	62.82	1,268,693,580.45	66.20	32.04	
	Labor and manufacturing cost	162,684,501.36	6.10	107,432,847.50	5.61	51.43	
	Outsourcing	444,682,665.46	16.67	302,956,467.34	15.81	46.78	
	Freight	384,252,765.12	14.41	237,269,640.00	12.38	61.95	
	Subtotal	2,666,864,872.50	100.00	1,916,352,535.29	100.00	39.16	
Statement by product							
Product	Cost composition	Amount for the current period	Proportion % in total cost for the current period (%)	Amount for the same period last year	Proportion % in total cost for the current period (%)	YOY change ratio (%)	Description Note

Skincare (including cleansing)	Raw materials	1,633,516,443.19	72.72	1,228,433,567.23	75.97	32.98	
	Labor and manufacturing cost	153,451,655.40	6.83	101,753,659.87	6.29	50.81	
	Outsourcing	151,422,368.92	6.74	92,297,157.26	5.71	64.06	
	Freight	307,982,742.65	13.71	194,513,686.83	12.03	58.33	
	Subtotal	2,246,373,210.16	100.00	1,616,998,071.19	100.00	38.92	
Make-up cosmetics	Raw materials	39,373,413.99	11.56	40,084,933.46	15.93	-1.78	
	Labor and manufacturing cost	8,443,255.33	2.48	5,679,187.63	2.26	48.67	
	Outsourcing	232,107,427.47	68.15	174,194,228.29	69.21	33.25	
	Freight	60,673,540.93	17.81	31,708,656.87	12.60	91.35	
	Subtotal	340,597,637.72	100.00	251,667,006.25	100.00	35.34	
Body & hair	Raw materials	2,355,083.38	2.95	175,079.76	0.37	1,245.15	
	Labor and manufacturing cost	789,590.63	0.99	0.00	0.00	Not applicable	
	Outsourcing	61,152,869.07	76.54	36,465,081.79	76.46	67.70	
	Freight	15,596,481.54	19.52	11,047,296.30	23.17	41.18	
	Subtotal	79,894,024.62	100.00	47,687,457.85	100.00	67.54	

Other explanations

None

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

Applicable Not applicable

For details, refer to the particulars contained in "IX. Changes in the Consolidation Scope", "Section X Financial Report" of this Report.

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

Applicable Not applicable

(7). Major sales customers and major suppliers

A. The Company's major customers

Applicable Not applicable

The sales of top five customers amounted to RMB1.12billion, accounting for 12.57% of the total annual sales; the sales of related parties of such top five customers amounted to RMB0, accounting for 0.00% of the total annual sales.

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

Applicable Not applicable

B. The Company's major suppliers

Applicable Not applicable

The purchase amount of top 5 suppliers amounted to RMB513.36million, accounting for 22.31% of the total annual purchase amount; the purchase amount of related parties of such top 5 suppliers amounted to RMB0, accounting for 0.00% of the total annual purchase amount.

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

Applicable Not applicable

Other explanations

None

3. Expenses

Applicable Not applicable

Unit: Yuan

Expense item	2023	2022	Change for the current period	Growth rate (%)
Selling expenses	3,972,201,15 2.49	2,785,837,35 2.95	1,186,363,799.54	42.59
General and administrative expenses	455,441,770. 70	327,296,749. 37	128,145,021.33	39.15
R&D expenses	173,570,127. 49	128,009,104. 49	45,561,023.00	35.59
Financial expenses	- 59,079,577.3 3	- 40,996,523.0 1	-18,083,054.32	Not applicable

4. R&D investment

(1). Statement of R&D investment

Applicable Not applicable

Unit: Yuan

Expensed R&D investment for the current period	173,570,127.49
Capitalized R&D investment for the current period	0.00
Total R&D investment	173,570,127.49
Total R&D investment in operating revenue (%)	1.95
Capitalization of R&D investment (%)	0.00

(2). Statement of R&D personnel

Applicable Not applicable

Number of R&D personnel	322
Percentage of R&D personnel (%)	10.84
Educational background structure	
Educational level	Number of persons
PhD	8
Master	126
Bachelor	152
Associate	32
High school and below	4
Age structure	
Age range	Number of persons
Under 30 (exclusive)	154
30-40 (incl. 30 and excl. 40)	131
40-50 (incl. 40 and excl. 50)	34
50-60 (incl. 50 and excl. 60)	3
60 and above	0

(3). Description

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

5. Cash flow

√ Applicable □ Not applicable

Unit: Yuan

Item	Amount for the current period	Amount for the same period last year	Growth rate (%)	Description
Net cash flow from operating activities	1,468,793,814.58	1,111,136,117.23	32.19	Mainly due to: 1. YOY increase in the operating revenue and the increase in cash received from commodity sales; 2. Increased payment for goods; 3. Increased payment for image promotion fees.
Net cash flow from investing activities	-475,831,195.84	-298,215,550.57	Not applicable	Mainly due to: 1. A payment of RMB90 million for the equity investment in Gaolang Holdings Co., Ltd. in the previous period. The event is not recognized in the current period. 2. An increase of RMB300 million in cash paid related to investment activities.
Net cash flow from financing activities	-460,280,193.92	-65,251,320.73	Not applicable	Mainly due to: 1. The Company received RMB165 million of equity incentive expense for restricted shares in the previous period. The event is not recognized in the current period. 2. The cash paid to distribute dividends, profits, or repay interest was increased by RMB224 million.
Cash received from the sale of goods and the rendering of	9,328,552,717.55	7,088,465,997.21	31.60	Mainly due to the YOY increased operating revenue.

services				
Payments of various types of taxes	1,017,756,020.64	660,096,624.31	54.18	Mainly due to the expanded sales scale and the improved profitability of the Company.
Other cash paid related to operating activities	3,761,423,719.98	2,616,308,090.91	43.77	Mainly due to the expanded sales scale and the increased payment for image promotion expenses.
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	285,500.00	3,751,463.96	-92.39	Mainly due to the decreased cash receipts from disposals of fixed assets in the current period.
Cash paid for investments	18,636,363.64	131,003,609.10	-85.77	Mainly due to the new equity investment of RMB90 million to Gaolang Holdings Co., Ltd. in the previous period. The event is not recognized in the current period.
Other cash paid related to investing activities	300,000,000.00		Not applicable	Mainly due to the purchase of fixed-term deposits in the current period.
Cash received from capital contributions		165,676,000.00	-100.00	Mainly due to the receipt of payment for the equity incentive expense for restricted shares from employees in the previous period. The event is not recognized in the current period.
Cash paid for distribution of dividends or profits or settlement of interest expenses	407,092,087.41	182,663,748.85	122.86	Mainly due to the increased cash dividends paid in the current period.

(II) Description of 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: Yuan

Item	Amount as of the end of the current period	% in total assets	Amount as of the end of the previous period	% in total assets	YOY change ratio (%)	Explanation
Accounts receivable	344,570,196.54	4.71	102,157,898.41	1.77	237.29	Mainly due to the increased end balance for the receivables of Beijing Jingdong Century Trading Co., Ltd.
Receivable financing	7,378,700.06	0.10	0.00	0.00	Not applicable	Mainly due to the increased bank acceptance bills receivable.
Prepayments	202,870,195.58	2.77	91,483,523.15	1.58	121.76	Mainly due the increased prepayment for image promotion expenses as of the end of the current period.
Other current assets	99,765,073.07	1.36	49,735,996.57	0.86	100.59	Mainly due to the increased input VAT to be deducted.
Fixed assets	827,350,985.29	11.30	570,376,309.67	9.87	45.05	Mainly due to the conversion of completed works of the Huzhou Expansion Production Base Construction Project (Phase I) and the Longwu R&D Center Construction Project into fixed assets.
Construction in progress	52,038,642.94	0.71	207,378,935.86	3.59	-74.91	Mainly due to the conversion of completed works of the Huzhou Expansion Production Base Construction Project (Phase I) and the Longwu R&D

						Center Construction Project into fixed assets, as well as long-term prepaid expenses.
Right-of-use assets	14,104,821.34	0.19	6,410,634.25	0.11	120.02	Mainly due to the addition of an office site and the signing of lease contracts in the current period.
Long-term prepaid expenses	67,184,328.83	0.92	19,142,604.46	0.33	250.97	Mainly due to converting the completed work of the Longwu R&D Center Construction Project from construction in progress to long-term prepaid expenses.
Deferred income tax assets	108,494,364.60	1.48	48,305,338.82	0.84	124.60	Mainly due to the increased deductible temporary difference caused by unrealized profit from internal transactions and unredeemed gifts for sold products.
Other non-current assets	16,974,946.99	0.23	5,554,726.06	0.10	205.59	Mainly due to the increase in prepayments for long-term asset purchase funds.
Notes payable	36,959,074.14	0.50	69,626,352.12	1.21	-46.92	Mainly due to the reduced balance of bank acceptance bills payable.
Accounts payable	1,018,522,358.60	13.91	475,427,484.23	8.23	114.23	Mainly due to the increased end balance of payables for goods and

						expenses payable.
Contract liabilities	301,014,873.58	4.11	174,602,833.91	3.02	72.40	Mainly due to (1) an increase in the number of members and the point conversion rate; (2) the Company had not distributed unredeemed gifts for sold products.
Employee compensation payable	166,444,494.43	2.27	124,938,749.36	2.16	33.22	Mainly due to the increased benefits payable to employees at the end of the period because of the expanded operation scale and continuous staffing adjustment in the current period.
Taxes payable	222,765,869.94	3.04	152,918,871.45	2.65	45.68	Mainly due to the expanded sales scale and the improved profitability of the Company.
Non-current liabilities due within one year	3,970,060.11	0.05	2,549,452.14	0.04	55.72	Mainly due to the transfer of lease liabilities due within one year.
Other current liabilities	15,022,173.42	0.21	10,820,499.59	0.19	38.83	The tax on items to be sold in advance receipt was listed in other current liabilities due to the expanded sales and increased advance receipt in the current period.
Lease liabilities	9,970,306.87	0.14	3,718,119.41	0.06	168.15	Mainly due to the addition of an office site and the signing of lease

						contracts in the current period.
Estimated liabilities	33,063,299.45	0.45	59,282,928.68	1.03	-44.23	Mainly due to the change in the amount of anticipated return caused by the adjustment of supermarket and department store channels.
Deferred income tax liabilities			19,019,431.67	0.33	-100.00	Mainly due to the listing of net deferred income tax assets/liabilities for the same legal entity.
Share capital	396,757,184.00	5.42	283,519,469.00	4.91	39.94	Mainly due to that the Company implemented the plan for the capitalization of capital reserves.
Other comprehensive income	-53,847,100.91	-0.74	-1,918,603.07	-0.03	Not applicable	Mainly due to changes in fair value of other equity instrument investments and changes in other comprehensive income that cannot be reclassified to profit or loss under the equity method.
Surplus reserve	198,411,582.50	2.71	141,759,734.50	2.45	39.96	Mainly due to the withdrawal of statutory surplus reserve according to the net profit of the parent company. The statutory surplus reserve does not need to be withdrawn if the cumulative amount reaches

						fifty percent or more of the registered capital.
Undistributed profit	3,040,145,490.59	41.51	2,300,384,763.19	39.81	32.16	Mainly due to the increased profit available for distribution attributable to shareholders of the Company in the current period.
Minority interests	50,765,849.41	0.69	12,734,670.33	0.22	298.64	Mainly due to the increase in the profit of the Company's subsidiary Ningbo TIMAGE as well as gains or losses attributable to minority interests.

Other explanations

None

2. Overseas assets

Applicable Not applicable

(1) Scale of assets

Including RMB23,718.20 (Unit: RMB '0,000 Currency: RMB) of overseas assets, accounting for 3.23% of the total assets.

(2) Description of a high percentage of overseas assets

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending book balance	Ending book value	Type of restrictions	Cause for restrictions
Cash and cash equivalents	335,288,251.36	335,288,251.36	Cannot be withdrawn at any time	Fixed-term deposit
	8,800,000.00	8,800,000.00	Frozen	L/C deposit
	250,000.00	250,000.00	Frozen	Transformer deposit
	70,000.00	70,000.00	Frozen	Vehicle ETC deposit
	5,298,890.00	5,298,890.00	Frozen	Pinduoduo deposit
	2,110,704.68	2,110,704.68	Frozen	Direct store deposit

Item	Ending book balance	Ending book value	Type of restrictions	Cause for restrictions
Total	351,817,846.04	351,817,846.04		

4. Other explanations

Applicable Not applicable

(IV) Analysis of industry operational information

Applicable Not applicable

Refer to the "Analysis of chemical operational information" below

Analysis of chemical operational information

1. Basic industry information

(1). Industry policies and changes

Applicable Not applicable

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

Applicable Not applicable

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

Industrial status of the Company:

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

2. Products and production

(1). Major business models

Applicable Not applicable

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

Adjusted business models during the Reporting Period

Applicable Not applicable

(2). Major products

Applicable Not applicable

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

(3). R&D innovation

Applicable Not applicable

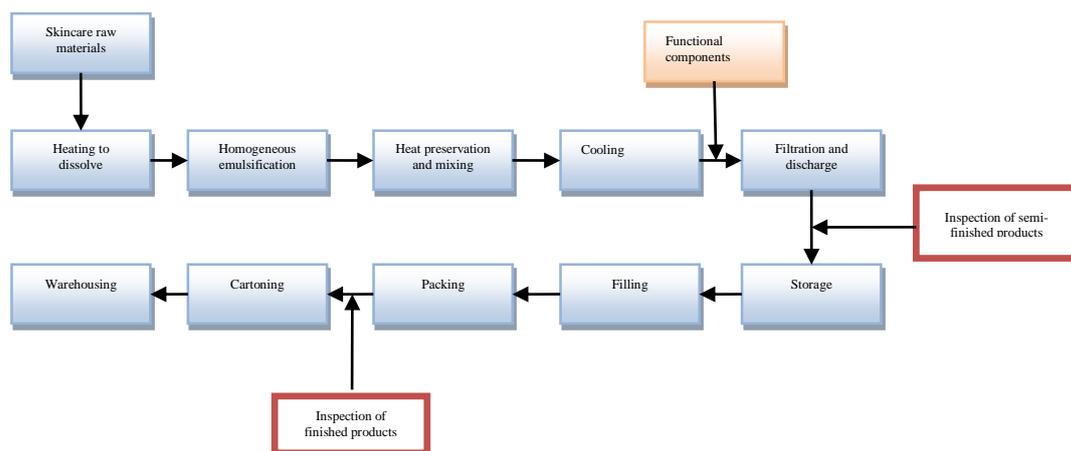
See the description in "5. New R&D strategy", "V. Main Operations during the Reporting Period", "Section III Management Discussion and Analysis".

(4). Production technologies and process

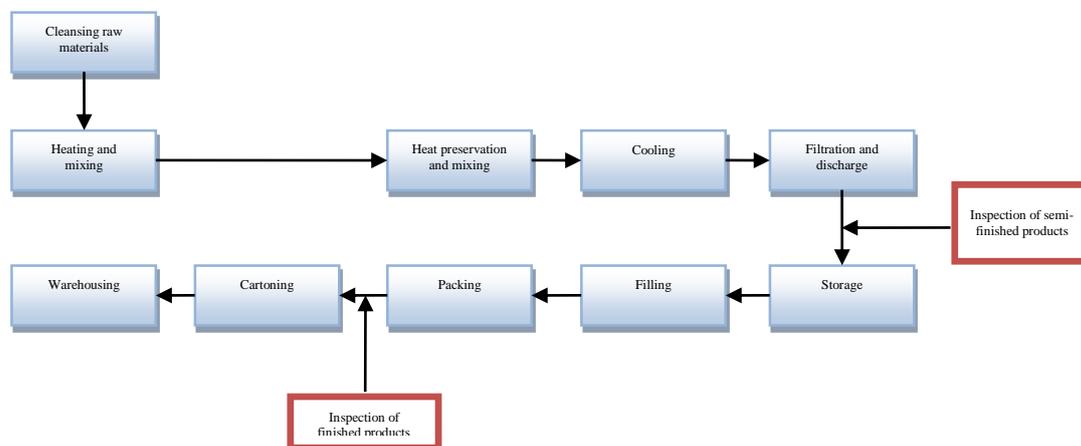
Applicable Not applicable

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

1. Production process of skincare cosmetics

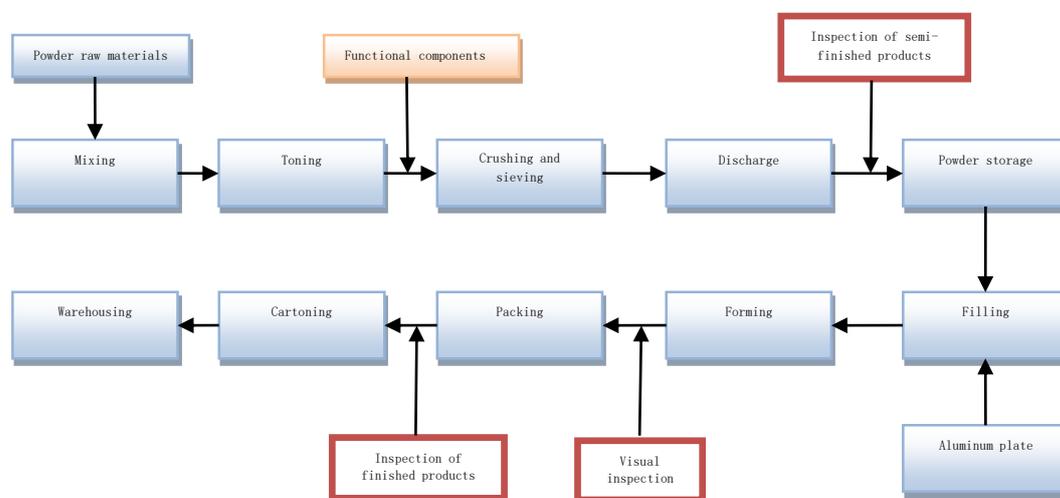


2. Production process of cleansing cosmetics

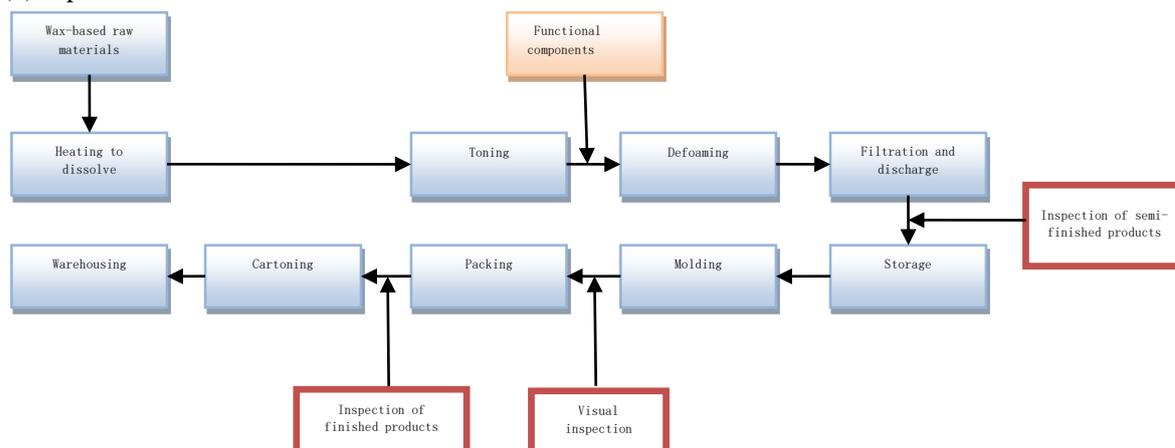


3. Production process of make-up cosmetics

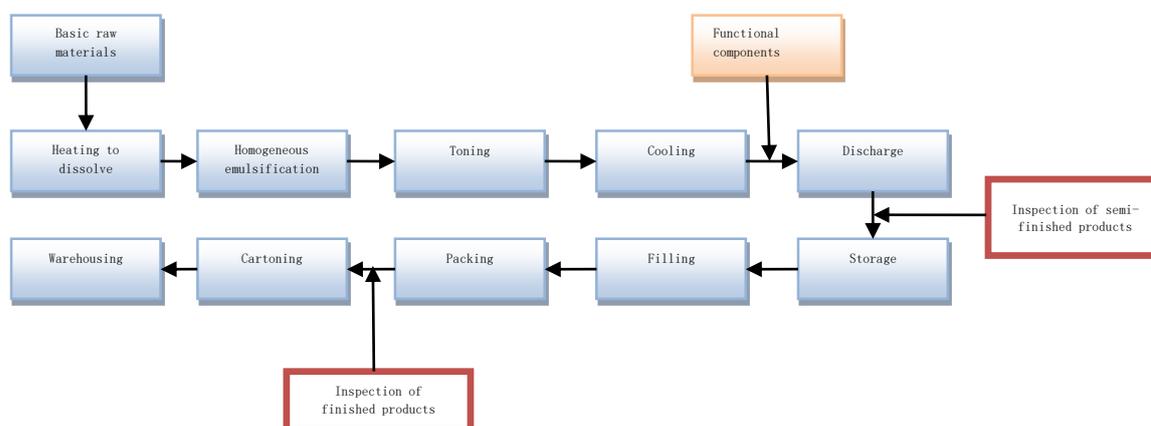
(1) Cosmetic powder blocks:



(2) Lipstick cosmetics



(3) Eyelashes and eyeliners



(5). Production capacity and operation status

Applicable Not applicable

Unit: RMB '0,000 Currency: RMB

Main plant or project	Designed capacity	Capacity utilization ratio (%)	Capacity under construction	Amount of investment in capacity under construction	Estimated time of completion of capacity under construction
Huzhou Skincare Factory	380 million pcs	82.20	21.18 million pcs	4,019.40	December 2024
Huzhou Cosmetics Factory	40 million pcs	20.75			

Change in production capacity

Applicable Not applicable

Adjustment of product line and optimization of capacity structure

Applicable Not applicable

Unexpected shutdown

Applicable Not applicable

3. Procurement of raw materials

(1). Basic information on major raw materials

√ Applicable □ Not applicable

Major raw materials	Purchase model	Settlement method	YOY price change ratio (%)	Purchase quantity	Consumption
Packaging materials	Mainly by competitive procurement, except for some strategic suppliers	Settle within the payment period as agreed	2.63	About 1,870 million pieces	About 1,857.28 million pieces
Raw material_humectant	Mainly by competitive procurement, while establishing long-term strategic cooperation with advantageous suppliers	Settle within the payment period as agreed	-3.65	About 1,815 tons	About 1,878 tons
Raw material_active substance	Mainly by price inquiry and comparison, while performing diversified cultivation of suppliers with a single source of supply	Settle within the payment period as agreed	73.45	About 597 tons	About 634 tons
Raw material_grease wax	Mainly by competitive procurement, while establishing long-term strategic cooperation with advantageous suppliers	Settle within the payment period as agreed	3.58	About 744 tons	About 755 tons
Raw material_emulsifier	Mainly by competitive procurement, while cooperating with industry-leading suppliers on some raw materials	Settle within the payment period as agreed	1.22	About 125 tons	About 136 tons
Raw material_sunscreen	Mainly by competitive procurement, while establishing	Settle within the payment period as agreed	-9.84	About 29 tons	About 31 tons

	long-term strategic cooperation with advantageous suppliers				
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Impact of changes in the prices of major raw materials on the Company's operating costs: Rising prices of raw materials increase operating costs.

(2). Basic information on major sources of energy

Applicable Not applicable

Major energy	Purchase model	Settlement method	YOY price change ratio (%)	Purchase quantity	Consumption
Water	Fixed agreement with the local water company	Prepayment and monthly settlement or payment on demand according to the local requirements	0.00	224,917 tons	224,917 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	1,450 tons	1,450 tons
Gas	Fixed agreement with the local gas supply company	Prepayment and monthly settlement or payment on demand according to the local requirements	-11.52	397,114 cbm	397,114 cbm

Impact of changes in the prices of major energy sources on the Company's operating costs: Minor impact on operating costs.

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

Major financial products such as derivatives

Applicable Not applicable

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

Applicable Not applicable

4. Product sales

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

Applicable Not applicable

Unit: RMB '0,000 Currency: RMB

Sub-industry	Operating revenue	Operating cost	Gross profit 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)	755,942.01	224,637.32	70.28	37.85	38.92	-0.23	No public information available
Make-up cosmetics	111,571.24	34,059.76	69.47	48.28	35.34	2.92	No public information available
Body & hair	21,509.53	7,989.40	62.86	71.17	67.54	0.81	No public information available

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

Applicable Not applicable

Unit: RMB '0,000 Currency: RMB

Sales channel	Operating revenue	Change in operating revenue YOY (%)
Online	827,435.10	42.96
Offline	61,587.68	7.35

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

Unit: RMB

Item	Ending amount	Beginning amount
Other equity instrument investments	107,660,400.00	146,402,400.00
Investment in joint ventures	3,059,991.91	3,068,948.16
Investment in associates	110,514,166.58	135,464,429.30
Total	221,234,558.49	284,935,777.46

For details, refer to the particulars contained in "17. Description of long-term equity investments", "VII. Notes to the Items of Consolidated Financial Statements", "Section X Financial Report" of this Report.

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

Unit: Yuan Currency: RMB

Asset category	Beginning amount	Profit and loss from changes in fair value for the current period	Accumulated change in fair value included in equities	Impairment accrued for the current period	Amount of purchase for the current period	Amount of sale/redemption for the current period	Other changes	Ending amount
Other	146,402,400.00		-38,742,000.00					107,660,400.00
Total	146,402,400.00		-38,742,000.00					107,660,400.00

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

Description of securities investment

Applicable Not applicable

Description of securities investment

Applicable Not applicable

Description of private equity investment

Applicable Not applicable

Description of derivatives investment

Applicable Not applicable

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

Applicable Not applicable

(VI) Sale of major assets and equity

Applicable Not applicable

(VII) Analysis of major holding companies

Applicable Not applicable

Unit: RMB '0,000

Major subsidiary	Nature of business	Major products and services	Registered capital	Total assets	Net assets	Net profit	Holding or shareholding
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Cosmetics sales	Cosmetics	1,000.00	118,374.88	35,491.97	8,436.47	Holding
Hangzhou Proya Trade Co.,Ltd.	Cosmetics sales	Cosmetics	5,000.00	33,320.09	10,823.95	5,182.01	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 2023, the total retail sales of consumer goods reached RMB47,149.5 billion, up by 7.2% YOY; the total retail sales of cosmetics reached RMB414.2 billion, up by 5.1% YOY (covering consumer goods above designated units).

(II) Development strategy of the Company

Applicable Not applicable

"6" refers to new consumption, new marketing, new organization, new mechanism, new technology and new intelligent manufacturing; "N" refers to creating N brands

(1) New consumption: Refers to innovative services to meet more consumer needs and consumer value. It involves catering to consumers' diverse preferences in consumption channels and establishing a presence in emerging channels, such as the development of the Tiktok platform. Furthermore, it involves adapting to the overseas market environment and embracing new challenges;

(2) New marketing: Refers to digital marketing, fine omni-channel operation, and accurate and advanced consumer insight, focusing on improving the overall efficiency of the marketing process. It also involves paying attention to future marketing possibilities in new areas and making preparations;

(3) New organization: Refers to an efficient organization that is flat, platform-based, self-driven and collaborative, taking into account both supporting the efficient operation of mature brands and empowering the rapid growth of incubated brands;

(4) New mechanism: Refers to a flexible, diversified, business-oriented incentive mechanism to be established to enhance strategy execution (with a flexible project mechanism to promote business communication efficiency and integrated synergies between various departments and business units);

(5) New technology: Refers to focusing on basic scientific research, establishing the presence of independent development of new raw materials and foreign innovative raw materials reserve, jointly developing innovative technologies, seeking more R&D partners and resources in different fields, building internal and external cooperation platforms, actively exploring R&D resources worldwide to

form a global R&D landscape, provide technological guarantee for targeted product enhancement, and create a sustainable and unique R&D technological competitiveness; Additionally, measures are taken to further improve the intelligent operation management system and carry out targeted transformation toward digital intelligence and informatization to improve operational refinement and management efficiency in business and organization and achieve process transparency and accurate decision-making. By comprehensively planning and further enhancing the digital management system, we explore the application possibilities of new technological developments (such as artificial intelligence) at the consumer end, catering to the demands of large-scale and rapidly evolving businesses;

(6) New intelligent manufacturing: Refers to the creation of an agile and flexible supply chain to serve the hero product matrix and the application of the digital management system to improve production quality, strengthen the supply chain supervision, and guarantee product quality. In addition, we actively assume social responsibilities and contribute to sustainable development by establishing green production bases and introducing green raw materials and operational models.

—— 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.

(III) Business plan

√ Applicable □ Not applicable

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

1 Skincare products - Proya, Hapsode

Proya:

(1) Brand: Continuously upgrade the brand. Shape the brand with a new image, new products, and new technologies. Further consolidate the brand mindset of "A Scientific Choice for Skin" with better product portfolios. Meanwhile, better improve the service and logistics systems, and refine operations in all dimensions related to consumers. Better communicate with consumers regarding our dedication to products and scientific formulas, making Proya the preferred choice of skincare for Chinese women.

(2) Product: Further study the cause of skin problems for female Chinese consumers and expand the product portfolio to meet more requirements. Strengthen more formulas for mature product lines, upgrade the formulas and efficacy of various products, and provide better solutions for consumers. Establish and improve a large product portfolio with extensive efficacy, build up the word of mouth for products, and improve user loyalty and brand reputation.

(3) Marketing: Continue to center the brand strategy around two brand keywords: "youthfulness" and "technological prowess." Embrace the "spirit of exploration," and address the multifaceted factors behind specific skin concerns. In addition to carrying out promotional campaigns around key social topics such as gender equality, family responsibility, intimate relationships, young people's growth, and mental health, the brand also plans to extend its philosophy "Not Just Today" and expand the impact of brand long-termism beyond brand incidents: 1) Based on the all-year-round brand marketing philosophy, Proya has established its own online public welfare platform to accommodate long-lasting public welfare activities under the brand tenet. The platform debuted in March 2023 and added the "Glimmering Project" anti-school-bullying helpline in September 2023. 2) The brand's TikTok account "Second Life in Proya" was created to convey brand attitudes with life-oriented and scenario-based plays.

(4) Channel:

1) Tmall: Better refine operations on Tmall and improve the operating strategy. In terms of products, continuously improve the product portfolio, enhance the market share of mature hero products, and create opportunities for new categories while deepening the product layout to seize the market. In terms of consumer attraction, draw the attention of visitors from touch points, take more advantages of content, and strengthen cooperation with IPs on the platform to increase the quantity and quality of attractive content and continuously increase the precise traffic of stores. Value the creation of customer perception, enrich forms of gifts for key products, and launch coordinative marketing activities to cover more core consumers of the brand. In terms of membership, secure the traditional member attraction channels with sample distribution while expanding presence to more channels. Better draw the attention of users and increase the frequency of repeated purchases with a point mechanism. In terms of livestreaming, organically combine key and secondary KOLs as well as store-owned livestreaming accounts to create a network of abundant portfolios including new products, exclusive products, and brand benefits, thus boosting the surge of attention from livestreaming platforms.

2) TikTok: Establish a comprehensive presence that locates the right people for the right products, expands to new consumers, and breaks the circle with KOLs. Establish a presence in 6 major account matrices and sort out the connection between target audience in the livestreaming room and products sold to break through the popularity barriers of hero products. Reach intensive cooperation with KOLs and match them with corresponding products. Refine the operation of the e-commerce platform, attract consumers through search, activities, and paid functions to promote the conversion ratio and further improve the sales proportion. Improve the advertising quality and efficiency and increase the use of selected materials.

3) JD: Seize industrial consumers from the perspectives of people, products, and venues to link up business modes inside out. Improve the hero product strategy, deepen product combos, and try scenario-based sales. Reach deeper cooperation with platforms, continuously improve the advertising efficiency, and increase the sales at key promotional nodes.

4) Offline: Cosmetics store channel: Continuously explore sales opportunities through the channel and find more opportunities to cooperate with different industries and business sectors to expand the sales network. Optimize the product portfolio and increase the "dynamic sales" efficiency at the point of sale to satisfy the needs of consumers at different ages. Help clients to complete sales with online tools and intensify the image building of management at the point of sale. **Department store channel:** Focus on influential business districts and large department store chains, make plans to open brick-and-mortar stores in multiple shopping centers nationwide, enhance the brand image design, and provide consumers with a completely new shopping experience. Furthermore, continue to upgrade and optimize offline pop-up stores, maintain brand theme of "scientific formula" and enhance in-store sample distribution to attract more consumers to participate.

Hapsode:

(1) Brand: Continue to upgrade the brand, enhance the scientific efficacy of products to create cost-efficient options that are suitable for oily skin, with noticeable effectiveness. Try a "less is more" marketing approach and convey the core user keyword "companionship" by collaborating on product IPs and optimizing brand-consumer touchpoints.

(2) Product: 1) Continuously monitor the health of oily skin types and develop a more comprehensive and targeted solution for the health of oily skin. Committed to a visually delicate state of oily skin, deeply protecting the health of oily skin. 2) Streamlined product lines and provide solutions for oily and acne-prone skin.

(3) Marketing: Continue to collaborate with popular IPs and engage in cross-industry projects to connect with the younger generation and have direct conversations with them. Collaborate with the most popular female celebrity, Loopy, a zoomer, to create a limited edition product packaging, thereby breaking into the market by leveraging the popularity of the trendiest celebrity among young people.

(4) Channel: Utilize TikTok as the primary channel for growth and simultaneously enhance the refined operations of other online channels such as Tmall.

2. Make-up - TIMAGE

(1) Brand: Continue to express the brand theme of "Chinese make-up, original beauty", and strive to collaborate with various partners to break boundaries and constantly enhance brand awareness. 1) Officially announce the appointment of actress CHEN Duling as the brand ambassador to attract fans from different circles. 2) Launch limited edition products by cooperating with popular IPs and continue to explore TIMAGE's "Chinese aesthetics".

(2) Product: Continue to strengthen the hero product strategy, maintain the leading position in the facial makeup category, build up reputation in the large makeup base category, and make breakthroughs in the foundation makeup, compact, and pressed powder categories, so as to complete the makeup base portfolio.

(3) Marketing: Transform the brand into "a professional makeup artist brand customized for Chinese faces", build a professional brand image, and form an impression in the mind of consumers. 1) Communicate with consumers on "professional makeup techniques and product features", while providing professional makeup solutions. 2) Utilize a professional service team and expert tutorials to advance the customized service system established by TIMAGE to the forefront. 3) Concentrate on leveraging TIMAGE's "professional endorsements" and "expertise" at brand milestones for impactful marketing output.

(4) Channel: Establish the brand image on Tmall, TikTok, JD, and other core channels and earn top ranking positions.

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

(1) Brand: Persist in the long-term goal of "becoming an enabler of a healthy and caring lifestyle for Asian scalps," establish and deepen the mindset of being an "expert in Asian scalp health."

(2) Product: 1) Position the brand as an "expert in Asian scalp health," apply the product development concept of "prevention through nurturing, gradual improvement, and an inside-out approach."

Continuously upgrade hero products while expanding the range of supplementary products to achieve comprehensive benefits to scalp health. 2) Enhance the efficacy and clinical validation of products for the Chinese market by synchronizing with third-party testing agencies to improve the efficacy validation and collaborating with the Hair Disease Medical Consortium of the China-Japan Friendship Hospital to achieve clinical validation.

(3) Marketing: 1) Implement an aggressive breakout strategy for hero products, create the core hero product "OR Refreshing Springs Bouncy Shampoo", enhance the layout of the shampoo category, and increase the market penetration of the repair, anti-hair loss, and nourishing series. 2) Continue to increase the market share of the "anti-hair loss" hero product by emphasizing professionalism and strong endorsement. 3) Improve the product layout and create a second-tier "Hair Care Series" (hair mask and hair care essence oil) bestsellers, continue to improve the market penetration of the oil control series (Purifying Scalp Cleanser).

(4) Channel: Focus on further enhancing the brand ranking on Tmall, JD, and TikTok to increase brand visibility and market position.

II. R&D construction

In 2024, the Company will continue to improve and upgrade the R&D system based on the internationalization strategy.

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

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

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

(4) External cooperation: Stabilize existing cooperation channels while expanding and deepening the cooperation with universities and research institutions. Leverage their advanced equipment and cutting-edge technologies to empower and facilitate research work.

(IV) Possible risks

Applicable Not applicable

1. Industry competition risks

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

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

2. Project incubation risks

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

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

(V) Other

Applicable Not applicable

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

Applicable Not applicable

Section IV Corporate Governance

I. Description of Corporate Governance

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Session	Date	Reference	Date of release	Resolution
2022 Annual General Meeting of Shareholders	May 11, 2023	Announcement No. 2023-026 on SSE website (www.sse.com.cn)	May 12, 2023	The meeting approved proposals including the <i>Company's Annual Report 2022 and its Summary</i> , and the <i>Plan for Annual Profit Distribution and Capitalization of Capital Reserves for 2022</i> . For details, see the <i>Announcement on Resolutions of the 2022 Annual General Meeting of Shareholders</i> (No.: 2023-026) released on the SSE website on May 12, 2023 (http://www.sse.com.cn) and

				relevant media.
1st Extraordinary General Meeting of Shareholders in 2023	September 14, 2023	Announcement No. 2023-056 on SSE website (www.sse.com.cn)	September 15, 2023	The meeting approved the <i>Company's 2023 Semi-Annual Profit Distribution Plan</i> , the <i>Proposal on Changing the Company's Registered Capital</i> , <i>Revising the Articles of Association</i> , and <i>Applying for Business Change Registration</i> , the <i>Proposal on Revising the External Investment and Operation Decision-Making System</i> , and other proposals. For details, see the <i>Announcement on Resolutions of the 1st Extraordinary General Meeting of Shareholders in 2023</i> (No.: 2023-056) released on the SSE website on September 15, 2023 (http://www.sse.com.cn) and relevant media.
2nd Extraordinary General Meeting of Shareholders in 2023	November 9, 2023	Announcement No. 2023-076 on SSE website (www.sse.com.cn)	November 10, 2023	The meeting approved the <i>Proposal on Revising the Articles of Association and Applying for Business Change Registration</i> . For details, see the <i>Announcement on Resolutions of the 2nd Extraordinary General Meeting of Shareholders in 2023</i> (No.: 2023-076) released on the SSE website on November 10, 2023 (http://www.sse.com.cn) and relevant media.
3rd Extraordinary General Meeting of Shareholders in 2023	December 29, 2023	Announcement No. 2023-092 on SSE website (www.sse.com.cn)	December 30, 2023	The meeting approved the <i>Proposal on revising the Rules of Procedures</i> , the <i>Proposal on revising the Working Policies for Independent Directors</i> , the <i>Proposal on Revising the Accounting Firm Selection System</i> , and other proposals. For details, see the <i>Announcement on Resolutions of the 3rd Extraordinary General Meeting of Shareholders in 2023</i> (No.: 2023-092) released on the SSE website on December 30, 2023 (http://www.sse.com.cn) and relevant media.

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

Applicable Not applicable

Description of the General Meeting of Shareholders

Applicable Not applicable

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

√ Applicable □ Not applicable

Unit: Share

Name	Position	Gender	Age	Term start date	Term end date	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shares during the year	Cause for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB'0,000)	Any remuneration from the Company's related parties
HOU Juncheng	Chairman of the Board of Directors	Male	60	7/30/2015	9/8/2024	97,670,741	136,739,037	39,068,296	Shares converted from capital reserve	331.59	No
FANG Yuyou	Director, General Manager	Male	55	7/30/2015	9/8/2024	45,772,470	59,625,258	13,852,788	Shares converted from capital reserve and shares reduced for personal capital need	329.45	No
HOU Yaming	Director	Male	36	9/9/2021	9/8/2024	0	0	0		82.63	No
HOU Yaming	Deputy General Manager	Male	36	9/15/2021	9/8/2024	0	0	0		0.00	No
MA Dongming	Independent Director	Male	54	5/13/2021	9/8/2024	0	0	0		15.00	No

GE Weijun	Independent Director	Male	49	9/9/2021	9/8/2024	0	0	0		15.00	No
HOU Luting	Supervisor	Female	35	5/2/2018	9/8/2024	0	0	0		29.09	No
FANG Qin	Supervisor	Female	34	5/8/2018	9/8/2024	0	0	0		36.88	No
HU Lina	Supervisor	Female	36	9/9/2021	9/8/2024	0	0	0		19.25	No
JIN Yanhua	Deputy General Manager	Male	62	4/16/2018	9/14/2024	216,973	303,762	86,789	Shares converted from capital reserve	255.61	No
WANG Li	CFO	Female	46	9/3/2018	9/14/2024	225,251	315,491	90,240	Capital reserve conversion to share capital and increase in shareholding by personal centralized bidding trading	252.57	No
WANG Li	Deputy General Manager, Secretary of the Board of Directors	Female	46	9/15/2021	9/14/2024	0	0	0		0.00	No
Total	/	/	/	/	/	143,885,435	196,983,548	53,098,113	/	1,367.05	/

Note: Main reasons for the change in the total pre-tax remuneration received by Company inside directors HOU Juncheng, FANG Yuyou, HOU Yameng and senior management employees JIN Yanhua and WANG Li during the Reporting Period are as follows:

(1) The total pre-tax remuneration of 2023 includes the annual overperformance incentives of 2022 and quarterly overperformance bonuses of 2023 (the Company exceeded its sales target in 2022, resulting in the first overperformance incentive payout for that year; the Company exceeded its sales targets for the 6.18 and 11.11 promotion campaigns in 2023).

(2) The Company paid cash bonuses to core management employees at the 20th anniversary in November 2023.

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 been serving as Executive Director of the Company. From August 2012, he been serving as Chairman of the Company and its predecessor. As of the disclosure date of the Reporting Period, he concurrently served as Executive Director and General Manager of Proya Trade, Executive Director of Meiligu, Executive Director of Chuangdai Electronics, Executive Director of Yueqing Laiya, Inside Director and Representative Director of Korea Hanna, Executive Director and General Manager of Hapsode (Hangzhou), Executive Director and General Manager of Huzhou Hapsode, Executive Director and General Manager of Mijing Siyu (Hangzhou), Executive Director of Proya (Hainan), Executive Director of Proya (Zhejiang), Chairman of CBI (Cosmetics Industry (Huzhou) Investment Development Co., Ltd., Executive Director and General Manager of Huzhou Beauty Town Technology Incubation Park Co., Ltd., Director of Yongxinou (Ningbo) International Trading Co., Ltd., and Executive Director of Zhejiang Zhujin Enterprise Management Co., Ltd.
FANG Yuyou	He once worked in Shijiazhuang Liaoyuan Cosmetics Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd., and Hangzhou Proya Holdings Co., Ltd. Since 2007, he has been working in the Company and its predecessor. Since August 2012, he has served as Director and General Manager of the Company and its predecessor. As of the disclosure date of the Reporting Period, he concurrently served as General Manager of Meiligu, General Manager of Yueqing Laiya, Inside Director of Korea Hanna, Director of Hong Kong Xinghuo, Executive Director and General Manager of Hangzhou Fangxiake Investment Co., Ltd., Director of Hangzhou Tairentang Biotechnology Co., Ltd., Supervisor of Zhejiang Boweihui Grapevine Technology Co., Ltd., and Director of Jiangsu Lenong Weimei Agricultural Technology Development Co., Ltd.
HOU Yameng	He once worked in the E-commerce Department of Proya Cosmetics Co., Ltd., and has been serving as Director and Deputy General Manager of the Company since September 2021. As of the disclosure date of the Reporting Period, he concurrently served as Executive Director and General Manager of Hainan Mengya Enterprise Consulting Co., Ltd. and Executive Director and General Manager of Hangzhou TIMAGE, Director of PROYA MALAYSIA, and Executive Partner of Sanya WaveDash Technology Partnership (Limited Partnership).
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 been serving as Independent Director of the Company. As of the end of the Reporting Period, he concurrently served as Independent Director of Transwarp Technology (Shanghai) Co., Ltd. and Independent Director of Merit Interactive Co., Ltd.
GE Weijun	He once worked in Zhejiang Xingyun Law Firm and Xingyun Law Firm Shanghai Branch. From February 2006 to December 2021, he served as Professor, Doctoral Supervisor, and Legal Adviser at Shanghai University of Finance and Economics. Since January 2022, he has been serving as a full-time teacher (professor) at the Law School of Fudan University. Since September 2021, he has been serving as Independent Director of the Company. He also serves as Arbitrator at the China International Economic and Trade Arbitration Commission, Arbitrator at the Shanghai International Economic and Trade Arbitration Commission, Arbitrator at the Shanghai Arbitration Commission, Arbitrator at the Shenzhen Court of International Arbitration, Executive Officer of the China Commercial Law Society, Vice President of the Commercial Research Branch of Shanghai Judicial Think Tank Institution, Vice President of the Commercial Law Research Association of the Shanghai Law Society, Vice President of the Cultural Law Law Research Association of the Shanghai Law Society, Independent Director of Shanghai Huace Navigation Technology Ltd., Independent Director of Changzhou ECTEK Automotive Electronics System Co., Ltd. (Non-Listed Company), Independent Director of

	Hangzhou EZVIZ Network Co., Ltd. and Supervisor of Shanghai Fudan Asset Management Co., Ltd.
HOU Luting	From July 2013 to January 2014, she served as an expatriate financial specialist at Zhonghui Accounting Firm. From February 2014 to June 2017, she served as a packaging material procurement specialist at the Purchasing Department of the Company. From June 2017 to April 2019, she served as a raw material procurement specialist at the Purchasing Department of the Company. From April 2019 to March 2021, she served as a raw material evaluation engineer. From March 2021 to December 2022, she served as a deputy price review manager. From December 2022 to present, she has been serving as a price review manager. Since May 2018, she has served as Supervisor of the Company.
FANG Qin	From November 2008 to January 2018, she served as Director of the Planning Department of the Company and its predecessor. From January 2018 to July 2022, she served as Planning Strategy Manager of the Company. Since July 2022, she has served as Senior Planning Strategy Manager of the Company. Since May 2018, she has been serving as Supervisor of the Company.
HU Lina	She once worked in Pan-China Certified Public Accountants (Special General Partnership), and has served as Strategy Supervisor at the Company since 2013, and has been serving 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 been serving as Deputy General Manager of the Company. As of the disclosure date of the Reporting Period, he concurrently served as Executive Director of Hanya (Huzhou), Executive Director of Huzhou UZERO, Manager of Chuangdai Electronics, Executive Director and General Manager of Proya Commercial, Executive Director and General Manager of Huzhou Niuke, Executive Director and General Manager of Hangzhou Wanyan, Executive Director and General Manager of Zhejiang Beute, Executive Director of Shanghai Zhongwen, Executive Director and General Manager of Ningbo Proya, Chairman of Ningbo Keshi, Chairman of Ningbo TIMAGE, Director of Hong Kong Keshi, Director of Hong Kong Wanyan, Director of Hong Kong Zhongwen, Executive Director of Zhejiang Qingya, Executive Director and Manager 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 OOMS, Director of Japan OR, Executive Director and Manager of Guangzhou Qianxi, Director of Ningbo Xiyu Interactive Entertainment Culture Media Co., Ltd., General Manager of Proya (Hainan), Director of Korea Hapsode, Executive Director and General Manager of Xuzhou Laibo, Executive Director and General Manager of Singuladerm (Hangzhou), Chairman and General Manager of Ningbo Tangyu, Manager of Proya (Zhejiang), Executive Director and General Manager of Hangzhou CORRECTORS, Executive Director and General Manager of Huzhou Keyan, Executive Director and General Manager of Hubei Laibo, Executive Director and General Manager of Ningbo Jingzhe Cosmetics Co., Ltd., and Executive Director and General Manager of Hangzhou Gloris Trading Co., Ltd.
WANG Li	She once served as CFO of Guangzhou Yingtai Digital Power Technology Co., Ltd., Financial Representative of US CELLSTAR (Phonest Star), Financial Manager of Shanghai Ruili Sports Co., Ltd., Financial Director of Vgrass Fashion Co., Ltd., Financial Director of Zhuoshang Clothing (Hangzhou) Co., Ltd., and Financial Director of Nanjing Sunport Photovoltaics Co., Ltd. Since April 2023, she has been serving as Independent Director of Zhejiang Wazam New Materials Co., Ltd. She is currently Deputy General Manager, Secretary of the Board of Directors, and CFO of Proya Cosmetics Co., Ltd.

Other explanations

Applicable Not applicable

(II) Positions of current and resigned directors, supervisors and senior management during the Reporting Period**1. Positions held in shareholder entities**

□ Applicable ✓ Not applicable

2. Positions held in other entities

□ Applicable □ Not applicable

Name of employee	Name of another entity	Position held	Term start date	Term end date
HOU Juncheng	Proya Trade	Executive Director and General Manager	June 2011	
	Meiligu	Executive Director	November 2012	
	Chuangdai Electronics	Executive Director	December 2016	
	Yueqing Laiya	Executive Director	September 2015	
	Korea Hanna	Inside Director and Representative Director	November 2011	
	Hapsode (Hangzhou)	Executive Director and General Manager	February 2018	
	Huzhou Hapsode	Executive Director and General Manager	May 2016	
	Danyang Hapsode	Executive Director and General Manager	December 2016	December 2023
	Mijing Siyu (Hangzhou)	Executive Director and General Manager	February 2018	
	Huzhou Younimi	Executive Director and General Manager	November 2022	January 2024
	Proya (Hainan)	Executive Director	January 2021	
	Proya (Zhejiang)	Executive Director	May 2022	
	Hangzhou Kunyi Industrial Co., Ltd.	Chairman and General Manager	April 2014	February 2024
	Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Chairman of the Board of Directors	December 2018	
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Executive Director and General Manager	January 2019	
	FANG Yuyou	Xinjiang Huanyu New Silk Road Investment Development Co., Ltd.	Director	March 2021
Yongxinou (Ningbo) International Trade Co., Ltd.		Director	May 2022	
Zhejiang Zhujin Enterprise Management Co., Ltd.		Executive Director	September 2022	
Meiligu		General Manager	November 2012	
FANG Yuyou	Yueqing Laiya	General Manager	September 2015	
	Korea Hanna	Inside Director	November 2011	
	Hong Kong Xinghuo	Director	March 2019	

	Hangzhou Fangxiake Investment Co., Ltd.	Executive Director and General Manager	May 2018	
	Hangzhou Kunyi Industrial Co., Ltd.	Director	April 2014	February 2024
	Hangzhou Tairentang Biotechnology Co., Ltd.	Director	December 2014	
	Zhejiang Poweihui Grapevine Technology Co., Ltd.	Supervisor	November 2021	
	Jiangsu Lenong Weimei Agricultural Technology Development Co., Ltd.	Director	May 2022	
HOU Yameng	Hainan Mengya Enterprise Consulting Co., Ltd.	Executive Director and General Manager	November 2021	
	Hangzhou TIMAGE	Executive Director and General Manager	March 2022	
	PROYA MALAYSIA	Director	November 2023	
	Sanya WaveDash Technology Partnership (Limited Partnership)	Executive Partner	March 2024	
MA Dongming	Transwarp Technology (Shanghai) Co., Ltd.	Independent Director	December 2020	
	Zhejiang Shuangyuan Science & Technology Development Co., Ltd.	Independent Director	December 2020	December 2023
	Merit Interactive Co., Ltd.	Independent Director	May 2022	
GE Weijun	Shanghai Huace Navigation Technology Ltd.	Independent Director	December 2020	
	Changzhou ECOTEK Automotive Electronics System Co., Ltd. (Non-Listed Company)	Independent Director	September 2021	
	Hangzhou EZVIZ Network Co., Ltd.	Independent Director	March 2022	
	Zheshang Development Group Co., Ltd.	Independent Director	May 2022	December 2023
	Shanghai Fudan Asset Management Co., Ltd.	Supervisor	August 2022	
JIN Yanhua	Anya (Huzhou)	Executive Director	December 2016	
	Huzhou UZERO	Executive Director	January 2018	
	Chuangdai Electronics	Manager	February 2018	
	Proya Commercial	Executive Director and General Manager	September 2018	
	Huzhou Niuke	Executive Director and General Manager	December 2018	
	Hangzhou Wanyan	Executive Director and General Manager	January 2019	
	Zhejiang Beauty	Executive Director and	March 2019	

		General Manager		
	Shanghai Zhongwen	Executive Director	April 2019	
	Ningbo Proya	Executive Director and General Manager	December 2019	
	Ningbo Keshi	Director	September 2019	
	Ningbo TIMAGE	Director	July 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	
	Luxiaotie	Manager	March 2023	
	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 Manager	October 2020	
	Ningbo Xiyou Interactive Entertainment Culture Media Co., Ltd.	Director	September 2020	
	Proya (Hainan)	General Manager	January 2021	
	Korea Hapsode	Director of the Company	June 2021	
	Xuzhou Laibo	Executive Director and General Manager	January 2022	
	Singuladerm (Hangzhou)	Executive Director and General Manager	October 2021	
	Ningbo Tangyu	Chairman and General Manager	October 2021	
	Proya (Zhejiang)	Manager	May 2022	
	Hangzhou CORRECTORS	Executive Director and General Manager	December 2022	
	Huzhou Keyan	Executive Director and General Manager	March 2023	
	Hubei Laibo	Executive Director and General Manager	July 2023	
	Ningbo Jingzhe Cosmetics Co., Ltd.	Executive Director and General Manager	January 2024	
	Hangzhou Gloris Trading Co., Ltd.	Executive Director and General Manager	March 2024	
WANG Li	Zhejiang Wazam New Materials Co., Ltd.	Independent Director	April 2023	
Description of position held in other entities	None			

(III) Remuneration of directors, supervisors and senior management

√ Applicable □ Not applicable

Decision-making procedures for remuneration of directors, supervisors and senior management	The remuneration of directors and supervisors of the Company shall be approved by the Remuneration and Appraisal Committee, the Board of Directors and the Board of Supervisors respectively. Then, the remuneration plan shall be submitted to the general meeting of shareholders for deliberation. The remuneration of senior management shall be deliberated by the Remuneration and Appraisal Committee and the Board of Directors.
Whether the director recuses himself/herself when the board of directors is discussing his/her compensation	Yes
Specific recommendations made by the Remuneration and Appraisal Committee or a special meeting of independent directors regarding the remuneration of directors, supervisors, and senior management.	The remuneration of directors, supervisors, and senior management shall be determined based on industry benchmarks and regional standards, as well as the Company's specific circumstances.
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 RMB13.67million from the Company.

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

Applicable Not applicable

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

Applicable Not applicable

(VI) Other

Applicable Not applicable

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

Session	Date	Resolution
10th meeting of the 3rd session of Board of Directors	March 8, 2023	The meeting approved the Proposal on No Early Redemption of "Proya Convertible Bonds". For details, see the <i>Announcement on No Early Redemption of "Proya Convertible Bonds"</i> (No.: 2023-005) released on the SSE website on March 9, 2023 (http://www.sse.com.cn) and relevant media.
11th meeting of the 3rd session of Board of Directors	April 19, 2023	The meeting approved the <i>Company's Annual Report 2022 and its Summary</i> , the <i>Company's Sustainable Development & Environmental, Social, and Governance (ESG) Report 2022</i> , the <i>Company's Plan for Profit Distribution and Capitalization of Capital Reserves for 2022</i> , and other proposals. For details, see the <i>Announcement on Resolutions of the 11th Meeting of the 3rd</i>

		<i>Session of Board of Directors</i> (No.: 2023-010) released on the SSE website on April 21, 2023 (http://www.sse.com.cn) and relevant media.
12th meeting of the 3rd session of Board of Directors	June 20, 2023	The meeting approved the <i>Proposal on Adjusting the Price and Quantity of Restricted Shares Repurchased under the 2022 Restricted Shares Incentive Plan</i> , the <i>Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares</i> , and the <i>Proposal on the Adjustment of the Conversion Price of "Proya Convertible Bond"</i> . For details, see the <i>Announcement on Resolutions of the 12th Meeting of the 3rd Session of Board of Directors</i> (No.: 2023-034) released on the SSE website on June 21, 2023 (http://www.sse.com.cn) and relevant media.
13th meeting of the 3rd session of Board of Directors	August 28, 2023	The meeting approved the <i>Company's 2023 Semi-annual Report and its Summary</i> , the <i>2023 Special Report on the Semi-annual Storage and Actual Use of Raised Fund</i> , the <i>Company's 2023 Semi-Annual Profit Distribution Plan</i> , and other proposals. For details, see the <i>Announcement on Resolutions of the 13th Meeting of the 3rd Session of Board of Directors</i> (No.: 2023-046) released on the SSE website on August 30, 2023 (http://www.sse.com.cn) and relevant media.
14th meeting of the 3rd session of Board of Directors	September 8, 2023	The meeting approved the <i>Proposal on Satisfying the Conditions for Release from Sales Restrictions in the First Release Period under the 2022 Restricted Shares Incentive Plan</i> . For details, see the <i>Announcement on Satisfying the Conditions for Release from Sales Restrictions in the First Release Period under the 2022 Restricted Shares Incentive Plan</i> (No.: 2023-055) released on the SSE website on September 12, 2023 (http://www.sse.com.cn) and relevant media.
15th meeting of the 3rd session of Board of Directors	September 14, 2023	The meeting approved the <i>Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares</i> . For details, see the <i>Announcement on Repurchasing and De-registering Part of Restricted Incentive Shares</i> (No.: 2023-058) released on the SSE website on September 15, 2023 (http://www.sse.com.cn) and relevant media.
16th meeting of the 3rd session of Board of Directors	October 23, 2023	The meeting approved the <i>Company's 2023 Q3 Report</i> , the <i>Proposal on Adjusting the Repurchase Price under the 2022 Restricted Shares Incentive Plan</i> , and other proposals. For details, see the <i>Announcement on Resolutions of the 16th Meeting of the 3rd Session of Board of Directors</i> (No.: 2022-067) released on the SSE website on October 24, 2023 (http://www.sse.com.cn) and relevant media.
17th meeting of the 3rd session of Board of Directors	December 13, 2023	The meeting approved the <i>Proposal on Revising the Articles of Association and Applying for Business Change Registration</i> , the <i>Proposal on Revising the Rules of Procedures</i> , the <i>Proposal on Revising the Working Policies for Independent Directors</i> , and other proposals. For details, see the <i>Announcement on Resolutions of the 17th Meeting of the 3rd Session of Board of Directors</i> (No.: 2022-082) released on the SSE website on December 14, 2023 (http://www.sse.com.cn) and relevant media.

VI. Performance of Duties by Directors

(I) Directors attending meetings of the Board of Directors and general meetings of shareholders

Director Name	Independent director or not	Attendance at meetings of the Board of Directors	Attendance at general meetings of
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								shareholders
		Number of meetings of the Board of Directors to be attended this year	Number of meetings of the Board of Directors attended in person	Number of meetings of the Board of Directors attended by communication	Number of meetings of the Board of Directors attended by proxy	Number of meetings of the Board of Directors absent from	Fail to attend two consecutive meetings of the Board of Directors or not	Number of general meetings of shareholders attended
HOU Juncheng	No	8	8	0	0	0	No	4
FANG Yuyou	No	8	8	0	0	0	No	4
HOU Yameng	No	8	8	1	0	0	No	4
MA Dongming	Yes	8	8	4	0	0	No	4
GE Weijun	Yes	8	8	5	0	0	No	4

Description of absence from two consecutive meetings of the Board of Directors

Applicable Not applicable

Number of meetings of the Board of Directors held during the year	8
Including: number of on-site meetings	3
Number of meetings held by communication	0
Number of meetings held both on site and by communication	5

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

Applicable Not applicable

(III) Other

Applicable Not applicable

VII. Special Committees under the Board of Directors

Applicable Not applicable

(I) Members of special committees under the Board of Directors

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

(II) Six meetings held by the Audit Committee during the Reporting Period

Date	Description	Important comments and suggestions	Other performance of duties
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April 19, 2023	The 7th meeting of the 3rd session of the Audit Committee was held to deliberate on and approve the <i>Company's Annual Report 2022 and its Summary, the Company's 2023 Q1 Report, the Company's Annual Financial Final Report 2022, the Performance Report 2022 of the Audit Committee under the Company's Board of Directors, the Company's Internal Control Evaluation Report 2022, the 2022 Special Report on the Annual Storage and Actual Use of Raised Fund, the Company's Plan for Profit Distribution and Capitalization of Capital Reserves for 2022, the Proposal on Payment of Audit Fees for 2022 and Further Employment of the Accounting Firm for 2023, the Proposal on the Accrual of Asset Impairment Provision for 2022, the Proposal on the Adjustment of the Conversion Price of "Proya Convertible Bond", the Proposal on the Partial Delay of Raising Funds for Investment Projects, and the Company's Annual Internal Audit Work Report 2022.</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
June 20, 2023	The 8th meeting of the 3rd session of the Audit Committee was held to deliberate on and approve the <i>Proposal on Adjusting the Price and Quantity of Restricted Shares Repurchased under the 2022 Restricted Shares Incentive Plan, the Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares, and the Proposal on the Adjustment of the Conversion Price of "Proya Convertible Bond".</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
August 28, 2023	The 9th meeting of the 3rd session of the Audit Committee was held to deliberate on and approve the <i>Company's 2023 Semi-annual Report and its Summary, the 2023 Special Report on the Semi-annual Storage and Actual Use of Raised Fund, the Company's 2023 Semi-Annual Profit Distribution Plan, the Proposal on the Adjustment of the Conversion Price of "Proya Convertible Bond", and the Proposal on Revising the Internal Audit Management Policies.</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
September 14, 2023	The 10th meeting of the 3rd session of the Audit Committee was held to deliberate on and approve the <i>Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares.</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
October 23, 2023	The 11th meeting of the 3rd session of the Audit Committee was held to deliberate on and approve the <i>Company's 2023 Q3 Report, the Proposal on Adjusting the Repurchase Price under the 2022 Restricted Shares Incentive Plan, the Proposal on the Adjustment of the Conversion Price of "Proya Convertible Bond", and the Proposal on the Accrual of Asset Impairment Provision for the First Three Quarters of 2022.</i>	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
December 13, 2023	The 12th meeting of the 3rd session of the Audit Committee was held to deliberate on and approve	Approve these proposals and	None

	the <i>Proposal on Revising the Work Rules for the Audit Committee of the Board of Directors</i> , the <i>Proposal on Developing the Accounting Firm Selection System</i> , and the <i>Proposal on the Plan for Repurchasing the Company's Shares Through Centralized Bidding</i> .	agree to submit them to the Board of Directors for deliberation	
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(III) Two meetings held by the Remuneration and Appraisal Committee during the Reporting Period

Date	Description	Important comments and suggestions	Other performance of duties
April 19, 2023	The 4th meeting of the 3rd session of Remuneration and Appraisal Committee was held to deliberate on and approve the <i>Proposal on Confirming the Remuneration of Directors for 2022 and the Proposal on Confirming the Remuneration of Senior Management for 2022</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None
September 8, 2023	The 5th meeting of the 3rd session of Remuneration and Appraisal Committee was held to deliberate on and approve the <i>Proposal on Satisfying the Conditions for Release from Sales Restrictions in the First Release Period under the 2022 Restricted Shares Incentive Plan</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None

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

Date	Description	Important comments and suggestions	Other performance of duties
April 19, 2023	The 3rd meeting of the 3rd session of Strategy Committee was held to deliberate on and approve the <i>Proposal on the Company's Strategic Business Plan 2023</i> .	Approve these proposals and agree to submit them to the Board of Directors for deliberation	None

(V) Dissenting matters

Applicable Not applicable

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

Applicable Not applicable

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

IX. Employees of the Parent Company and Major Subsidiaries as of the End of the Reporting Period

(I) Employees

Number of current employees of the parent company	1,477
Number of current employees of major subsidiaries	1,494
Total number of employees	2,971
Number of retired employees to be supported by the parent company and major subsidiaries	4
Specialty distribution	

Category	Number of employees
Production workers	310
Sales specialists	1,996
Management	343
R&D personnel	322
Total	2,971
Educational background	
Education level	Number (persons)
Bachelor and above	1,584
Associate	740
High school and below	647
Total	2,971

(II) Remuneration policy

Applicable Not applicable

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

(III) Training program

Applicable Not applicable

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

(IV) Labor outsourcing

Applicable Not applicable

Total man-hours for labor outsourcing	
Total remuneration paid for labor outsourcing	RMB76,520,604.14

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

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

(3) Huzhou Branch signed the Service Project Contracting Agreement with Zhejiang Hongfu Supply Chain Management Co., Ltd. to outsource services such as partial goods handling, loading and unloading, combined packaging, and mask folding to the latter, and pay consideration for the agreed quantities.

X. Profit Distribution or Capital Reserve Conversion Plan**(I) Development, implementation or adjustment of the cash dividend distribution policy**

Applicable Not applicable

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

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

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

II. Principles for planning for dividend distribution to shareholders

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

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

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

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

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

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

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

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

During the Reporting Period, the Company's 2022 Annual General Meeting of Shareholders deliberated on and approved the profit distribution plan of 2022: Based on the Company's total share capital of 283,520,339 shares before the implementation of the plan, a cash dividend of RMB0.87 per share (tax inclusive) was distributed, with a total of RMB246,662,694.93 cash dividends distributed. The said dividend distribution was completed on May 29, 2023.

During the Reporting Period, the Company's 2023 Annual General Meeting of Shareholders deliberated on and approved the 2023 semi-annual profit distribution plan: Based on the Company's total share capital of 396,823,346 shares before the implementation of the plan, a cash dividend of RMB0.38 per share (tax inclusive) was distributed, with a total of RMB150,792,871.48 cash dividends distributed. The said dividend distribution was completed on October 23, 2023.

(II) Special description of the cash dividend policy

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Number of bonus shares distributed per 10 shares (shares)	0
Dividends per 10 shares (RMB) (tax included)	9.10
Conversions per 10 shares (shares)	0
Amount of cash dividends (tax included)	359,037,186.69
Net profit attributable to ordinary shareholders of the Company in the annual consolidated statement of dividends	1,193,868,141.81
Proportion in the net profit attributable to ordinary shareholders of the Company in the consolidated statement (%)	30.07
Amount of shares repurchased in cash included in cash dividends	39,076,754.20
Total dividend amount (tax included)	398,113,940.89
Proportion of the dividend amount in the net profit attributable to ordinary shareholders of the Company in the consolidated statement (%)	33.35

Note: 1. The Company held the 18th meeting of the 3rd session of Board of Directors on April 17, 2024, during which the Company deliberated on and approved the *2023 Annual Profit Distribution Plan*. Based on the total share capital (excluding the shares in the Company's special securities account for repurchase) as of the record date on which equity distribution is implemented, the Company proposes to distribute to all shareholders registered a cash dividend of RMB9.10 (tax inclusive) per 10 shares. Based on the total share capital of 396,757,184 shares on December 31, 2023, deducting 2,210,825 shares in the Company's special securities account for repurchase, it is estimated that the cash dividend to be distributed will amount to RMB359,037,186.69 (tax inclusive) without converting the capital reserve into share capital or giving any bonus shares. In case of a change in the Company's total share capital due to the conversion of convertible bonds before the record date for equity distribution, the Company maintains the said distribution ratios and yet adjusts the total distribution amounts.

2. On October 23, 2023, the Company completed the implementation of the 2023 semi-annual profit distribution plan. Based on the Company's total share capital of 396,823,346 shares before the implementation of the plan, a cash dividend of RMB0.38 per share (tax inclusive) was distributed, with a total of RMB150,792,871.48 cash dividends distributed.

3. According to the *Guideline No. 7 for the Self-regulatory Rules of Companies Listed on the Shanghai Stock Exchange - Share Repurchase* and other relevant regulations, for listed companies that repurchase shares using cash as consideration through centralized bidding or tender offer, the amount of repurchased shares in the current year shall be treated as the amount of cash dividends and counted in the calculation

of the cash dividend proportion for that year. In 2023, the Company repurchased shares amounting to RMB39,076,754.20 (excluding transaction expenses) through centralized bidding.

To conclude, the amount of cash dividends for the year 2023 (including the proposed annual dividend for 2023, the semi-annual cash dividend for 2023, and the amount of repurchased shares through centralized bidding for 2023) accounts for 45.98% of the net profit attributable to the shareholders of the Company in the consolidated statement of 2023.

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 Adjusting the Price and Quantity of Restricted Shares Repurchased under the 2022 Restricted Shares Incentive Plan	No. 2023-036 announcement published on the SSE website, <i>Shanghai Securities News</i> , and <i>Securities Times</i> on June 21, 2023
Announcement on the Repurchase and Cancellation of Some Equity Incentive Restricted Shares	No. 2023-037 announcement published on the SSE website, <i>Shanghai Securities News</i> , and <i>Securities Times</i> on June 21, 2023
Announcement on the Implementation of the Repurchase and Cancellation of Some Restricted Shares under the 2022 Restricted Shares Incentive Plan	No. 2023-044 announcement published on the SSE website, <i>Shanghai Securities News</i> , and <i>Securities Times</i> on August 22, 2023
Announcement on the Repurchase and Cancellation of Some Equity Incentive Restricted Shares	No. 2023-058 announcement published on the SSE website, <i>Shanghai Securities News</i> , <i>Securities Times</i> , <i>China Securities Journal</i> , <i>Securities Daily</i> , <i>Economic Information Daily</i> , and <i>China Daily</i> on September 15, 2023
Announcement on the Satisfaction of Conditions for Release from Sales Restrictions in the First Release Period under the 2022 Restricted Shares Incentive Plan and Listing	No. 2023-061 announcement published on the SSE website, <i>Shanghai Securities News</i> , <i>Securities Times</i> , <i>China Securities Journal</i> , <i>Securities Daily</i> , <i>Economic Information Daily</i> , and <i>China Daily</i> on September 20, 2023
Announcement on Adjusting the Repurchase Price of the 2022 Restricted Shares Incentive Plan	No. 2023-069 announcement published on the SSE website, <i>Shanghai Securities News</i> , <i>Securities Times</i> , <i>China Securities Journal</i> , <i>Securities Daily</i> , <i>Economic Information Daily</i> , and <i>China Daily</i> on October 24, 2023
Announcement on the Implementation of the Repurchase and Cancellation of Some Restricted Shares under the 2022 Restricted Shares Incentive Plan	No. 2023-080 announcement published on the SSE website, <i>Shanghai Securities News</i> , <i>Securities Times</i> , <i>China Securities Journal</i> , <i>Securities Daily</i> , <i>Economic Information Daily</i> , and <i>China Daily</i> on December 11, 2023

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

Equity incentives

Applicable Not applicable

Other explanations

Applicable Not applicable

Employee stock ownership plans

Applicable Not applicable

Other incentives

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

Unit: Share

Name	Position	Number of restricted shares held at the beginning of the year	Number of newly granted restricted shares during the Reporting Period	Price of restricted shares granted (RMB)	Unlocked shares	Locked shares	Number of restricted shares held at the end of the Reporting Period	Market price as of the end of the Reporting Period (RMB)
JIN Yanhua	Deputy General Manager	140,000	0	78.56	58,800	137,200	137,200	99.40
WANG Li	Deputy General Manager, Secretary of the Board of Directors, CFO	180,000	0	78.56	75,600	176,400	176,400	99.40
Total	/	320,000	0	/	134,400	313,600	313,600	/

Note: The Company implemented the 2022 Equity Distribution Plan on May 29, 2023, in which the Company distributed to all shareholders a cash dividend of RMB8.70 (tax inclusive) per 10 shares based on the total share capital as of the record date on which equity distribution is implemented and issued 4 shares for every 10 shares to all shareholders through capitalization of the capital reserve. The "locked shares", "unlocked shares" and "number of restricted shares held at the end of the period" mentioned in the table above include the shares converted through the capitalization of the capital reserve in 2022.

(IV) Evaluation mechanism for senior management as well as the establishment and implementation of the incentive mechanism during the Reporting Period Applicable Not applicable

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

XII. Construction and Implementation of the Internal Control System during the Reporting Period Applicable Not applicable

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

development of the Company.

Description of material deficiencies in internal control during the Reporting Period

Applicable Not applicable

XIII. Management and Control of Subsidiaries during the Reporting Period

Applicable Not applicable

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

XIV. Description of the Internal Control Audit Report

Applicable Not applicable

During the Reporting Period, Pan-China Certified Public Accountants (Special General Partnership), the Company's internal control auditing firm, issued the Internal Control Audit Report (T.J.S.[2024] No.[2241]), in which opinion the Company had maintained effective internal control over financial reporting in all material aspects as of December 31, 2023 pursuant to the Basic Rules for Internal Control and other applicable provisions.

Whether to disclose the internal control audit report: Yes

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

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

None

XVI. Other

Applicable Not applicable

Section V Environmental and Social Responsibility

I. Environmental Information

Whether to establish the environmental protection mechanism	Yes
Investment in environmental protection during the Reporting Period (Unit: RMB '0,000)	402.44

(I) Description of 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) Description of environmental issues of the Company not included in the list of primary pollutant discharge entities

Applicable Not applicable

1. Administrative penalties due to environmental issues

Applicable Not applicable

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

Applicable Not applicable

The Company strictly complies with environmental laws and regulations, including the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, and the Regulations on the Safety Management of Hazardous Chemicals. We follow an environmental management policy to save energy, reduce consumption and emissions, and increase efficiency. The Company continuously strengthens its environmental risk management to ensure that its production and operations comply with relevant laws, regulations, and standards. The Company has established management documentation covering all environmental impact factors. Additionally, the Company implements various management policies in its production and operations to ensure effective control of environment-related risks. During the Reporting Period, the Company's resource use had no significant impact on the environment. In addition, the Company paid environmental protection taxes and fees in full, and no violations of environmental protection laws or regulations occurred. The Company passed the ISO14001:2015 Environmental Management System certification (valid until February 14, 2025).

The Company's Huzhou Factory was designed and built in accordance with GMP standards. All production workshops meet the environmental control standards for cosmetic clean areas. The intelligent warehousing center has fully optimized the data and the robot-driven automation system, maximizing the sustainability of healthy and ecological production and achieving our strategic goals of cost reduction and efficiency enhancement.

In September 2023, the Company's Huzhou Factory was awarded the title "Green and Low-Carbon Factory of Zhejiang 2023". During the Reporting Period, the Company's Huzhou factory was honored as a water-saving enterprise for the year 2023.

In 2023, the Company submitted the Climate Change Questionnaire to the Carbon Disclosure Project (CDP) and achieved grade "B", reflecting its effective management in sustainability and climate action. The discharge of industrial wastewater, waste gas, and residues mainly occur from product production. Main administrative measures taken during the Reporting Period include:

(1) Wastewater:

- ① Constructed a wastewater treatment system to ensure that the treated wastewater is highly purified and recycled.
- ② Installed the Multi Vision COD online automatic monitoring instrument to monitor the COD content in treated water 24 hours a day.
- ③ Installed a new sludge pressing device at the Huzhou factory to ensure class-A sewage discharge.
- ④ Excavated, replaced, repaired and retested some damaged rain and sewage pipes in the factory area in accordance with the result reported by the underground pipeline CCTV detection system (CCTV detection).

(2) Waste gas:

- ① Added a waste gas treatment facility for the cream production line to reduce the emission of dust and organic waste gas. After being used, the facility can collect 99% dust and remove 75% organic waste gas.
- ② Installed a highly-precise volatile organic chemical (VOC) gas collection device to effectively reduce unorganized gas emissions.

(3) Solid waste:

The Company properly disposed of solid waste generated in production and operations. The Company managed solid waste in a macroscopical manner and the factories can track the whole process data on solid waste and prevent risks by requesting to report the amount of generated hazardous waste on the Zhejiang Information System Platform for the Supervision of Solid Wastes every year, selecting hazardous waste treatment service providers through open bidding on the platform, and requesting for the treatment of hazardous waste on the platform.

During the Reporting Period, the sludge pressing device at the Huzhou factory reduced the sludge production by 75%, resulting in an annual reduction of approximately 540 tons of sludge.

3. Reasons for non-disclosure of other environmental information

Applicable Not applicable

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

√ Applicable □ Not applicable

The Company's emissions of greenhouse gases are generated throughout the product lifecycle, with a small percentage arising from office operations. Based on identified sources of greenhouse gas emissions, we set greenhouse gas emission reduction goals in the Proya Sustainable Development Strategic Plan and collect greenhouse gas emission data every year to assess our performance in climate change management. In the sales process, all the Company's stores choose the best energy-saving solutions during renovation to reduce carbon emissions during operation. The Company's extensive sales are also engaged in carbon reduction initiatives. For example, a photovoltaic power generation facility has been installed at Haining Intime Department Store to partially replace traditional energy sources.

During the Reporting Period, the Company reached a consensus with top ten strategic partners on the Proya Sustainable Development Strategic Plan and released the "Together for A Zero Carbon Future, Beauty in Harmony" carbon reduction manifesto, committing to reduce carbon emissions by 2025.

During the Reporting Period, the Company carried out energy-saving and technology upgrade in an orderly manner, resulting in a reduction of 177.21 tons of carbon dioxide emissions. Additionally, the Company's initiatives such as purchasing green electricity and implementing photovoltaic power generation led to a reduction of 4,744.30 tons of carbon dioxide emissions, and the Company's reduction of packaging and use of replacement packaging led to a further reduction of 650.42 tons of carbon dioxide emissions.

The Company actively communicates and collaborates with original equipment manufacturers (OEMs) and original design manufacturers (ODMs) to seek carbon reduction opportunities in production. During the Reporting Period, an OEM factory reduced its electricity consumption by using automated products, saving approximately 28 mWh of electricity per year.

The Company promotes carbon reduction policies to its raw material suppliers and plans for the establishment of a system for collecting and evaluating suppliers' carbon emission data. The Company prioritizes suppliers with lower carbon emissions. During the Reporting Period, the range of carbon data collection covered 156 suppliers, accounting for 90% (cooperation amount) of raw material suppliers. Additionally, during the Reporting Period, the Company's e-commerce delivery boxes (May 1, 2023 - December 31, 2023) had achieved carbon neutrality by suppliers through carbon offset, reducing the carbon footprint of products in the distribution and transportation processes.

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

Whether to take carbon emission reduction measures	Yes
Carbon dioxide emission equivalent reduced (unit: tons)	5,571.93
Type of carbon emission reduction measures (such as electricity generation with clean energy, carbon reduction technologies used in production, or the development and production of new products that help reduce carbon emissions)	<p>1. Implement energy-saving and technology upgrades: Carried out clean production as well as energy-saving and technology upgrades in an orderly manner. Reduced carbon dioxide emissions by 177.21 tons.</p> <p>2. Use clean energy: (1) Used 6,121.42 megawatt-hours of green electricity. (2) Installed a photovoltaic system on the roof of the new warehouse, with an installation area of 38,197 square meters and a capacity of 2,000 kilowatts. The annual electricity output reached around 2,000 mWh. During the Reporting Period, the photovoltaic system generated 2,197.53 mWh of electricity. (3) All forklifts at the factory were replaced with new energy forklifts. The Company reduced carbon dioxide emissions by 4,744.30 tons.</p> <p>3. Carbon reduction in packaging: (1) PROYA Advanced Firming Nourishing Light Cream 3.0 simplified packaging design compared with PROYA Advanced Firming Nourishing Light Cream 2.0, reducing</p>

	<p>the use of plastic by about 100.49 tons during the Reporting Period;</p> <p>(2) PROYA Double Effect Brightening Essence was changed to a replacement design, reducing the use of plastic by about 107.97 tons during the Reporting Period;</p> <p>The Company reduced carbon dioxide emissions by 650.42 tons.</p>
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Specific description

Applicable Not applicable

II.Social Responsibility

(I) Whether to independently disclose social responsibility reports, sustainable development reports, or ESG reports

Applicable Not applicable

For details, see the *Proya Sustainability & Environmental, Social, and Governance (ESG) Report 2023* disclosed by the Company on the SSE website (www.sse.com.cn) disclosed on the same day.

(II) Description of social responsibilities

Applicable Not applicable

External donation and charity projects	Quantity/content	Description
Total investment (RMB'0,000)	866.12	Include funds and materials donated by the Company to various community philanthropy and charitable activities
Including: fund (RMB'0,000)	850.14	<p>1. The Company donated RMB300,000 to Shanghai Adream Foundation for charitable purposes.</p> <p>2. The Company donated RMB100,000 to the Yunhe County Charity Association for the rural revitalization project in Yunhe, Huzhou.</p> <p>3. The Company donated RMB494,593.80 to the Beijing New Sunshine Charity Foundation for the Glimmering Project and RMB404,525 for the Echo Project.</p> <p>4. The Company donated RMB800,000 to the Wuxing Charity Federation.</p> <p>5. The Company donated RMB6,402,271.85 to the Zhejiang Proya Public Welfare Foundation. The fund will be used for promoting educational development, facilitating social innovation, providing emergency relief assistance, and supporting employee volunteerism.</p>
Cash value of materials (RMB'0,000)	15.98	The Company donated personal care items (such as coral fleece towels and skincare products) to the Zhejiang Proya Public Welfare Foundation.
Number of beneficiaries (person)	92,319	

Specific description

Applicable Not applicable

III. Poverty Alleviation and Rural Revitalization Progress

Applicable Not applicable

Poverty alleviation and rural revitalization project	Quantity/content	Description
Total investment (RMB'0,000)	69.43	1. The Company donated RMB100,000 to the Yunhe County Charity Association for the rural revitalization project in Yunhe, Huzhou. 2. The Company donated RMB402,271.85 to the Zhejiang Proya Public Welfare Foundation for the Proya Hope Primary School project. 3. The Company purchased agricultural products worth RMB192,000.
Including: fund (RMB'0,000)	69.43	
Cash value of materials (RMB'0,000)	0	
Number of beneficiaries (person)	38	The number of beneficiaries cannot be calculated for the donation of agricultural products to the Yunhe County Charity Association.
Form of support (such as industrial support, employment support, education support, etc)	Rural revitalization, education support	

Specific description

Applicable Not applicable

Section VI Important Matters

I. Fulfillment of Commitments

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

√ Applicable □ Not applicable

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

			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. (3) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.						
Restrictions on sales	Senior management JIN Yanhua	(1) Within 12 months from the date of the Company's IPO, they shall not transfer or authorize any other to manage their shares directly or indirectly held in the Company or have the Company repurchase such shares. (2) During their terms as the Company's senior management, they shall not transfer more than 25% of their total shares directly or indirectly held in the Company each year. Within six months after leaving office, they shall not transfer their shares directly or indirectly held in the Company. (3) If their shares in the Company are sold within	April 16, 2018	No	From April 16, 2018 onwards	Yes	Not applicable	Not applicable	

			two years upon expiration of the lock-up period, the selling price shall not be lower than the offering price. If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the 6-month period after the Company's IPO is lower than 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 or their partnership violate the said share lock-up commitments, the lock-up period for their or 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,	September 3, 2018	No	From September 3, 2018 onwards	Yes	Not applicable	Not applicable	

			<p>they shall not transfer more than 25% of their total shares directly or indirectly held in the Company each year. Within six months after leaving office, they shall not transfer their shares directly or indirectly held in the Company. (3) If their shares in the Company are sold within two years upon expiration of the lock-up period, the selling price shall not be lower than the offering price. If the closing price of the Company's shares is lower than the offering price for 20 consecutive trading days within 6 months after the Company's IPO, or the closing price as of the end of the 6-month period after the 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 or their partnership violate the said share lock-up commitments, the lock-up period for their or their partnership's shares in the Company will be automatically extended for 6 months.</p>						
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	Restrictions on sales	Controlling shareholder and actual controller HOU Juncheng and FANG Aiqin	(1) Within 24 months upon expiration of the lock-up period, they shall not directly or indirectly reduce their shares in the Issuer by more than 6% of the total number of shares of the Issuer before such IPO. (2) They must sell shares in the Company through methods including but not limited to collective trading through bidding, block trading, and transfer by agreement and transfer by agreement in line with applicable laws, regulations and rules. (3) Before selling the Company's shares, they shall announce the same three trading days in advance, discharge the obligation to disclose information in a timely and accurate manner as per the rules of the securities exchange, except to the extent that their shares in the Company are less than 5%. (4) Should they fail to perform the said intent of share reduction, they must explain the cause for failing to do so in the Company's General Meeting of Shareholders and the media designated by the CSRC and publicly apologize to the Company's shareholders and public investors.	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable
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	Restrictions on sales	Shareholders FANG Yuyou and LI Xiaolin directly holding more than 5% shares in the Company	(1) If they intend to reduce shares after the lock-up period expires, they will prudently make a share reduction plan as necessary for the Company to stabilize the share price and conduct operations and capital operations as required by the CSRC and the exchange on shareholders for share reduction, whereby reducing shares gradually upon expiration of the lock-up period. (2) They must sell shares in the Company with methods including but not limited to collective trading through bidding, block trading, and transfer by agreement in line with applicable laws, regulations and rules. (3) Before selling the Company's shares, they shall announce the same three trading days in advance, discharge the obligation to disclose information in a timely and accurate manner as per the rules of the securities exchange except to the extent that their shares in the Company are less than 5%. (4) Should they fail to perform the said intent of share reduction, they must explain the cause for failing to do so in the Company's General Meeting of Shareholders and the media	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable
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			designated by the CSRC and publicly apologize to the Company's shareholders and public investors.						
	Other	The Company	When the preconditions for enabling the share price stabilization plan are met, if the Company fails to take specific measures to stabilize the share price, the Company must explain the cause for failing to do so in the Company's General Meeting of Shareholders and the media designated by the CSRC and publicly apologize to the Company's shareholders and public investors. In the event of losses to investors not as a result of force majeure, the Company will be liable for compensation to investors by law, and be liable otherwise as required by laws, regulations and competent regulators; if the losses are caused due to force majeure, the Company shall work out a plan in the shortest possible time to minimize losses to investors and submit it to the General Meeting of Shareholders for deliberation, so as to protect the interests of the Company's investors as much as possible. Within three years from the date of the Company's IPO, if the Company	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable

			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.						
Other	The Company's controlling shareholders and actual controllers	When the preconditions for enabling the share price stabilization plan are met, if failing to take specific measures to stabilize the share price, they must explain the cause for failing to do so at the Issuer's General Meeting of Shareholders and the media designated by the CSRC and publicly apologize to the Issuer's shareholders and public investors. Where the commitment is not fulfilled, they will not receive shareholder dividends from the Issuer within 5 working days from the date when the said incident occurs, and they will not be able to transfer their shares until they take measures to stabilize the share price as per the said plan and achieve results.	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable	
Other	The Company's directors	When the preconditions for enabling the share price stabilization plan are met, if	November 15, 2017	No	From November	Yes	Not applicable	Not applicable	

		(excluding independent directors) and senior management	failing to take specific measures to stabilize the share price as per the plan to stabilize the share price, they must explain the cause for failing to do so at the Issuer's General Meeting of Shareholders and the media designated by the CSRC and publicly apologize to the Issuer's shareholders and public investors. Where the commitment is not fulfilled, they will not receive remuneration and shareholder dividends (if any) from the Issuer within 5 working days from the date when the said incident occurs, and they will not be able to transfer their shares until they take measures to stabilize the share price as per the said plan and achieve results.			15, 2017 onwards			
Other	The Company		If the Company's prospectus contains false records, misleading statements or major omissions, which causes investors to suffer losses in securities transactions, the Company will compensate investors for such losses by law. After the illegal facts mentioned above are identified by the CSRC or the stock exchange or the judicial authority where the	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable

			Company is located, the Company will actively compensate investors for direct economic losses incurred therefrom by settling with investors with respect to measurable economic losses directly incurred to investors, mediating with investors through a third party and establishing an investor compensation fund based on the principles of procedure simplification, active negotiation, compensation in advance, and effective protection of investors' interests, especially small and medium investors. If found to have violated the said commitments, the Company will publicly apologize to shareholders and public investors for failing to perform the said compensation measures at the General Meeting of Shareholders and the media designated by the CSRC and compensate investors for the actual losses identified by the CSRC and the judicial authority.						
Other	The Issuer's controlling shareholders and actual controllers	If the Issuer's prospectus contains false records, misleading statements or major omissions, which causes investors to suffer losses in	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable	

			<p>securities transactions, they will compensate investors for such losses by law. After the illegal facts mentioned above are identified by the CSRC or the stock exchange or the judicial authority where the Company is located, the Company will actively compensate investors for direct economic losses incurred therefrom by settling with investors with respect to measurable economic losses directly incurred to investors, mediating with investors through a third party and establishing an investor compensation fund based on the principles of procedure simplification, active negotiation, compensation in advance, and effective protection of investors' interests, especially small and medium investors. If found to have violated the said commitments, the Company's controlling shareholders and actual controllers will publicly apologize to the Issuer's shareholders and public investors for failing to perform the said compensation measures at the Issuer's General Meeting of Shareholders and the media</p>						
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			designated by the CSRC and will not receive shareholder dividends from the Issuer within 5 working days from the date when the said commitments are violated, and their shares in the Issuer will not be transferred until they take compensation measures as per the said commitments and achieve results.						
	Other	Directors, supervisors and senior management	If the Issuer's prospectus contains false records, misleading statements or major omissions, which causes investors to suffer losses in securities transactions, they will compensate investors for such losses by law. After the illegal facts mentioned above are identified by the CSRC or the stock exchange or the judicial authority where the Company is located, the Company will actively compensate investors for direct economic losses incurred therefrom by settling with investors with respect to measurable economic losses directly incurred to investors, mediating with investors through a third party and establishing an investor compensation fund based on the principles of procedure	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable

			simplification, active negotiation, compensation in advance, and effective protection of investors' interests, especially small and medium investors. If found to have violated the said commitments, the Company's directors, supervisors and senior management will publicly apologize to the Issuer's shareholders and public investors for failing to perform the said compensation measures at the Issuer's General Meeting of Shareholders and the media designated by the CSRC and will not receive remuneration (or allowances) and shareholder dividends (if any) from the Issuer within 5 working days from the date when the said commitments are violated, and their shares in the Issuer will not be transferred until they take compensation measures as per the said commitments and achieve results.						
Other	The Company	In order to ensure the effective use of the proceeds from the IPO, effectively prevent the risk of diluting immediate returns and improve future returns, the Company intends to take measures including tightening	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable	

			<p>operation management and internal control, accelerating the progress of fundraising projects, and strengthening the investor return mechanism, so as to improve asset quality, increase operation revenue, raise future earnings, and achieve sustainable development to fill the diluted immediate returns. The Company promises to continuously improve various measures to fill the diluted spot returns in accordance with the implementation rules issued by the CSRC and Shanghai Stock Exchange. If found to have violated the said commitments, the Company will promptly announce the facts and cause of such violation, except for force majeure or other reasons not attributable to the Company, apologize to the Company's shareholders and public investors, make supplementary commitments or substitute commitments to investors to protect the interests of investors as much as possible, and implement such supplementary commitments or substitute commitments subject to the approval by the Company's</p>						
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			General Meeting of Shareholders.						
	Other	Controlling shareholder and actual controller HOU Juncheng and FANG Aiqin	In order to ensure that the Company's measures to fill the diluted immediate returns can be effectively performed, they, as the Company's controlling shareholder and actual controller, promise that: (1) Under no circumstances will they abuse the position as the controlling shareholder and actual controller by ultra vires interfering with the Company's operation and management activities or encroaching on the Company's interests; (2) After the CSRC and Shanghai Stock Exchange have otherwise released opinions and implementation rules on measures to fill the diluted immediate returns and relevant commitments, if the Company's relevant provisions and their commitments contradict such rules, they will immediately make supplementary commitments in line with such rules of the CSRC and Shanghai Stock Exchange, and actively promote the Company to issue new commitments or measures up to the requirements of the CSRC and Shanghai Stock	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable

			Exchange; (3) They will fully, completely and timely perform the Company's measures to fill the diluted immediate returns and their commitments regarding the measures to fill the diluted immediate returns. If found to have violated such commitments, which causes losses to the Company or shareholders, they are willing to: ① state the cause and apologize at the General Meeting of Shareholders and the media designated by the CSRC; ② be liable for compensation to the Company and/or shareholders by law; ③ unconditionally accept the penalties or regulatory measures taken by the CSRC and/or Shanghai Stock Exchange and other securities regulators as per their current rules. The said measures to fill the diluted immediate returns shall not be deemed to constitute a guarantee for the Company's future profits.						
	Other	Directors, senior management	In order to ensure that the Company's measures to fill the diluted immediate returns can be effectively performed, they, as the Company's directors and senior management, promise that: (1) They will not offer	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable

			<p>benefits to other entities or individuals for free or on unfair terms, or otherwise harm the Company's interests; (2) They will strictly follow the Company's budget management by limiting their duty-related consumption to the extent required, subject to the Company's supervision, and free from waste or extravagance; (3) They will not use the Company's assets to engage in investment and consumption activities unrelated to their duties; (4) They will actively promote the improvement of the Company's compensation system to better meet the requirements for filling the diluted immediate returns; support the Company's Board of Directors or Remuneration Committee to link the development, revision, and supplementation of the Company's compensation system with the implementation of the measures to fill the diluted immediate returns; promise that the vesting conditions for the Company's equity incentives will be linked to the implementation of the Company's measures to fill the diluted immediate returns; (5)</p>						
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			<p>After the CSRC and Shanghai Stock Exchange have otherwise released the opinions and implementation rules on the measures to fill the diluted immediate returns and relevant commitments, if the Company's relevant provisions and their commitments contradict such rules, they will immediately make supplementary commitments in line with such rules of the CSRC and Shanghai Stock Exchange, and actively promote the Company to issue new commitments or measures up to the requirements of the CSRC and Shanghai Stock Exchange; (6) They will fully, completely and timely perform the Company's measures to fill the diluted immediate returns and their commitments regarding the measures to fill the diluted immediate returns. If found to have violated such commitments, which causes losses to the Company or shareholders, they are willing to:</p> <p>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</p>						
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			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 shareholder and actual controller HOU Juncheng and FANG Aiqin	1. They do not and will not directly or indirectly engage in any activities constituting horizontal competition with the existing and future businesses of the Company and its holding subsidiaries, including but not limited to the R&D, production and sale of any products same as or similar to those of the Company and its holding subsidiaries. They shall be liable for the economic losses to the Company caused by violation of the above commitments. 2. For the enterprises under their control, They will perform their obligations under such commitments by assigning agencies and personnel (including but not limited to directors and managers), and They shall be liable for the economic losses to the	November 15, 2017	No	From November 15, 2017 onwards	Yes	Not applicable	Not applicable	

			<p>Company caused by violation of the above commitments. 3. From the date of signing this letter of commitment, if the Company further expands its product and business scope, the enterprises under their control shall not compete with the Company within the expanded product or business scope, or will, in case of any possible competition with the Company within the expanded product or business scope, withdraw from the competition by: (1) stopping the production of competing or potentially competing products; (2) stopping the operation of competing or potentially competing business; (3) transferring the competing business to the Company; or (4) transferring the competing business to an unrelated third party. 4. Their shareholding companies, including Hangzhou Huazhuang Industrial Investment Co., Ltd., Huzhou Mogan Wangshu Cosmetics Industry Phase I Venture Capital Partnership (Limited Partnership), and companies that they invest in, engage in no cosmetics business or related upstream and downstream</p>						
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			business. If they engage in such businesses in the future, They commit that they will withdraw their investment in those business through equity transfer and other means, and that the Company will be given priority to invest in the said enterprises according to legal provisions and the consent of other shareholders of those enterprises.						
Commitments on refinancing	Other	Controlling shareholder and actual controller HOU Juncheng and FANG Aiqin	Commitments on the effective fulfillment of the Company's measures to fill the diluted immediate returns: 1. Under no circumstances will they interfere with the Company's operation and management activities or encroach on the company's interests by ultra vires; 2. From the date of the issuance of these commitments to the date of the Company's public issuance of A-share convertible corporate bonds, if the CSRC releases new regulatory rules on the measures to fill the diluted immediate returns and relevant commitments and the above-mentioned commitments can no longer satisfy the new regulatory rules, they will make supplementary commitments in line with the latest rules of the	April 21, 2021	No	From April 21, 2021 onwards	Yes	Not applicable	Not applicable

			<p>CSRC; 3. They will practically fulfill the Company's measures for filling the diluted immediate returns and their commitments regarding the measures to fill the diluted immediate returns. Where they violate those commitments, causing losses to the Company or investors, they will assume the compensation liability to the Company or investors according to law. As one of the parties responsible for the measures to fill the immediate returns, should they violate or refuse to fulfill the above commitments, they shall be subject to the punishment or relevant regulatory measures imposed on them by the securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules.</p>						
Other	Directors, senior management	<p>Commitments on the effective fulfillment of the Company's measures to fill the diluted immediate returns: 1. They will not offer benefits to other entities or individuals for free or on unfair terms, or otherwise harm the Company's interests; 2. They will limit their duty-related consumption; 3. They will not use the Company's</p>	April 21, 2021	No	From April 21, 2021 onwards	Yes	Not applicable	Not applicable	

			<p>assets to engage in investment and consumption activities unrelated to their duties; 4. The compensation system developed by the Board of Directors and the Remuneration and Appraisal Committee will be linked to the implementation of the measures for filling the diluted immediate returns; 5. If the Company issues equity incentives in the future, the vesting conditions for the Company's equity incentives will be linked to the implementation of the Company's measures to fill the diluted immediate returns; 6. From the date of the issuance of these commitments to the date of the Company's public issuance of A-share convertible corporate bonds, if the CSRC releases new regulatory rules on the measures to fill the diluted immediate returns and relevant commitments and the above-mentioned commitments can no longer satisfy the new regulatory rules, they will make supplementary commitments in line with the latest rules of the CSRC. As one of the parties responsible for the measures to fill the immediate returns, should they violate or refuse to</p>						
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			fulfill the above commitments, they shall be subject to the punishment or relevant regulatory measures imposed on them by the securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules.						
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(II) Statement of whether the Company's assets or projects fulfilled the original profit forecast and its reason where the Company had profit forecasts on assets or projects and the Reporting Period fell within the term of profit forecasts

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

Applicable Not applicable

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

Applicable Not applicable

(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) Approval process and other explanations

Applicable Not applicable

VI. Appointment and Dismissal of the Accounting Firm

Unit: Yuan Currency: RMB

	Current accounting firm
Name of the domestic accounting firm	Pan-China Certified Public Accountants (Special General Partnership)
Remuneration of the domestic accounting firm	1,400,000
Term of office of the domestic accounting firm	13
Names of CPAs from the domestic accounting firm	YIN Zhibin, WU Shaofang
Continual term of audit service provided by the CPAs from the domestic accounting firm	YIN Zhibin: 4 years of continual term of audit service WU Shaofang: 1 year of continual term of audit service

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

Description of appointment and dismissal of the accounting firm

Applicable Not applicable

Description of the change of accounting firm during the Auditing Period

Applicable Not applicable

Description of the decrease in audit fees by more than 20% (inclusive) compared to the previous year.

Applicable Not applicable

VII. Particulars on Risk of Delisting**(I) Reasons for the delisting risk warning**

Applicable Not applicable

(II) Measures to be taken by the Company

Applicable Not applicable

(III) Situation and causes for termination of listing

Applicable Not applicable

VIII. Matters Related to Bankruptcy and Reorganization

Applicable Not applicable

IX. Material Litigations and Arbitrations

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

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

Applicable Not applicable

XI. Description of the Integrity of the Company and Its Controlling Shareholders and Actual Controllers During the Reporting Period

Applicable Not applicable

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

XII. Significant Related-party Transactions

(I) Related-party transactions pertaining to daily operation

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

Applicable Not applicable

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

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

(IV) Credits and debits with related parties

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

Applicable Not applicable

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

Applicable Not applicable

3. Matters not disclosed in the interim announcement

Applicable Not applicable

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

Applicable Not applicable

(VI) Other

1. Applicable Not applicable

XIII. Significant Contracts and Their Performance

(I) Trusteeship, contracting and leasing

1、 Trusteeship

Applicable Not applicable

2、 Contracting

Applicable Not applicable

3、 Leasing

Applicable Not applicable

(II) Guarantee

Applicable Not applicable

(III) Entrusting others to manage cash assets

1. Entrusted wealth management

(1) Overall condition of entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(2) Individual entrusted wealth management

Applicable Not applicable

Others

Applicable Not applicable

(3) Impairment provisions of entrusted wealth management

Applicable Not applicable

2. Entrusted loans

(1) Overall condition of entrusted loans

Applicable Not applicable

Others

Applicable Not applicable

(2) Individual entrusted loans

Applicable Not applicable

Others

Applicable Not applicable

(3) Impairment provisions of entrusted loans

Applicable Not applicable

3. Others

Applicable Not applicable

(IV) Other material contracts

Applicable Not applicable

XIV. Progress on the Use of Raised Funds

Applicable Not applicable

(I) Overall use of raised funds

Applicable Not applicable

Unit: RMB '0,000

Source of raised funds	Time of paying in	Amount of raised funds	Including: Amount of over-raised funds	Net amount of raised funds after deduction of issuance expenses	Amount of fund raising commitment	Adjusted amount of fund raising commitment (1)	Amount of raised fund as of the end of the Reporting Period (2)	Progress of fund raising as of the end of the Reporting Period (%) (3) = (2) / (1)	Amount invested in the current year (4)	Percentage of amount invested in the current year (%) (5) = (4) / (1)	Amount of fund raising whose purpose is changed
Issuance of convertible bonds	December 14, 2021	75,171.30		74,450.87	75,171.30	74,450.87	58,165.74	78.13	25,828.34	34.69	0.00

(II) Details of fund raising projects

Applicable Not applicable

Unit: RMB '0,000

Item	Project	Whether investment subject is changed	Source of raised funds	Time of paying in	Whether over-raised funds are used	Amount of fund raising commitment in the project	Adjusted amount of fund raising (1)	Amount invested in the current year	Amount of raised fund as of the end of the Reporting Period (2)	Progress of fund raising as of the end of the Reporting Period (%) (3) = (2) / (1)	Date when the project becomes available	Settled or not	Whether investment progress in line with the planned schedule	Reason for failure to keep up with the schedule	Benefit achieved in the current year	Benefit or research achievement that has been realized in this project	Whether there is a significant change in the feasibility of the project. If so, please provide specific details	Amount of balance
Huzhou Production Base Expansion Project (Phase I)	Construction	No	Issuance of convertible bonds	December 14, 2021	No	33,850.00	33,850.00	6,634.05	23,435.69	69.23	December 2024	No	Yes	Not applicable	22,255.40	Not applicable	No	11,190.83
Longwu R&D Center Construction Project	Research and development	No	Issuance of convertible bonds	December 14, 2021	No	19,450.00	19,450.00	7,370.18	19,053.45	97.96	June 2024	No	Yes	Not applicable		Not applicable	No	646.59
Information System Upgrade Project	Operation management	No	Issuance of convertible bonds	December 14, 2021	No	9,050.00	8,801.27	2,265.11	3,143.45	35.72	December 2024	No	Yes	Not applicable		Not applicable	No	5,929.55
Additional working capital	Supplementing working capital and repaying debts	No	Issuance of convertible bonds	December 14, 2021	No	12,821.30	12,349.60	9,559.00	12,533.15	101.49				Not applicable		Not applicable	No	34.13

[Note] The adjusted amount of fund raising is RMB744.51million, while the amount of fund raising commitment is RMB751.71million yuan, which differs by RMB7.20million. Due to underwriting and sponsorship fees, lawyer fees, accountant fees, credit rating fees, and issuance handling charges incurred in the issuance of raised funds, the actual net amount of raised funds is RMB744.51million. For the difference, the Company adjusted the amount of fund raising for the Information System Upgrade Project and the additional working capital.

As of the end of the period, the amount invested in additional working capital exceeded the adjusted amount of fund raising, and the progress at the end of the period exceeded 100.00%. This was due to the use of interest income generated from idle funds in the fundraising account for additional working capital.

(III) Change or termination of fund raising during the Reporting Period

□ Applicable √ Not applicable

(IV) Other uses of funds raised during the Reporting Period

1. Advance investment and replacement in the project invested by the raised fund

Applicable Not applicable

During the Reporting Period, the Company did not have any advance investment or replacement in the project invested by the raised fund.

2. Use of idle raised fund to temporarily refill working capital

Applicable Not applicable

3. Management of idled raised fund through investment

Applicable Not applicable

Unit: RMB '0,000 Currency: RMB

Review data by the board meeting	Effective quota of raised fund approved for cash management	Start date	End date	Balance of cash management as of the end of the Reporting Period	Whether the peak balance exceeds the authorized quota during the Reporting Period
April 19, 2023	20,000	April 19, 2023	April 18, 2024	0	No

Other explanations

None

4. Use of over-raised fund to permanent refill working capital or repay bank loans

Applicable Not applicable

5. Other

Applicable Not applicable

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

Applicable Not applicable

Section VII Shareholders and Changes in Shares

I.Changes in Share Capital

(I) Table of changes in shares

1. Table of changes in shares

Unit: '0,000 shares

	Before this change		Increase or decrease (+ or -) due to this change					After this change	
	Number	Percentage (%)	Issuance of new shares	Bonus shares	Shares converted from capital reserve	Other	Subtotal	Number	Percentage (%)
I. Restricted shares	210	0.7407			84	-98.2940	-14.2940	195.7060	0.4933
1. Shares held by the state									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic funds	210	0.7407			84	-98.2940	-14.2940	195.7060	0.4933
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons	210	0.7407			84	-98.2940	-14.2940	195.7060	0.4933
4. Shares held by foreign funds									
Wherein: Shares held by foreign legal persons									
Shares held by foreign natural persons									

II. Unrestricted outstanding shares	28,141.9 469	99.25 93			11,256.81 36	81.25 19	11,338.0 655	39,480. 0124	99.50 67
1. RMB Ordinary Shares	28,141.9 469	99.25 93			11,256.81 36	81.25 19	11,338.0 655	39,480. 0124	99.50 67
2. Foreign-funded shares listed domestically									
3. Foreign-funded shares listed overseas									
4. Others									
III. Total shares	28,351.9 469	100.0 0			11,340.81 36	- 17.04 21	11,323.7 715	39,675. 7184	100.0 0

2. Description of changes in shares

√ Applicable □ Not applicable

On May 11, 2023, the 2022 annual General Meeting of Shareholders was held to deliberate on and approve the *Company's Plan for Profit Distribution and Capitalization of Capital Reserves for 2022*, in which the Company distributed to all shareholders a cash dividend of RMB8.70 (tax inclusive) per 10 shares based on the total share capital as of the record date on which equity distribution is implemented and issued 4 shares for every 10 shares to all shareholders through capitalization of the capital reserve, totaling 113,408,136 shares converted. Wherein, the number of restricted circulating shares is increased by 840,000, from 2,100,000 to 2,940,000. The number of unrestricted circulating shares is increased by 112,568,136, from 281,419,469 to 393,987,605.

On June 20, 2023, the 12th meeting of the 3rd session of Board of Directors and the 11th meeting of the 3rd session of Board of Supervisors were held to deliberate on and approve the *Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares*. Considering that the 6 incentive recipients who were eligible for the 2022 Restricted Shares Incentive Plan had left the Company and no longer meet the incentive conditions, it was agreed to repurchase and cancel 78,008 restricted shares that have been granted but not yet released from restriction. Additionally, as 3 incentive recipients did not meet the performance criteria for 2022, they do not qualify for the full release of restricted shares. Therefore, it was agreed to repurchase and cancel 27,342 restricted shares that have been granted but not yet released from restriction. The total number of restricted shares repurchased and canceled in this transaction amounted to 105,350 shares. On August 24, 2023, the Company completed the repurchase and cancellation of 105,350 incentive restricted shares under the 2022 Restricted Shares Incentive Plan. As a result, the number of restricted circulating shares decreased from 2,940,000 to 2,834,650.

On September 8, 2023, the 14th meeting of the 3rd session of Board of Directors and the 13th meeting of the 3rd session of Board of Supervisors were held to deliberate on and approve the *Proposal on Satisfying the Conditions for Release from Sales Restrictions in the First Release Period under the 2022 Restricted Shares Incentive Plan*. It was agreed that the conditions for release from sales restrictions in the first release period under the 2022 Restricted Shares Incentive Plan were satisfied and the sales restrictions on 89 eligible incentive recipients were lifted, amounting to 811,398 restricted shares. The circulation date of released shares is September 26, 2023. The number of the unrestricted circulating shares of the Company increased from 393,987,605 before the listing to 394,799,003, while the number of the restricted circulating shares decreased from 2,834,650 before the listing to 2,023,252.

On September 14, 2023, the 15th meeting of the 3rd session of Board of Directors and the 14th meeting of the 3rd session of Board of Supervisors were held to deliberate on and approve the *Proposal on Repurchasing and De-registering Part of Restricted Incentive Shares*. Considering that the 8 eligible incentive recipients had left the Company and no longer meet the incentive conditions, it was agreed to

repurchase and cancel 66,192 restricted shares that have been granted but not yet released from restriction. On December 13, 2023, the Company completed the repurchase and cancellation of 66,192 incentive restricted shares under the *2022 Restricted Shares Incentive Plan*. As a result, the number of restricted circulating shares decreased from 2,023,252 to 1,957,060.

With the Approval of the CSRC, namely, the *Reply on Approving Proya Cosmetics Co., Ltd.'s Public Issuance of Convertible Corporate Bonds* (CSRC Approval [2021] No. 3408), on December 8, 2021, the Company publicly issued 7,517,130 convertible bonds with a face value of RMB100 per share and a total face value of RMB751,713,000, with a term of 6 years. With the approval of the *SSE's Self-Regulatory Supervision Decision Letter* [2021] No. 503, the convertible corporate bonds issued by the Company amounting to RMB751,713,000 would be listed and traded on the Shanghai Stock Exchange from January 4, 2022, with the short name of "Proya Convertible Bond" and the bond code of "113634". Proya Convertible Bonds began to be converted into shares on June 14, 2022. During the Reporting Period, RMB148,000 of Proya Convertible Bond had been converted to A-share stocks of the Company, generating 1,121 shares. The number of the unrestricted circulating shares of the Company increased by 1,121.

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

Applicable Not applicable

Implementation of the 2022 plan for capitalization of capital reserves: calculated based on the diluted total share capital after the capitalization of capital reserves.

Changes in other shares: no material impact.

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

Applicable Not applicable

(II) Changes in restricted shares

Applicable Not applicable

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reason for sales restriction	Date of releasing the sales restriction
JIN Yanhua	140,000	58,800	56,000	137,200	2022 Restricted Shares Incentive Plan	September 26, 2023
WANG Li	180,000	75,600	72,000	176,400	2022 Restricted Shares Incentive Plan	September 26, 2023
99 persons granted for the first time under 2022 Restricted Shares Incentive Plan	1,780,000	676,998	540,458	1,643,460	2022 Restricted Shares Incentive Plan	September 26, 2023
Total	2,100,000	811,398	668,458	1,957,060	/	/

II. Issuance and Listing of Securities

(I) Issuance of securities as of the Reporting Period

Applicable Not applicable

Description of the issuance of securities in the Reporting Period (provide separate description of bonds with different interest rates in their duration):

Applicable Not applicable

(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 283,519,469 and 396,757,184 respectively.

The Company's total assets and total liabilities at the beginning of the Reporting Period amounted to RMB5,778,071,824.19 and RMB2,240,848,493.90 respectively, with the asset-liability ratio of 38.78%. The Company's total assets and total liabilities at the end of the Reporting Period amounted to RMB7,323,078,222.45 and RMB2,922,766,991.44 respectively, with the asset-liability ratio of 39.91%.

(III) Existing internal employee shares

Applicable Not applicable

III. Shareholders and Actual Controllers

(I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the Reporting Period	19,133
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of the Annual Report	23,713
Total number of shareholders of preferred shares whose voting rights have been restored as of the end of the Reporting Period	0
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the disclosure date of the Annual Report	0

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

Unit: Share

Shareholdings of the top ten shareholders (excluding securities lending and refinancing)							
Name of shareholder (full name)	Change during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of restricted shares held	Pledged, marked or frozen		Nature of shareholder
					Share status	Number	
HOU Juncheng	39,068,296	136,739,037	34.46	0	None		Domestic natural person
Hong Kong Securities Clearing Company Limited	14,836,428	79,309,897	19.99	0	None		Other

FANG Yuyou	13,852,788	59,625,258	15.03	0	Frozen	17,041,269	Domestic natural person
Aberdeen Standard Investment Management (Asia) Co., Ltd. - Aberdeen Fund - China A-share Sustainable Equity Fund	2,514,120	5,066,413	1.28	0	None		Other
China Construction Bank Co., Ltd. - CUAM Consumer Industry Hybrid Securities Investment Fund	1,250,045	4,350,058	1.10	0	None		Other
Industrial and Commercial Bank of China Limited - Jingshun Changcheng Emerging Growth Hybrid Securities Investment Fund	952,000	3,332,000	0.84	0	None		Other
TEMASEK FULLERTON ALPHA PTE LTD	2,855,734	3,014,734	0.76	0	None		Other
National Social Security Fund 109 Portfolio	3,010,974	3,010,974	0.76	0	None		Other
GIC PRIVATE LIMITED	2,890,269	2,890,269	0.73	0	None		Other
Abu Dhabi Investment Authority (ADIA)	1,530,571	2,376,168	0.60	0	None		Other
Shareholdings of the top ten unrestricted shareholders							
Name of shareholder	Number of unrestricted circulating shares held	Type and number of shares					
		Type	Number				
HOU Juncheng	136,739,037	RMB ordinary shares	136,739,037				
Hong Kong Securities Clearing Company Limited	79,309,897	RMB ordinary shares	79,309,897				
FANG Yuyou	59,625,258	RMB ordinary shares	59,625,258				
Aberdeen Standard Investment Management (Asia) Co., Ltd. - Aberdeen Fund - China A-share Sustainable Equity Fund	5,066,413	RMB ordinary shares	5,066,413				

China Construction Bank Co., Ltd. - CUAM Consumer Industry Hybrid Securities Investment Fund	4,350,058	RMB ordinary shares	4,350,058
Industrial and Commercial Bank of China Limited - Jingshun Changcheng Emerging Growth Hybrid Securities Investment Fund	3,332,000	RMB ordinary shares	3,332,000
TEMASEK FULLERTON ALPHA PTE LTD	3,014,734	RMB ordinary shares	3,014,734
National Social Security Fund 109 Portfolio	3,010,974	RMB ordinary shares	3,010,974
GIC PRIVATE LIMITED	2,890,269	RMB ordinary shares	2,890,269
Abu Dhabi Investment Authority (ADIA)	2,376,168	RMB ordinary shares	2,376,168
Description of the special account for repurchase among the top ten shareholders	N/A. The Company opened a special securities account for the repurchase of shares for Proya Cosmetics Co., Ltd. during the Reporting Period. Securities account No.: B882678426.		
Description of the above- mentioned shareholders' entrusting voting rights, entrusted voting rights and abstention from voting rights	None		
Description of the related relationship or parties acting in concert among the above shareholders	FANG Yuyou is the younger brother of HOU Juncheng's spouse FANG Aiqin, so HOU Juncheng and FANG Yuyou are related.		
Description of the shareholders of preferred shares with voting rights restored and their shareholdings	None		

Securities lending and refinancing involved by top ten shareholders

√ Applicable □ Not applicable

Unit: Share

Securities lending and refinancing involved by top ten shareholders								
Name of shareholder (full name)	Shareholdings in regular and credit accounts at the beginning of the period		Shares lent but not returned at the beginning of the period		Shareholdings in the regular and credit accounts at the end of the period		Shares lent but not returned at the end of the period	
	Total number	Percent age (%)	Total number	Percent age (%)	Total number	Percent age (%)	Total number	Percent age (%)
National Social Security Fund 109 Portfolio	0	0.00	0	0.00	3,010,974	0.76	88,800	0.02

Note: Shareholdings in the regular and credit accounts of the National Social Security Fund 109 Portfolio at the beginning of the period are not included in the top 200 shareholders.

Changes in the top ten shareholders over the previous period

√ Applicable □ Not applicable

Unit: Share

Changes in the top ten shareholders over the end of the previous period					
Name of shareholder (full name)	Addition/exit in the Reporting Period	Number of shares lent but not returned at the end of the period		Number of shares held in the regular and credit accounts and shares lent but not returned at the end of the period	
		Total number	Percentage (%)	Total number	Percentage (%)
TEMASEK FULLERTON ALPHA PTE LTD	Addition	0	0.00	3,014,734	0.76
National Social Security Fund 109 Portfolio	Addition	88,800	0.02	3,010,974	0.76
GIC PRIVATE LIMITED	Addition	0	0.00	2,890,269	0.73
Abu Dhabi Investment Authority (ADIA)	Addition	0	0.00	2,376,168	0.60
China Construction Bank Co., Ltd. - Yinhua Fuyu Theme Hybrid Securities Investment Fund	Exit	0	0.00	-	-
CAO Lianguo	Exit	0	0.00	1,528,702	0.39
Industrial and Commercial Bank of China Limited - CUAM Consumption Upgrade Hybrid Securities Investment Fund	Exit	0	0.00	1,350,006	0.34
J. P. Morgan Securities PLC - Self-owned Capital	Exit	0	0.00	1,142,425	0.29

Note: Shareholdings in the regular and credit accounts of China Construction Bank Co., Ltd. - Yinhua Fuyu Theme Hybrid Securities Investment Fund at the end of the period are not included in the top 200 shareholders.

Shareholdings and sales restrictions of the top ten restricted shareholders

√ Applicable □ Not applicable

Unit: Share

Number	Name of shareholder of restricted shares	Number of restricted shares held	Availability of restricted shares for circulation and trading	Sales restrictions
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			Time of availability for circulation and trading	Number of new shares available for circulation and trading	
1	Equity incentive recipient	1,957,060			See the note below for details
Explanation on the related relationship or parties acting in concert among the above shareholders		None			

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

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

Applicable Not applicable

IV. Controlling Shareholders and Actual Controllers

(I) Controlling shareholders

1. Legal person

Applicable Not applicable

2. Natural person

Applicable Not applicable

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

3. Special description of the situation that the Company has no controlling shareholders

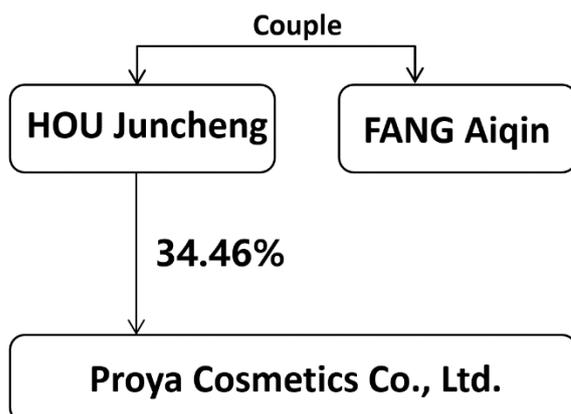
Applicable Not applicable

4. Description of changes in controlling shareholders during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable



(II) Actual controllers

1. Legal person

Applicable Not applicable

2. Natural person

Applicable Not applicable

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

3. Special description of the situation that the Company has no actual controllers

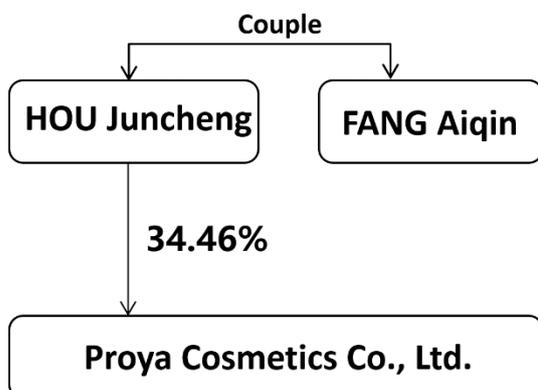
Applicable Not applicable

4. Description of changes in the control of the Company during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable



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

Applicable Not applicable

(III) Other explanations on controlling shareholders and actual controllers

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

VII.Description of Limitation on Reduction of Shareholding

Applicable Not applicable

VIII.Specific Implementation of Share Repurchase During the Reporting Period

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of the share repurchase plan	Plan for Repurchase of Company Shares Through Centralized Bidding
Disclosure time of the share repurchase plan	December 14, 2023
Number of shares to be repurchased and its percentage in total share capital (%)	Based on the minimum amount of RMB100 million and the maximum amount of RMB 200 million for the repurchase, and the maximum repurchase price of RMB130 per share, the estimated number of repurchased shares ranges from approximately 769,200 to 1,538,400, accounting for approximately 0.19% to 0.39% of the Company's total share capital.
Amount of proposed repurchase	Not less than RMB100 million (inclusive), and not more than RMB200 million (inclusive)
Period of proposed repurchase	Within 12 months from the date when the share repurchase plan is deliberated on and approved by the 17th meeting of the 3rd session of Board of Directors
Purpose of repurchase	Equity incentives or employee stock ownership plans
Number of shares repurchased (share)	395,980
Percentage of repurchased shares in the underlying stocks involved in the equity incentive plan, if applicable	Not applicable
Progress of reducing repurchased shares held by the Company by means of centralized bidding	Not applicable

Note: 1. In the above table, the "total share capital" in the "number of shares to be repurchased and its percentage in total share capital" refers to the total share capital of the Company as of December 12, 2023, which is 396,823,366 shares.

2. As of January 31, 2024, the Company has completed the share repurchase plan, repurchasing a total of 2,210,825 shares of the Company. For details, see the *Announcement on the Implementation Results of*

Share Repurchase and Changes in Shareholding (No.: 2024-004) released on the SSE website on February 1, 2024 (www.sse.com.cn).

Section VIII Information on Preference Shares

Applicable Not applicable

Section IX Information on Bonds

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

Applicable Not applicable

II. Information on Convertible Corporate Bonds

Applicable Not applicable

(I) Information on issuance of convertible bonds

Applicable Not applicable

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

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

According to relevant regulations and the *Prospectus of Proya Cosmetics Co., Ltd. for the Public Offering of A-Share Convertible Corporate Bonds*, this Proya Convertible Bond issued by the Company can be converted to the Company's shares from June 14, 2022. The convertible period is from June 14, 2022 to December 7, 2027. The initial conversion price is RMB195.98/share. The latest conversion price is RMB98.25/share. The historical adjustments to the conversion price are as follows:

1. Since the *2021 Equity Distribution Plan* was implemented by the Company, the conversion price of the Proya Convertible Bond was adjusted to RMB139.37/share on May 30, 2022. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2021 Equity Distribution Plan* (No.: 2022-029) released by the Company on the SSE website on May 24, 2022 (www.sse.com.cn).
2. Since the registration of restricted shares involved in the grant under the *2022 Restricted Shares Incentive Plan* was completed, the conversion price of the Proya Convertible Bond has been adjusted to RMB138.92/share since September 9, 2022. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to Additional Issuance from Granting of Restricted Shares* (No.: 2022-052) released by the Company on the SSE website on September 8, 2022 (www.sse.com.cn).
3. Since the *2022 Equity Distribution Plan* was implemented by the Company, the conversion price of the Proya Convertible Bond was adjusted to RMB98.61/share on May 29, 2023. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2022 Equity Distribution Plan* (No.: 2023-030) released by the Company on the SSE website on May 23, 2023 (www.sse.com.cn).
4. Since the Company completed the repurchase and cancellation of 105,350 incentive restricted shares under the *2022 Restricted Shares Incentive Plan*, the conversion price of the Proya Convertible Bond was adjusted to RMB98.62/share on August 29, 2023. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Completion of Repurchase and Cancellation of Some Incentive Restricted Shares and Adjustment of Conversion Price* (No.: 2023-045) released by the Company on the SSE website on August 28, 2023 (www.sse.com.cn).
5. Since the *2023 Semi-Annual Equity Distribution Plan* was implemented by the Company, the conversion price of the Proya Convertible Bond was adjusted to RMB98.24/share on October 23, 2023. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2023 Semi-Annual Equity Distribution Plan* (No.: 2023-065) released by the Company on the SSE website on October 17, 2023 (www.sse.com.cn).

Since the Company completed the repurchase and cancellation of 66,192 incentive restricted shares under the *2022 Restricted Shares Incentive Plan*, the conversion price of the Proya Convertible Bond was adjusted to RMB98.25/share on December 18, 2023. For details, see the *Announcement of Proya*

Cosmetics Co., Ltd. on Adjustment of Conversion Price and Trading Suspension for Conversion (No.: 2023-086) released by the Company on the SSE website on December 15, 2023 (www.sse.com.cn).

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

√ Applicable □ Not applicable

Name of the convertible corporate bond	Proya Convertible Bond	
Number of holders of the convertible corporate bond at the end of the Reporting Period	8,553	
Guarantors of the convertible bond of the Company	None	
The top ten holders of the convertible bond are as follows:		
Name of holders of the convertible corporate bond	Number of bonds held at the end of the Reporting Period (RMB)	Holding ratio (%)
Dajia Assets - China CITIC Bank - Dajia Assets Houkun No.40 Collective Asset Management Product	39,960,000	5.32
Agricultural Bank of China Co., Ltd. - South Xiyuan Convertible Bond Securities Investment Fund	26,790,000	3.57
Industrial and Commercial Bank of China Limited - Southern Profitable Return Bond Securities Investment Fund	24,664,000	3.29
Bank of China Co., Ltd. - South Changyuan Convertible Bond Securities Investment Fund	23,567,000	3.14
Dajia Assets - Minsheng Bank - Dajia Assets - Selected Conservative Portfolio No.3 (Issue 5) Collective Asset Management Product	23,173,000	3.09
China Southern Asset Management Ningkang Convertible Bonds Fixed-benefit Pension Products - Bank of China Co., Ltd.	21,311,000	2.84
Industrial and Commercial Bank of China Limited - GF Convertible Bond Issuing Securities Investment Fund	20,000,000	2.66
Dajia Assets - Postal Savings Bank of China - Dajia Assets - Selected Conservative Portfolio No.6 (Issue 2) Collective Asset Management Product	17,462,000	2.33
National Social Security Fund 201 Portfolio	17,298,000	2.30
Taikang Pension Insurance Co., Ltd. - Self-Owned Funds	16,246,000	2.16

(III) Changes in convertible bonds during the Reporting Period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of the convertible corporate bond	Before this change	Increase or decrease due to this change			After this change
		Share conversion	Redemption	Sell-back	
Proya Convertible Bond	750,937,000	148,000			750,789,000

Cumulative conversion of convertible bonds during the Reporting Period

√ Applicable □ Not applicable

Name of the convertible corporate bond	Proya Convertible Bond
Amount of shares converted from bonds in the Reporting Period (RMB)	148,000
Number of shares converted from bonds in the Reporting Period (share)	1,121
Accumulated number of shares converted from bonds (share)	6,638
Proportion of the accumulated number of converted shares in the total number of issued shares of the Company before conversion (%)	0.0024
Amount of bonds not converted into shares (RMB)	750,789,000
Proportion of unconverted convertible bonds in the total amount of convertible bonds issued (%)	99.8771

(IV) Historical adjustments to the conversion price

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of the convertible corporate bond		Proya Convertible Bond		
Date of adjustment	Adjusted conversion price	Time of disclosure	Media of disclosure	Description of adjustments to the conversion price Note
May 30, 2022	RMB139.37/share	May 24, 2022	SSE website (http://www.sse.com.cn), Shanghai Securities News, Securities Times	Since the 2021 Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond was adjusted to RMB139.37/share on May 30, 2022. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2021 Equity Distribution Plan</i> (No.: 2022-029) released by the Company on the SSE website on May 24, 2022 (www.sse.com.cn).
September 9, 2022	RMB138.92/share	September 8, 2022	SSE website (http://www.sse.com.cn), Shanghai Securities News, Securities Times	Since the registration of restricted shares involved in the grant under the 2022 Restricted Shares Incentive Plan was completed, the conversion price of the Proya Convertible Bond has been adjusted to RMB138.92/share since September 9, 2022. For details, see the <i>Announcement of Proya</i>

				<i>Cosmetics Co., Ltd. on Adjustment of Conversion Price due to Additional Issuance from Granting of Restricted Shares</i> (No.: 2022-052) released by the Company on the SSE website on September 8, 2022 (www.sse.com.cn).
May 29, 2023	RMB98.61/share	May 23, 2023	SSE website (http://www.sse.com.cn), Shanghai Securities News, Securities Times	Since the 2022 Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond was adjusted to RMB98.61/share on May 29, 2023. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2022 Equity Distribution Plan</i> (No.: 2023-030) released by the Company on the SSE website on May 23, 2023 (www.sse.com.cn).
August 29, 2023	RMB98.62/share	August 28, 2023	SSE website (http://www.sse.com.cn), Shanghai Securities News, Securities Times	Since the Company completed the repurchase and cancellation of 105,350 incentive restricted shares under the 2022 Restricted Shares Incentive Plan, the conversion price of the Proya Convertible Bond was adjusted to RMB98.62/share on August 29, 2023. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Completion of Repurchase and Cancellation of Some Incentive Restricted Shares and Adjustment of Conversion Price</i> (No.: 2023-045) released by the Company on the SSE website on August 28, 2023 (www.sse.com.cn).
October 23, 2023	RMB98.24/share	October 17, 2023	SSE website (www.sse.com.cn), Shanghai Securities News, Securities Times,	Since the 2023 Semi-Annual Equity Distribution Plan was implemented by the

			China Securities Journal, Securities Daily, Economic Information Daily, China Daily	Company, the conversion price of the Proya Convertible Bond was adjusted to RMB98.24/share on October 23, 2023. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2023 Semi-Annual Equity Distribution Plan</i> (No.: 2023-065) released by the Company on the SSE website on October 17, 2023 (www.sse.com.cn).
December 18, 2023	RMB98.25/share	December 15, 2023	SSE website (www.sse.com.cn), Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily, Economic Information Daily, China Daily	Since the Company completed the repurchase and cancellation of 66,192 incentive restricted shares under the 2022 Restricted Shares Incentive Plan, the conversion price of the Proya Convertible Bond was adjusted to RMB98.25/share on December 18, 2023. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price and Trading Suspension for Conversion</i> (No.: 2023-086) released by the Company on the SSE website on December 15, 2023 (www.sse.com.cn).
Latest conversion price as of the end of the Reporting Period		RMB98.25/share		

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

Applicable Not applicable

(VI) Other explanations on convertible bonds

Applicable Not applicable

Section X Financial Report

I. Audit Report

√ Applicable □ Not applicable

Audit Report

T.J.S. [2024] No.2241

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 of December 31, 2023, 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 2023, 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, 2023 and of its consolidated and parent company's operating results and cash flows for the year of 2023.

II. Basis of Audit Opinion

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

III. Key Audit Matters

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

(I) Recognition of revenue

1. Description of matters

For relevant information disclosure, refer to "34. Revenue" in "V. Significant Accounting Policies and Estimates", "61. Operating income and cost" in "VII. Notes to the Items of Consolidated Financial Statements", and "6. Segment information" in "XVIII. Other Important Matters" of "Section X Financial Report" herein.

The operating revenue of Proya primarily comes from the sale of cosmetics. The operating revenue for 2023 shown in Proya's financial statements was RMB8.90billion.

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) Understood the key internal controls related to the recognition of revenue, evaluated the design of these controls, determined whether these controls were implemented, and tested the operational effectiveness of these controls.

(2) Issued letters to the main customers to confirm the sales amount in 2023 and the balance of accounts receivable as at the end of 2023;

- (3) Tested details and performed a spot-check on supporting documents for recognition of revenue (including sales contracts, delivery documents, receipts, agency sales lists, and sales invoices), understood major contract terms or conditions, and evaluated the appropriateness of the method for recognition of revenue;
- (4) Implemented analysis procedures, including analysis on fluctuations in revenue of each month of 2023 and analysis on changes in sales revenue of major customers;
- (5) Obtained the rebate and subsidy policies, rebate and subsidy calculation sheets and other information, and checked whether the withholding amount of rebate and subsidy as at the end of 2023 was sufficient; 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 2023 and checked the settlement after the rebate and subsidy withholding period as at the end of 2023;
- (6) Obtained the return and exchange policy, calculation sheet of estimated liabilities and other information, and checked whether the estimated future return and exchange rate was reasonable; checked the subsequent return and exchange situation and compared it with the estimated return and exchange data;
- (7) Learned about the inventory and stock age of each major dealer as of the end of 2023 and checked whether the inventory amounts and structures of dealers were reasonable;
- (8) 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 selling prices and normal use days of Proya products, so as to judge the rationality of the above data in combination with normal consumption habits and analyze the authenticity and rationality of the income of online chain stores;
- (9) Compared the background transaction data, receipt data of capital accounts such as Alipay, and sales revenue data on financial accounts of online chain stores, and analyzed the consistency of data, so as to check the authenticity of sales from the online chain stores;
- (10) Checked whether the information related to the operating revenue was properly presented in the financial statements.

(II) Net realizable value of inventories

1. Description of matters

For relevant information disclosure, refer to "16. Inventories" in "V. Significant Accounting Policies and Estimates" and "10. Inventories" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" herein.

As at December 31, 2023, the book balance of inventories of Proya amounted to RMB901.11million, the provision for devaluation of inventories amounted to RMB103.89million, and the carrying value of inventories amounted to RMB797.22million.

Inventories are measured at the lower of cost and net realizable value. The management determines the estimated selling price based on the historical selling price, actual selling price, and future market trends, and also determines the net realizable value based on the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories. Since the amount of inventories is significant and the determination of the net realizable value of inventories involves significant judgment by the management, we identified the net realizable value of inventories as a key audit matter.

2. Audit response

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

- (1) Obtained an understanding of 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) Obtained the calculation process of the net realizable value of inventories of Proya, and re-checked the calculation process;
- (3) Obtained the list of products that are no longer sold, counted the products rolling off the production lines 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) Checked whether the inventories as at the end of the period had long stock 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) 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 the other information, which comprises all the information covered in the Annual Report other than the financial statements and this audit report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(VI) Obtain sufficient and appropriate audit evidence of the financial information of the entity or business activity of Proya in order to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide a statement to management on compliance with ethical requirements related to independence, and communicate 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 discuss with the governing bodies, we confirmed which matters are most important to the audit of the financial statements for the current period and thus constitute the key audit matters. We describe these matters in the audit report unless laws or regulations preclude public disclosure about these matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Hangzhou, China Chinese CPA: WU Shaofang

April 17, 2024

II. Financial Statements

Consolidated Balance Sheet

As of December 31, 2023

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	As of December 31, 2023	As of December 31, 2022
Current assets:			
Cash and cash equivalents	VII. 1	4,011,085,558.07	3,161,003,085.05
Clearing settlement funds			
Loans to banks and other financial institutions			
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	VII. 5	344,570,196.54	102,157,898.41
Receivable financing	VII. 7	7,378,700.06	
Prepayments	VII. 8	202,870,195.58	91,483,523.15
Premiums receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	VII. 9	81,966,213.90	73,564,083.63
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under resale agreements			
Inventories	VII. 10	797,215,155.68	669,051,326.73

Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VII. 13	99,765,073.07	49,735,996.57
Total current assets		5,544,851,092.90	4,146,995,913.54
Non-current assets:			
Loans and advances to customers			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	VII. 17	113,574,158.49	138,533,377.46
Other equity instrument investments	VII. 18	107,660,400.00	146,402,400.00
Other non-current financial assets			
Investment real estate	VII. 20	66,156,471.91	68,654,700.81
Fixed assets	VII. 21	827,350,985.29	570,376,309.67
Construction in progress	VII. 22	52,038,642.94	207,378,935.86
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VII. 25	14,104,821.34	6,410,634.25
Intangible assets	VII. 26	404,688,009.16	420,316,883.26
Development expenditure			
Goodwill			
Long-term prepaid expenses	VII. 28	67,184,328.83	19,142,604.46
Deferred income tax assets	VII. 29	108,494,364.60	48,305,338.82
Other non-current assets	VII. 30	16,974,946.99	5,554,726.06
Total non-current assets		1,778,227,129.55	1,631,075,910.65
Total assets		7,323,078,222.45	5,778,071,824.19
Current liabilities:			
Short-term borrowings	VII. 32	200,155,555.56	200,195,890.41
Loans from the central bank			
Loans from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	VII. 35	36,959,074.14	69,626,352.12
Accounts payable	VII. 36	1,018,522,358.60	475,427,484.23
Receipts in advance	VII. 37	30,514.45	464,328.26
Contract liabilities	VII. 38	301,014,873.58	174,602,833.91
Financial assets sold under repurchase agreements			
Customer deposits and deposits from banks and other financial institutions			
Funds from securities trading agencies			
Funds from underwriting securities agencies			
Employee compensation payable	VII. 39	166,444,494.43	124,938,749.36

Taxes payable	VII. 40	222,765,869.94	152,918,871.45
Other payables	VII. 41	155,345,148.68	216,392,183.41
Including: Interest payable			
Dividends payable			
Fees and commissions payable			
Amounts payable under reinsurance contracts			
Held-for-sale liabilities			
Non-current liabilities due within one year	VII. 43	3,970,060.11	2,549,452.14
Other current liabilities	VII. 44	15,022,173.42	10,820,499.59
Total current liabilities		2,120,230,122.91	1,427,936,644.88
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable	VII. 46	753,119,902.88	724,491,557.93
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VII. 47	9,970,306.87	3,718,119.41
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities	VII. 50	33,063,299.45	59,282,928.68
Deferred income	VII. 51	6,383,359.33	6,399,811.33
Deferred income tax liabilities	VII. 29		19,019,431.67
Other non-current liabilities			
Total non-current liabilities		802,536,868.53	812,911,849.02
Total liabilities		2,922,766,991.44	2,240,848,493.90
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 53	396,757,184.00	283,519,469.00
Other equity instruments	VII. 54	50,893,986.60	50,903,510.12
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 55	864,150,974.43	914,815,786.22
Less: Treasury stock	VII. 56	146,966,735.61	164,976,000.00
Other comprehensive income	VII. 57	-53,847,100.91	-1,918,603.07
Special reserve			
Surplus reserve	VII. 59	198,411,582.50	141,759,734.50
General risk reserve			
Retained profits	VII. 60	3,040,145,490.59	2,300,384,763.19
Total owners' equity (or shareholders' equity) attributable to equity holders of the parent company		4,349,545,381.60	3,524,488,659.96
Minority interests		50,765,849.41	12,734,670.33
Total owners' equity (or shareholders' equity)		4,400,311,231.01	3,537,223,330.29
Total liabilities and owners' equity (or shareholders' equity)		7,323,078,222.45	5,778,071,824.19

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Person in charge of Accounting Department: WANG Li

Parent Company's Balance Sheet

As of December 31, 2023

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	As of December 31, 2023	As of December 31, 2022
Current assets:			
Cash and cash equivalents		2,816,366,399.45	2,169,179,716.12
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	XIX. 1	586,728,691.35	289,883,063.24
Receivable financing		4,732,700.06	
Prepayments		66,223,228.82	34,908,418.05
Other receivables	XIX. 2	80,702,024.60	141,574,549.59
Including: Interest receivable			
Dividend receivable			
Inventories		516,042,533.80	458,341,886.37
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		38,762,926.06	32,667,616.71
Total current assets		4,109,558,504.14	3,126,555,250.08
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XIX. 3	418,748,241.23	394,321,950.41
Other equity instrument investments		71,838,000.00	110,580,000.00
Other non-current financial assets			
Investment real estate		95,815,110.34	348,408,309.83
Fixed assets		783,893,280.52	278,011,361.35
Construction in progress		51,841,256.80	206,756,324.14
Productive biological assets			
Oil and gas assets			
Right-of-use assets		13,640,458.38	5,707,540.03
Intangible assets		371,083,311.38	382,584,698.57
Development expenditure			
Goodwill			
Long-term prepaid expenses		62,969,904.19	13,494,337.73
Deferred income tax assets		8,256,631.70	11,372,733.52
Other non-current assets		17,197,966.38	4,916,417.58
Total non-current assets		1,895,284,160.92	1,756,153,673.16
Total assets		6,004,842,665.06	4,882,708,923.24
Current liabilities:			
Short-term borrowings		200,155,555.56	200,195,890.41
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		36,959,074.14	69,626,352.12

Accounts payable		603,314,221.56	217,330,371.42
Receipts in advance			
Contract liabilities		220,349,629.19	68,099,041.17
Employee compensation payable		88,243,004.64	58,246,111.22
Taxes payable		161,141,517.93	69,952,710.78
Other payables		113,223,667.48	167,125,433.78
Including: Interest receivable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		3,488,575.66	2,210,449.03
Other current liabilities		28,645,451.80	
Total current liabilities		1,455,520,697.96	852,786,359.93
Non-current liabilities:			
Long-term borrowings			
Bonds payable		753,119,902.88	724,491,557.93
Including: Preference shares			
Perpetual bonds			
Lease liabilities		9,970,306.87	3,354,028.30
Long-term payables			
Long-term employee compensation payable			
Estimated liabilities			
Deferred income		6,383,359.33	6,399,811.33
Deferred income tax liabilities			18,758,960.23
Other non-current liabilities			
Total non-current liabilities		769,473,569.08	753,004,357.79
Total liabilities		2,224,994,267.04	1,605,790,717.72
Owners' equity (or shareholders' equity):			
Paid-in capital (or share capital)		396,757,184.00	283,519,469.00
Other equity instruments		50,893,986.60	50,903,510.12
Including: Preference shares			
Perpetual bonds			
Capital reserve		917,524,533.21	964,613,342.84
Less: Treasury stock		146,966,735.61	164,976,000.00
Other comprehensive income		-53,180,700.00	
Special reserve			
Surplus reserve		198,411,582.50	141,759,734.50
Retained profits		2,416,408,547.32	2,001,098,149.06
Total owners' equity (or shareholders' equity)		3,779,848,398.02	3,276,918,205.52
Total liabilities and owners' equity (or shareholders' equity)		6,004,842,665.06	4,882,708,923.24

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Person in charge of Accounting Department: WANG Li

Consolidated Income Statement

January - December 2023

Unit: Yuan Currency: RMB

Item	Notes	2023	2022
I. Total operating revenue	VII. 61	8,904,573,501.39	6,385,451,424.00
Including: Operating revenue	VII. 61	8,904,573,501.39	6,385,451,424.00

Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		7,310,234,937.16	5,191,391,396.39
Including: Operating cost	VII. 61	2,677,445,706.61	1,934,850,203.65
Interest expenses			
Fee and commission expenses			
Surrenders			
Claims and policyholder benefits (net of amounts recoverable from reinsurers)			
Net provision for insurance liability reserves			
Insurance policyholder dividends			
Expenses for reinsurance accepted			
Taxes and surcharges		90,655,757.20	56,394,508.94
Selling expenses	VII. 63	3,972,201,152.49	2,785,837,352.95
General and administrative expenses	VII. 64	455,441,770.70	327,296,749.37
R&D expenses	VII. 65	173,570,127.49	128,009,104.49
Financial expenses	VII. 66	-59,079,577.33	-40,996,523.01
Including: Interest expenses		18,355,694.64	13,019,503.91
Interest income		75,347,198.04	51,707,124.62
Add: Other income	VII. 67	45,026,299.74	39,065,105.62
Investment income ("-" refers to losses)	VII. 68	-17,392,371.65	-5,658,023.28
Including: Income from investments in associates and joint ventures		-17,279,158.95	-5,658,023.28
Income from derecognition of financial assets measured at amortized cost			
Foreign exchange gains ("-" refers to losses)			
Net gains on exposure hedging ("-" refers to losses)			
Gains on changes in fair value ("-" refers to losses)			
Credit impairment losses ("-" refers to losses)	VII. 71	-10,397,224.17	-5,057,425.43
Asset impairment losses ("-" refers to losses)	VII. 72	-108,095,314.38	-164,884,555.28
Gains from disposal of assets ("-" refers to losses)	VII. 73	-703,593.33	60,155.60
III. Operating profits ("-" refers to losses)		1,502,776,360.44	1,057,585,284.84
Add: Non-operating revenue	VII. 74	4,166,661.77	1,178,886.33
Less: Non-operating expenses	VII. 75	11,623,216.62	4,613,645.24
IV. Total profits ("-" refers to total losses)		1,495,319,805.59	1,054,150,525.93
Less: Income tax expenses	VII. 76	264,515,655.25	222,866,719.56
V. Net profits ("-" refers to net losses)		1,230,804,150.34	831,283,806.37
(I) Classified by the nature of continuing operations			
1. Net profits from continuing operations ("-" refers to net losses)		1,230,804,150.34	831,283,806.37

2. Net profits from discontinued operations ("- " refers to net losses)			
(II) Classified by ownership			
1. Net profits attributable to shareholders of the parent company ("- " refers to net losses)		1,193,868,141.81	817,400,223.93
2. Profits or losses attributable to minority interests ("- " refers to net losses)		36,936,008.53	13,883,582.44
VI. Other comprehensive income, net of tax	VII. 77	-51,928,497.84	-670,928.97
(I) Other comprehensive income attributable to owners of the parent company, net of tax		-51,928,497.84	-670,928.97
1. Other comprehensive income that cannot be reclassified to profit or loss		-53,180,700.00	
(1) Changes arising from re-measurement of defined benefit plans			
(2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method		-20,250,000.00	
(3) Changes in fair value of other equity instrument investments		-32,930,700.00	
(4) Changes in fair value of enterprises' own credit risks			
2. Other comprehensive income that will be reclassified into profit or loss		1,252,202.16	-670,928.97
(1) Other comprehensive income that will be reclassified to profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Amounts of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Reserve for cash flow hedges			
(6) Translation differences of financial statements denominated in foreign currencies		1,252,202.16	-670,928.97
(7) Others			
(II) Other comprehensive income attributable to minority interests, net of tax			
VII. Total comprehensive income		1,178,875,652.50	830,612,877.40
(I) Total comprehensive income attributable to owners of the parent company		1,141,939,643.97	816,729,294.96
(II) Total comprehensive income attributable to minority interests		36,936,008.53	13,883,582.44
VIII. Earnings per share			
(I) Basic earnings per share (RMB/share)		3.01	2.07
(II) Diluted earnings per share (RMB/share)		2.97	2.05

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

Person in charge of Accounting Department: WANG Li

Parent Company's Income Statement

January - December 2023

Unit: Yuan Currency: RMB

Item	Notes	2023	2022
I. Operating revenue	XIX. 4	4,244,455,041.32	3,081,136,936.75
Less: Operating cost	XIX. 4	1,966,981,451.80	1,424,725,111.00
Taxes and surcharges		44,411,104.27	24,372,917.75
Selling expenses		597,090,222.91	472,193,858.89
General and administrative expenses		318,149,093.59	218,455,156.75
R&D expenses		175,400,671.99	132,656,295.93
Financial expenses		-46,265,107.81	-41,965,768.21
Including: Interest expenses		18,219,770.96	13,019,503.91
Interest income		59,296,736.20	42,503,905.91
Add: Other income		11,113,880.99	15,650,274.95
Investment income ("-" refers to losses)	XIX. 5	-19,824,288.29	-4,161,437.71
Including: Income from investments in associates and joint ventures		-17,279,158.95	-5,149,438.13
Income from derecognition of financial assets measured at amortized cost			
Net gains on exposure hedging ("-" refers to losses)			
Gains on changes in fair value ("-" refers to losses)			
Credit impairment losses ("-" refers to losses)		-82,262,296.44	53,589,117.29
Asset impairment losses ("-" refers to losses)		-71,022,124.11	-126,987,703.77
Gains from disposal of assets ("-" refers to losses)		-603,420.52	60,155.60
II. Operating profits ("-" refers to losses)		1,026,089,356.20	788,849,771.00
Add: Non-operating revenue		681,685.66	22,010.99
Less: Non-operating expenses		10,162,782.71	1,516,181.13
III. Total profits ("-" refers to total losses)		1,016,608,259.15	787,355,600.86
Less: Income tax expenses		147,190,446.48	116,008,968.02
IV. Net profits ("-" refers to net losses)		869,417,812.67	671,346,632.84
(I) Net profits from continuing activities ("-" refers to net losses)		869,417,812.67	671,346,632.84
(II) Net profits from discontinuing activities ("-" refers to net losses)			
V. Net amount of other comprehensive income after tax		-53,180,700.00	
(I) Other comprehensive income that cannot be reclassified into profit or loss		-53,180,700.00	

1. Changes arising from re-measurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		-20,250,000.00	
3. Changes in the fair value of other equity instrument investments		-32,930,700.00	
4. Changes in the fair value of the enterprise's own credit risk			
(II) Other comprehensive income to be reclassified into profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Changes in the fair value of other debt investments			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Credit impairment provisions of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences from translation of financial statements			
7. Others			
VI. Total comprehensive income		816,237,112.67	671,346,632.84
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Person in charge of Accounting Department: WANG Li

Consolidated Cash Flow Statement

January - December 2023

Unit: Yuan Currency: RMB

Item	Notes	2023	2022
I. Cash flows from operating activities:			
Cash received from the sale of goods and the rendering of services		9,328,552,717.55	7,088,465,997.21
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in loans from the central bank			
Net increase in taking from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			

Net cash received from policyholders' deposits and investment contract liabilities			
Cash received from interest, fees and commissions			
Net increase in taking from banks and other financial institutions			
Net increase in financial assets sold under repurchase arrangements			
Net cash received from securities trading agencies			
Receipts of tax refunds		3,525,948.82	
Other cash received related to operating activities	VII. 78 (1)	125,413,607.47	99,500,140.40
Sub-total of cash inflows from operating activities		9,457,492,273.84	7,187,966,137.61
Cash paid for goods purchased and services received		2,509,354,309.80	2,241,842,834.78
Net increase in loans and advances to customers			
Net increase in balance with the central bank and due from banks and other financial institutions			
Cash paid for compensation payments under original insurance contracts			
Net increase in loans to banks and other financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for insurance policyholder dividends			
Cash payments to and on behalf of employees		700,164,408.84	558,582,470.38
Payments of various types of taxes		1,017,756,020.64	660,096,624.31
Other cash paid related to operating activities	VII. 78 (1)	3,761,423,719.98	2,616,308,090.91
Sub-total of cash outflows from operating activities		7,988,698,459.26	6,076,830,020.38
Net cash flow from operating activities		1,468,793,814.58	1,111,136,117.23
II. Cash flows from investing activities:			
Cash received from disposal and recovery of investments		5,500,000.00	
Cash received from investment income		466,821.72	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		285,500.00	3,751,463.96
Net cash received from disposal of subsidiaries and other business entities		3,018,142.61	
Other cash received related to investing activities	VII.78 (2)	13,193,392.00	

Sub-total of cash inflows from investing activities		22,463,856.33	3,751,463.96
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets	VII.78 (2)	179,658,688.53	170,963,405.43
Cash paid for investments	VII.78 (2)	18,636,363.64	131,003,609.10
Net increase in pledged loans receivables			
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid related to investing activities	VII.78 (2)	300,000,000.00	
Sub-total of cash outflows from investing activities		498,295,052.17	301,967,014.53
Net cash flow from investing activities		-475,831,195.84	-298,215,550.57
III. Cash flows from financing activities:			
Cash received from capital contributions			165,676,000.00
Including: Cash received from capital contributions from minority shareholders of subsidiaries			700,000.00
Cash received from borrowings		300,000,000.00	300,000,000.00
Other cash received related to financing activities			
Sub-total of cash inflows from financing activities		300,000,000.00	465,676,000.00
Cash repayments of borrowings		300,000,000.00	300,000,000.00
Cash paid for distribution of dividends or profits or settlement of interest expenses		407,092,087.41	182,663,748.85
Including: Payments for distribution of dividends or profits to minority owners of subsidiaries			
Other cash paid related to financing activities	VII.78 (3)	53,188,106.51	48,263,571.88
Sub-total of cash outflows from financing activities		760,280,193.92	530,927,320.73
Net cash flow from financing activities		-460,280,193.92	-65,251,320.73
IV. Impact of foreign exchange rate changes on cash and cash equivalents		1,252,202.16	-670,928.97
V. Net increase in cash and cash equivalents		533,934,626.98	746,998,316.96
Add: Opening balance of cash and cash equivalents		3,125,333,085.05	2,378,334,768.09
VI. Closing balance of cash and cash equivalents		3,659,267,712.03	3,125,333,085.05

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Person in charge of Accounting Department: WANG Li

Parent Company's Cash Flow Statement
January - December 2023

Unit: Yuan Currency: RMB

Item	Notes	2023	2022
I. Cash flows from operating activities:			
Cash received from the sale of goods and the rendering of services		4,644,368,388.33	3,625,216,143.38
Receipts of tax refunds		3,525,948.82	
Other cash received related to operating activities		96,881,632.24	1,133,863,796.96
Sub-total of cash inflows from operating activities		4,744,775,969.39	4,759,079,940.34
Cash paid for goods purchased and services received		1,945,629,515.66	1,830,694,703.17
Cash payments to and on behalf of employees		373,444,752.18	265,940,955.35
Payments of various types of taxes		375,674,085.29	276,743,971.90
Other cash paid related to operating activities		772,902,793.66	595,570,988.89
Sub-total of cash outflows from operating activities		3,467,651,146.79	2,968,950,619.31
Net cash flow from operating activities		1,277,124,822.60	1,790,129,321.03
II. Cash flows from investing activities:			
Cash received from disposal and recovery of investments			1,700,000.00
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,946,534.67	1,057,300.53
Net cash received from disposal of subsidiaries and other business entities		2,501,326.27	
Other cash received related to investing activities		22,272,596.52	1,271,529,576.13
Sub-total of cash inflows from investing activities		26,720,457.46	1,274,286,876.66
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets		173,025,274.68	163,990,474.83
Cash paid for investments		23,236,363.64	179,238,922.10
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid related to investing activities		315,549,000.00	2,248,367,720.97
Sub-total of cash outflows from investing activities		511,810,638.32	2,591,597,117.90
Net cash flow from investing activities		-485,090,180.86	-1,317,310,241.24
III. Cash flows from financing activities:			

Cash received from capital contributions			164,976,000.00
Cash received from borrowings		300,000,000.00	300,000,000.00
Other cash received related to financing activities			
Sub-total of cash inflows from financing activities		300,000,000.00	464,976,000.00
Cash repayments of borrowings		300,000,000.00	300,000,000.00
Cash paid for distribution of dividends or profits or settlement of interest expenses		407,092,087.41	182,663,957.72
Other cash paid related to financing activities		51,844,122.36	766,654.65
Sub-total of cash outflows from financing activities		758,936,209.77	483,430,612.37
Net cash flow from financing activities		-458,936,209.77	-18,454,612.37
IV. Impact of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		333,098,431.97	454,364,467.42
Add: Opening balance of cash and cash equivalents		2,138,929,716.12	1,684,565,248.70
VI. Closing balance of cash and cash equivalents		2,472,028,148.09	2,138,929,716.12

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Person in charge of Accounting Department: WANG Li

Consolidated Statements of Changes in Owners' Equity
January - December 2023

Unit: Yuan Currency: RMB

Item	2023														
	Equity attributable to owners of the parent company													Minority interests	Total equity attributable to owners
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits	Other	Subtotal		
	Preference shares	Perpetual bonds	Other												
I. Balance at the end of the previous year	283,519,469.00			50,903,510.12	914,815,786.22	164,976,000.00	-1,918,603.07		141,759,734.50		2,300,384,763.19		3,524,488,659.96	12,734,670.33	3,537,223,330.29
Add: Changes in accounting policies															
Correction for previous errors															
Other															
II. Balance at the beginning of the current year	283,519,469.00			50,903,510.12	914,815,786.22	164,976,000.00	-1,918,603.07		141,759,734.50		2,300,384,763.19		3,524,488,659.96	12,734,670.33	3,537,223,330.29
III. Increase of the current period ("-	113,237,715.00			-9,523.52	50,664,811.79	18,009,264.39	-51,928,497.84		56,651,848.00		739,760,727.40		825,056,721.64	38,031,179.08	863,087,900.72

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" refers to decrease)															
(I) Total comprehensive income							51,928,497.84				1,193,868,141.81		1,141,939,643.97	36,936,008.53	1,178,875,652.50
(II) Owners' contribution and capital reduction	-170,421.00			-9,523.52	66,340,892.08	29,588,211.71							36,572,735.85		36,572,735.85
1. Ordinary shares contributed by the owners	-171,542.00				9,322,685.24	9,494,227.24									
2. Capital contributions by other equity instrument holders															
3. Amount of share-based payments credited to owners' equity					75,515,052.71								75,515,052.71		75,515,052.71
4. Other	1,121.00			-9,523.52	148,524.61	39,082,438.95							38,942,316.86		38,942,316.86
(III) Profit distribution								56,651,848.00		454,107,414.41			397,455,566.41		397,455,566.41

1. Withdrawal of surplus reserve									56,651,848.00		-56,651,848.00				
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-397,455,566.41		-397,455,566.41		-397,455,566.41
4. Other															
(IV) Internal carry-forward of owners' equity	113,408,136.00														
1. Transfer of capital reserve to capital (or share capital)	113,408,136.00														
2. Transfer of surplus reserve to capital (or share capital)															

3. Surplus reserve to cover loss															
4. Changes in defined benefit scheme carried forward to retained earnings															
5. Carry-forward of other comprehensive income to retained earnings															
6. Other															
(V) Special reserve															
1. Withdrawal for the period															
2. Utilization for the period															
(VI) Others					- 3,597,567.87	- 47,597,476.10						43,999,908.23	1,095,170.55	45,095,078.78	
IV. Balance at the end of the period	396,757,184.00			50,893,986.60	864,150,974.43	146,966,735.61	- 53,847,100.91		198,411,582.50		3,040,145,490.59	4,349,545,381.60	50,765,849.41	4,400,311,231.01	

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

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(I) Total comprehensive income											817,400,223.93		816,729,294.96	13,883,582.44	830,612,877.40
(II) Owners' contribution and capital reduction	2,105,517.00			-53,111.99	210,987,934.74	159,347,871.79							53,692,467.96	700,000.00	54,392,467.96
1. Ordinary shares contributed by the owners	2,100,000.00				162,876,000.00	159,347,871.79							5,628,128.21	700,000.00	6,328,128.21
2. Capital contributions by other equity instrument holders															
3. Amount of share-based payments credited to owners' equity					47,357,121.24								47,357,121.24		47,357,121.24
4. Other	5,517.00			-53,111.99	754,813.50								707,218.51		707,218.51
(III) Profit distribution									41,124,954.50		-213,993,525.26		-172,868,570.76		-172,868,570.76
1. Withdrawal of									41,124,954.50		-41,124,954.50				

surplus reserve															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											172,868,570.76		172,868,570.76		172,868,570.76
4. Other															
(IV) Internal carry-forward of owners' equity	80,403,986.00				-80,403,986.00										
1. Transfer of capital reserve to capital (or share capital)	80,403,986.00				-80,403,986.00										
2. Transfer of surplus reserve to capital (or share capital)															
3. Surplus reserve to cover loss															
4. Changes															

in defined benefit scheme carried forward to retained earnings															
5. Carry-forward of other comprehensive income to retained earnings															
6. Other															
(V) Special reserve															
1. Withdrawal for the period															
2. Utilization for the period															
(VI) Others					- 50,040,368.18							- 50,040,368.18	- 11,713,503.20	- 61,753,871.38	
IV. Balance at the end of the period	283,519,469.00			50,903,510.12	914,815,786.22	164,976,000.00	- 1,918,603.07		141,759,734.50		2,300,384,763.19	3,524,488,659.96	12,734,670.33	3,537,223,330.29	

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Person in charge of Accounting Department: WANG Li

Parent Company's Statement of Changes in Owners' Equity
January - December 2023

Unit: Yuan Currency: RMB

Item	2023										
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total equity attributable to owners
		Preference shares	Perpetual bonds	Other							
I. Balance at the end of the previous year	283,519,469.00			50,903,510.12	964,613,342.84	164,976,000.00			141,759,734.50	2,001,098,149.06	3,276,918,205.52
Add: Changes in accounting policies											
Correction for previous errors											
Other											
II. Balance at the beginning of the current year	283,519,469.00			50,903,510.12	964,613,342.84	164,976,000.00			141,759,734.50	2,001,098,149.06	3,276,918,205.52
III. Increase of the current period ("-" refers to decrease)	113,237,715.00			-9,523.52	47,088,809.63	18,009,264.39	53,180,700.00		56,651,848.00	415,310,398.26	502,930,192.50
(I) Total comprehensive income							53,180,700.00			869,417,812.67	816,237,112.67
(II) Owners' contribution and capital reduction	170,421.00			-9,523.52	66,340,892.08	29,588,211.71					36,572,735.85
1. Ordinary shares contributed by the owners	171,542.00				9,322,685.24	9,494,227.24					
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					75,515,052.71						75,515,052.71
4. Other	1,121.00			-9,523.52	148,524.61	39,082,438.95					38,942,316.86
(III) Profit distribution									56,651,848.00	454,107,414.41	397,455,566.41
1. Withdrawal of surplus reserve									56,651,848.00	56,651,848.00	

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Add: Changes in accounting policies											
Correction for previous errors											
Other											
II. Balance at the beginning of the current year	201,009,96 6.00			50,956,622. 11	834,563,92 0.32	5,628,128. 21			100,634,7 80.00	1,543,745, 041.48	2,725,282, 201.70
III. Increase of the current period ("-" refers to decrease)	82,509,503. 00			-53,111.99	130,049,42 2.52	159,347,87 1.79			41,124,95 4.50	457,353,1 07.58	551,636,00 3.82
(I) Total comprehensive income										671,346,6 32.84	671,346,63 2.84
(II) Owners' contribution and capital reduction	2,105,517.0 0			-53,111.99	210,987,93 4.74	159,347,87 1.79					53,692,467 .96
1. Ordinary shares contributed by the owners	2,100,000.0 0				162,876,00 0.00	159,347,87 1.79					5,628,128. 21
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					47,357,121 .24						47,357,121 .24
4. Other	5,517.00			-53,111.99	754,813.50						707,218.51
(III) Profit distribution									41,124,95 4.50	- 213,993,5 25.26	- 172,868,57 0.76
1. Withdrawal of surplus reserve									41,124,95 4.50	- 41,124,95 4.50	
2. Distribution to owners (or shareholders)										- 172,868,5 70.76	- 172,868,57 0.76
3. Other											
(IV) Internal carry-forward of owners' equity	80,403,986. 00				- 80,403,986 .00						
1. Transfer of capital reserve to capital (or share capital)	80,403,986. 00				- 80,403,986 .00						
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover loss											

4. Changes in defined benefit scheme carried forward to retained earnings											
5. Carry-forward of other comprehensive income to retained earnings											
6. Other											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others					-						-
				534,526.22							534,526.22
IV. Balance at the end of the period	283,519,46 9.00			50,903,510. 12	964,613,34 2.84	164,976,00 0.00			141,759,7 34.50	2,001,098, 149.06	3,276,918, 205.52

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Person in charge of Accounting Department: WANG Li

III. General Information about the Company

1. Company profile

Applicable Not applicable

Proya Cosmetics Co., Ltd. (hereinafter referred to as "Company" or the "Company"), formerly known as Proya (Huzhou) Cosmetics Co., Ltd., was registered in the 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. The Company's registered capital is RMB396,823,165.00, and the paid-in capital is RMB396,757,184.00 (the paid-in capital is RMB65,981.00 less than the registered capital due to the conversion of convertible bonds and the repurchasing and de-registering of the granted but unreleased restricted shares without industrial and commercial change registration). The Company has 1,957,060 restricted circulating A shares and 394,800,124 unrestricted circulating A shares. The Company's shares were listed for trading on SSE on November 15, 2017.

The Company is a beauty and personal care company mainly engaged in cosmetics R&D, production, and sales.

The financial statements were approved for external disclosure by the 18th meeting of the 3rd session of Board of Directors of the Company on April 17, 2024.

IV. Preparation Basis of Financial Statements

1. Preparation basis

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

2. Going concern

Applicable Not applicable

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

V. Significant Accounting Policies and Estimates

Notes to specific accounting policies and accounting estimates:

Applicable Not applicable

Important notes: The Company has formulated specific accounting policies and estimates for transactions or events related to impairment of financial instruments, inventories, depreciation of fixed assets, construction in progress, intangible assets, and revenue recognition based on the actual production and operation characteristics.

1. Statement of compliance with accounting standards for business enterprises

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

2. Accounting period

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

3. Operating cycle

Applicable Not applicable

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

4. Functional currency

The Company and our domestic subsidiaries use RMB as the functional currency, while our overseas subsidiaries, such as Hapsode Co., Ltd., Hanna Cosmetics Co., Ltd., and OR Off&Relax choose the

currency of the main economic environment in which they operate as the functional currency since they engage in overseas operations.

5. Determination method and selection basis of importance criteria

√ Applicable □ Not applicable

Item	Importance criteria
Accounts receivable	The Company recognizes accounts receivable that individually exceed 0.3% of the total assets as important accounts receivable.
Receivable financing	The Company recognizes receivable financing that individually exceed 0.3% of the total assets as important receivable financing.
Other receivables	The Company recognizes other receivables that individually exceed 0.3% of the total assets as important other receivables.
Important prepayments with an account age of more than one year	The Company recognizes prepayments that individually exceed 0.3% of the total assets as important prepayments.
Important construction in progress	The Company recognizes construction in progress that individually exceeds 0.3% of the total assets as important construction in progress.
Important accounts payable with an account age of more than one year	The Company recognizes accounts payable that individually exceed 0.3% of the total assets as important accounts payable.
Important receipts in advance with an account age of more than one year or overdue	The Company recognizes receipts in advance that individually exceeds 0.3% of the total assets as important Receipts in advance.
Important contract liabilities with an account age of more than one year	The Company recognizes contract liabilities that individually exceed 0.3% of the total assets as important contract liabilities.
Important other payables with an account age of more than one year	The Company recognizes other payables that individually exceed 0.3% of the total assets as important other payables.
Important estimated liabilities	The Company recognizes estimated liabilities that individually exceed 0.3% of the total assets as important estimated liabilities.
Important cash flows from investing activities	The Company recognizes cash flows from investing activities that individually exceed 5% of the total assets as important cash flows from investing activities.
Important subsidiaries and non wholly-owned subsidiaries	The Company recognizes subsidiaries with absolute value of contribution to total profits that exceeds 5% of the absolute value of consolidated profits as important subsidiaries or important non-wholly-owned subsidiaries.
Important joint ventures, affiliates and joint operations	The Company recognizes joint ventures, affiliates and joint operations with absolute value of contribution to total profits that exceeds 5% of the absolute value of consolidated profits as important joint ventures, affiliates and joint operations.
Important contingencies	The Company recognizes contingencies that have an impact on balance sheet items exceeding 1% of total assets or an impact on income statement items exceeding 5% of total profits as important contingencies.
Important commitments	The Company recognizes commitments that have

	an impact on balance sheet items exceeding 1% of total assets or an impact on income statement items exceeding 5% of total profits as important commitments.
Important events after the balance sheet date	The Company recognizes events after the balance sheet date that have an impact on balance sheet items exceeding 1% of total assets or an impact on income statement items exceeding 5% of total profits as important events after the balance sheet date.

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

√ Applicable Not applicable

1. Accounting treatment of business combination under common control

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

2. Accounting treatment of business combination not under common control

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

7. Criteria for judgment of control and preparation of consolidated financial statements

√ Applicable Not applicable

1. Judgment of control

Control is having the power over the invested party, enjoying variable returns through participating in related activities of the invested party, and having the ability to use the power over the invested party to influence its variable return amount.

2. Preparation of consolidated financial statements

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

(2) Accounting treatment of 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 plans and arrangements, if the equity of the acquiree is disposed of in the second fiscal year to the point of losing control over it, the acquiree will be excluded from the consolidation scope of the consolidated financial statements when the control is lost.

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

√ Applicable Not applicable

1. Joint arrangement can be divided into joint operation and joint venture.

2. When the Company is a joint party of a joint operation, the Company recognizes the following items related to the share of interests in the joint operation:

- (1) Assets solely held, and assets jointly held on proportion;
- (2) Liabilities solely undertaken, and liabilities jointly undertaken on proportion;
- (3) Income generated from selling the Company's output share of the joint operation;
- (4) Income of the joint operation generated from selling assets according to the Company's holding share;
- (5) Cost incurred alone, and cost incurred from the joint operation on proportion.

9. Determination of cash and cash equivalents

Cash presented in the cash flow statement refers to cash on hand and deposits that can be used for payment at any time. Cash equivalents refer to the short-term and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

10. 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. At the balance sheet date, the foreign currency monetary items are translated based on the spot rate at 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 profits" are translated at the spot rates on the transaction dates. Income and expense items in the income statement are translated at the approximate rates of the spot rates on the transaction dates. Any balance incurred from the translation of foreign-currency financial statements by the above method is included in other comprehensive income.

11. Financial instruments

Applicable Not applicable

1. Classification of financial assets and liabilities

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

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

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

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

A financial asset or liability is recognized when the Company becomes a party to a financial instrument contract. Financial assets and liabilities are measured at the fair value at initial recognition. For financial assets and liabilities measured at fair value through profit or loss, relevant transaction expenses are directly included in the current profit or loss; for other categories of financial assets or liabilities, relevant transaction costs are recognized as expenses at initial recognition. However, where the accounts receivable initially recognized by the Company do not contain a significant financing component or the Company does not consider the financing component in the contract of less than one year, the initial

measurement is made according to the transaction price defined in the *Accounting Standards for Business Enterprises No. 14 – Revenue*.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

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

2) Debt instrument investments measured at fair value through other comprehensive income

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

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

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

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

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

(3) Subsequent measurement of financial liabilities

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

Such financial liabilities include held-for-trading financial liabilities (including derivative instruments belonging to financial liabilities) and those designated as financial liabilities measured at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities measured at fair value through profit or loss due to changes in the Company's own credit risk are included in other comprehensive income, unless the treatment will cause or enlarge the accounting mismatch in the profit or loss. Other gains or losses generated from such financial liabilities (including interest expenses, except the changes in the fair value arising from the credit risk change of the Company) are included in the current profit or loss, unless the financial liabilities belong to part of the hedging relationship. At derecognition, the gains or losses accumulated previously through other comprehensive income are transferred from other comprehensive income and included into retained earnings.

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

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

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

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

4) Financial liabilities measured at amortized cost

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

(4) Derecognition of financial assets and liabilities

1) Financial assets 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 such transfer satisfies the provisions for derecognition of financial assets in the *Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets*.

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

3. Recognition basis and measurement of transfer of financial assets

If the Company has transferred almost all the risks and rewards related to the ownership of financial assets, the financial assets are derecognized, and the rights and obligations resulting from or retained in the transfer are separately recognized as assets or liabilities. In case that almost all the risks and rewards related to the ownership of the financial assets are retained, the recognition of the transferred financial assets is continued. In case that almost all the risks and rewards related to the ownership of the financial assets are neither transferred nor retained, disposal applies depending on the following circumstances:

(1) if the control over the financial assets is not retained, the financial assets are derecognized, and the rights and obligations resulting from or retained in the transfer are separately recognized as assets or liabilities; (2) if the control over the financial assets is retained, the relevant financial assets are recognized according to the degree of continued involvement in the transferred financial assets, and the relevant liabilities are recognized accordingly.

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

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

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

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

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

(3) Level 3 inputs are unobservable inputs of related assets or liabilities, including the interest rate, stock volatility, future cash flow of retirement obligations borne during the business combination, and financial forecasts made based on its own data, which cannot be observed directly or cannot be verified according to observable market data.

5. Impairment of financial instruments

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

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

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

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

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

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

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

The Company evaluates the expected credit risk and measures the expected credit loss based on single financial instrument or portfolio of financial instruments. When the portfolio of financial instruments is used as the basis, the Company divides financial instruments into different portfolios on the basis of the common risk characteristics.

The Company re-measures the expected credit loss on each balance sheet date, and the increased or reversed amount of the loss provision arising therefrom, as losses or gains from impairment, are included in the current profit or loss. For financial assets measured at amortized cost, the carrying value of the financial assets listed in the balance sheet is deducted from the loss provision; 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.

6. Offset of financial assets and liabilities

Financial assets and liabilities are presented in the balance sheet respectively without offsetting. However, when the following conditions are met simultaneously, the financial assets and liabilities are presented at the net amount after mutual offset in the balance sheet: (1) the Company has the legal right of offsetting the recognized amount and such legal right is currently executable; (2) the Company plans to settle by net amount or simultaneously realize the financial assets and clear off the financial liabilities. When the financial assets that do not meet the derecognition conditions are transferred, the Company does not offset the transferred financial assets with the relevant liabilities.

12. Notes receivable

Applicable Not applicable

13. Accounts receivable

Applicable Not applicable

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

Applicable Not applicable

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

Classification and determination basis of portfolios with bad debt provisions accrued by portfolio of credit risk characteristics

√ Applicable Not applicable

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

Calculation of account ages of portfolios of credit risk characteristics recognized on the account age basis

√ Applicable Not applicable

The expected credit loss is calculated through a table that compares the account age of accounts receivable and expected credit loss rate by referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions.

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

Criteria for judgment of recognized bad debt provisions accrued individually

√ Applicable Not applicable

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

14. Receivable financing

√ Applicable Not applicable

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

√ Applicable Not applicable

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

Classification and determination basis of portfolios with bad debt provisions accrued by portfolio of credit risk characteristics

√ Applicable Not applicable

The expected credit loss is calculated through the default risk exposure and the expected credit loss rate in the whole duration by referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions.

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

Calculation of account ages of portfolios of credit risk characteristics recognized on the account age basis

√ Applicable Not applicable

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

Criteria for judgment of provision for bad debts accrued individually

√ Applicable Not applicable

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

15. Other receivables

√ Applicable Not applicable

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

√ Applicable Not applicable

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

Classification and determination basis of portfolios with bad debt provisions accrued by portfolio of credit risk characteristics√ Applicable Not applicable

The expected credit loss is calculated through a table that compares the account age of other receivables and expected credit loss rate by referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions.

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

Calculation of account ages of portfolios of credit risk characteristics recognized on the account age basis√ Applicable Not applicable

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

Criteria for judgment of provision for bad debts accrued individually√ Applicable Not applicable

Refer to "11. Financial instruments" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" in this Report.

16. Inventories√ Applicable Not applicable**Classification of inventories, valuation method for delivered inventories, inventory system, and amortization of low-value consumables and packaging**√ Applicable Not applicable**1. Classification of inventories**

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

2. Valuation method for delivered inventories

The moving weighted average is adopted for delivered inventories.

3. Inventory system

The Company adopts a perpetual inventory system.

4. Amortization of low-value consumables and packaging**(1) Low-value consumables**

Amortization is performed via the immediate write-off method.

(2) Packaging

Amortization is performed via the immediate write-off method.

Recognition and accrual of provision for devaluation of inventories√ Applicable Not applicable

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

Classification and determination basis of portfolios with provision for devaluation of inventories accrued by portfolio and determination basis of net realizable value of different categories of inventories Applicable √ Not applicable

Calculation method and determination basis of net realizable value of each stock age portfolio for inventories with net realizable value recognized based on stock age

Applicable Not applicable

17. Contract assets

Applicable Not applicable

Recognition methods and standards of contract assets

Applicable Not applicable

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

Determination and accounting treatment of the expected credit loss of contract assets

Applicable Not applicable

Classification and determination basis of portfolios with bad debt provisions accrued by portfolio of credit risk characteristics

Applicable Not applicable

Calculation of account ages of portfolios of credit risk characteristics recognized on the account age basis

Applicable Not applicable

Criteria for judgment of recognized bad debt provisions accrued individually

Applicable Not applicable

18. Held-for-sale non-current assets or disposal groups

Applicable Not applicable

Recognition and accounting treatment of non-current assets or disposal groups classified as held-for-sale

Applicable Not applicable

Recognition and presentation of termination of operation

Applicable Not applicable

19. Long-term equity investments

Applicable Not applicable

1. Joint control or significant influence criterion

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

2. Determination of investment cost

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

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

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

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

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

2) In the consolidated financial statements, the item is determined based on whether the transactions are a "package deal". If yes, the transactions are subject to accounting treatment as one deal that has acquired control right. If no, the equity of the acquiree held before the acquisition date is re-measured at the fair value of the equity on the acquisition date, and the difference between the fair value and its carrying value is included in the current investment income. If the equity of the acquiree held before the acquisition date is related to other comprehensive income under the equity method, the other related comprehensive income is converted into the current income on the acquisition date, excluding the other comprehensive income derived from changes in net liabilities or assets due to re-measurement on defined benefit plans by the investee.

(3) For a long-term equity investment obtained by means other than business combination: If it is obtained by cash, the initial investment cost is the actual payment; if it is obtained through issuing equity securities, the initial investment cost is the fair value of the issued equity securities. If it is obtained through debt restructuring, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring*. If it is obtained through the exchange of non-monetary assets, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-Monetary Assets*.

3. Subsequent measurement and recognition of profit or loss

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

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

(1) Judgment of whether transactions are a "package deal"

In case of loss of control upon stepwise disposal of investment to subsidiaries through multiple transactions, the Company judges whether such transactions are a "package deal" based on the terms of the transaction agreement of each step of stepwise transactions, the disposal consideration obtained respectively, the target of equity sale, the disposal method, the disposal time and other information. When the terms, conditions and economic impact of each transaction meet one or more of the following circumstances, it usually indicates that the multiple transactions are a "package deal":

- 1) these transactions were entered into simultaneously or after considering the effects of each other;
- 2) these transactions constituted a complete commercial result as a whole;
- 3) one transaction was conditional upon at least one of the other transaction;
- 4) one transaction was not economical on its own but was economical when considering other transactions.

(2) Accounting treatment of transactions which are not a "package deal"

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 via the equity

method in case of significant influence on the investee or implementation of joint control with other parties. However, in case of no control, joint control or significant influence on the investee, the accounting of remaining equity must comply with the relevant provisions of the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*.

2) Consolidated financial statements

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

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

(3) Accounting treatment of transactions which are a "package deal"

1) Individual financial statements

All transactions are regarded as one transaction disposing the subsidiary and losing the control right for accounting treatment. However, the difference between the amount received each time for disposal before the control is lost and the carrying value of long-term equity investments corresponding to the disposal of investment is recognized as other comprehensive income in the individual financial statements, and is transferred to profit or loss of the period during which the control is lost upon loss of control.

2) Consolidated financial statements

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

20. Investment real estate

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

Depreciation or amortization method

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

2. Investment real estate is initially measured at cost and subsequently measured with the cost model, and depreciated or amortized with the same method as that for fixed assets and intangible assets.

21. Fixed assets

(1). Conditions for recognition

Applicable Not applicable

Fixed assets are tangible assets that are held for use in the production or rendering of goods or services, for rental to others, or for administrative purposes, and have a service life of more than one accounting year. The fixed assets are recognized when the following conditions are satisfied simultaneously: the economic benefits are likely to inflow to the Company and the costs of such fixed assets can be measured reliably.

(2). Depreciation method

Applicable Not applicable

Category	Depreciation method	Depreciation life (year)	Residual value	Annual depreciation rate
Houses and buildings	Straight-line method	10 or 30	5%	9.50% or 3.17%

General equipment	Straight-line method	3-10	5%	31.67%-9.50%
Dedicated equipment	Straight-line method	5-10	5%	19.00%-9.50%
Means of transportation	Straight-line method	5	5%	19.00%

22. Construction in progress

√ Applicable Not applicable

1. Construction in progress is recognized when the following conditions are satisfied simultaneously: the economic benefits are likely to inflow to the Company and the costs of such construction in progress can be measured reliably. Construction in progress is measured at the actual cost incurred to prepare the assets for their intended use.

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

Category	Criteria and timing for the transfer of construction in progress to fixed assets
Dedicated equipment	After installation and commissioning, the construction meets the design requirements or the standards stipulated in the contract
Houses and buildings	When the physical construction has been fully or substantially completed and can be put into use

23. Borrowing costs

√ Applicable Not applicable

1. Criteria for recognition of capitalized borrowing costs

Borrowing costs incurred by the Company, which are directly attributable to the purchase and construction of assets eligible for capitalization, are capitalized and included in the costs of the related assets. Other borrowing costs are recognized as expenses in the period in which they are incurred and are included in the current profit or loss.

2. Capitalization period of borrowing costs

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

1) expenditures for the assets have been incurred; 2) borrowing costs have been incurred; 3) acquisition and construction or production that are necessary to enable the assets to reach the intended usable or salable conditions have commenced.

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

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

3. Capitalization rate and amount of borrowing costs

In case of special borrowing for the acquisition and construction or production of assets meeting the capitalization conditions, interest amount to be capitalized is recognized after deducting the bank interests for the unused portion or the investment income for temporary investment from the interest costs (including recognized depreciation or amortization of premium under 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 is determined via 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.

24. Biological assets

Applicable Not applicable

25. Oil and gas assets

Applicable Not applicable

26. Intangible assets**(1). Service life and its determination basis, estimation, amortization method or review procedure**

Applicable Not applicable

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

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

Item	Service life (year)	Determination basis of service life	Amortization method
Land use rights	40 or 50	Estimated service life	Straight-line method
Non-patented technologies	5	Estimated service life	Straight-line method
Office software	3-10	Estimated service life	Straight-line method
Patent right	5	Estimated service life	Straight-line method
Customer resources	3	Estimated earning life	Straight-line method
Trademark rights	10	Estimated service life	Straight-line method

(2). Collection scope of R&D expenditures and related accounting treatment methods

Applicable Not applicable

1. Collection scope of R&D expenditures**(1) Labor costs**

Labor costs include salaries, basic endowment insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work-related injury insurance premiums, maternity insurance premiums and housing provident funds of the Company's R&D personnel, as well as labor costs of external R&D personnel.

If R&D personnel serve multiple R&D projects at the same time, the labor costs are allocated proportionally among different R&D projects based on the working hour records of R&D personnel of various R&D projects provided by the management department of the Company.

If the personnel directly engaged in R&D activities and external R&D personnel are also engaged in non-R&D activities, the Company will allocate the actual labor costs between R&D expenses and production & operation expenses by adopting reasonable methods such as the proportion of actual working hours based on the working hour records of R&D personnel at different positions.

(2) Direct input costs

Direct input costs refer to the relevant expenses actually incurred by the Company for the implementation of R&D activities, including: 1) costs of directly consumed materials, fuel and power; 2) development and manufacturing expenses of molds and process equipment used for intermediate tests and product trial production, purchase expenses of samples, prototypes and general testing means which do not constitute fixed assets, and inspection expenses of trial production products; 3) expenses for operation, maintenance, adjustment, inspection, testing and maintenance of instruments and equipment used for R&D activities.

(3) Depreciation expenses and long-term prepaid expenses

Depreciation expenses refer to the depreciation expenses of instruments, equipment and buildings in use for R&D activities.

If the instruments, equipment and buildings in use for R&D activities are also used for non-R&D activities, the use of such instruments, equipment and buildings in use are recorded as necessary, and the depreciation expenses actually incurred are allocated between R&D expenses and production & operation expenses in a reasonable way based on the actual working hours, usable area and other factors.

Long-term prepaid expenses refer to the long-term prepaid expenses incurred in the process of reconstruction, modification, decoration and repair of R&D facilities, which are collected according to the actual expenditures and amortized evenly by stages within the prescribed period.

(4) Amortization expenses of intangible assets

Amortization expenses of intangible assets refer to the amortization expenses of software, intellectual property rights and non-patented technologies (including proprietary technology, licenses, designs and calculation methods) used for R&D activities.

(5) Entrusted external R&D expenses

Entrusted external R&D expenses refer to the expenses incurred by the Company in entrusting other institutions or individuals at home and abroad to carry out R&D activities (the results of R&D activities are owned by the Company and closely related to the Company's main operations).

(6) Others expenses

Other expenses refer to other expenses directly related to R&D activities other than the above expenses, including costs of technical books and materials, data translation fees, expert consultation fees, high-tech R&D insurance premiums, retrieval, demonstration, evaluation, appraisal and acceptance fees of R&D results, intellectual property application fees, registration fees, agency fees, conference fees, travel expenses, and communication fees.

2. Expenditure incurred during the research phase of internal R&D projects is included in the current profit or loss when actually incurred. Expenditure incurred during the development phase is recognized as expenditure on an intangible asset when all of the following conditions are satisfied simultaneously:

- (1) Completing the intangible asset so that it will be available for use or sale is technically feasible; (2) The intention to complete the intangible asset so that it will be available for use or sale exists; (3) The intangible asset will generate probable future economic benefits. Amongst other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is used internally, the usefulness of the intangible asset; (4) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; (5) The expenditure attributable to the intangible asset during its development can be reliably measured.

27. Impairment of long-term assets

√ Applicable Not applicable

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

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

28. Long-term prepaid expenses

√ Applicable Not applicable

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

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

29. Contract liabilities

Applicable Not applicable

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

30. Employee compensation

(1). Accounting treatment of short-term compensation

Applicable Not applicable

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

(2). Accounting treatment of post-employment benefits

Applicable Not applicable

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

(1) During the accounting period when employees render services for the Company, the amount to be deposited as calculated according to the defined contribution plan is recognized as a liability and included in the current profit or loss or the costs of the related assets.

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

- 1) According to the expected cumulative benefit unit method, the demographic variables, financial variables, and other variables are estimated through unbiased and mutually consistent actuarial assumption, so as to measure the obligations arising from the defined benefit plan and determine the period of relevant obligations. In addition, the obligation generated from the defined benefit plan is discounted, so as to determine the present value of defined benefit plan obligation and current service cost;
- 2) In case assets exist 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 net asset in the defined benefit plan. When the defined benefit plan has surplus, the net assets of the defined benefit plan are measured at the lower of the surplus of the defined benefit plan and the upper limit of the assets;
- 3) At the end of the period, the employee compensation costs generated by the defined benefit plan are recognized as three parts, i.e., service costs, net interest of the net liabilities or net assets of the defined benefit plan, and the changes generated by re-measurement of the net liabilities or net assets of the defined benefit plan, in which the service costs and the net interest of the net liabilities or net assets of the defined benefit plan are included in the current profit or loss or the costs of the related assets, and the changes generated by re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income, and cannot be reversed to profit or loss in the subsequent accounting period. However, the amount recognized in other comprehensive income can be transferred within the equity scope.

(3). Accounting treatment of termination benefits

Applicable Not applicable

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

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

Applicable Not applicable

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

31. Estimated liabilities

Applicable Not applicable

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

32. Share-based Payments

Applicable Not applicable

1. Types of share-based payments

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

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

(1) Equity-settled share-based payments

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

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

(2) Cash-settled share-based payments

Cash-settled share-based payments vested immediately after the grant date and exchanged for employee services are included in relevant costs or expenses as per the fair value of the liabilities assumed by the Company on the grant date, and the liabilities are increased accordingly. For 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 are included in relevant costs or expenses and corresponding liabilities as per the fair value of the liabilities assumed by the Company based on the optimal estimate of the vesting conditions on each balance sheet date within the waiting period.

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

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

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

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

33. Preferred shares, perpetual bonds and other financial instruments

Applicable Not applicable

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

At the balance sheet date, for financial instruments classified as equity instruments, interest expenses or dividend distributions are treated by the Company as profit distribution. Repurchases, cancellations, and similar transactions are treated as changes in equity. For financial instruments classified as financial liabilities, their interest expense or dividend distribution are treated as borrowing costs, and the gains or losses from repurchase or redemption are included in the current profit or loss.

34. Revenue

(1). Accounting policy applied for recognition and measurement of revenues disclosed by business type

Applicable Not applicable

1. Revenue recognition principle

On the commencement date of the contract, the Company evaluates the contract, identifies the individual performance obligations provided in the contract and determines whether to perform them within a period or at a time point.

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

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

2. Revenue measurement principle

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

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

(3) In case of a major financing composition in the contract, the Company determines the transaction price according to the payable amount assumed to be paid by the customer in cash immediately after it acquires the control over the commodities or services. The difference between the transaction price and the contract consideration is amortized with the effective interest method within the contract term. If the Company expects, on the commencement date of the contract, that the interval between the customer's acquisition of the control of the commodities or services and its payment is not more than one year, the major financing composition in the contract is not taken into account.

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

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

Applicable Not applicable

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

(1) Distribution

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

(2) Direct selling

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

(3) Sales on commission

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

35. Contract cost

Applicable Not applicable

36. Government subsidies

Applicable Not applicable

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

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

Government subsidies that are used for purchasing and construction or otherwise forming long-term assets as specified in government documents are classified as government subsidies related to assets. In case of no provision in government documents, the government subsidies are determined on the basis of the essential condition required for obtaining the subsidies, and considered as related to assets if the essential condition is purchasing and construction or otherwise forming long-term assets. Government

subsidies related to assets offset the carrying value of relevant assets or are recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they are included in the profit and loss in a reasonable and systematic way within the service life of relevant assets. Government subsidies measured at nominal amount are directly included in the current profit or loss. If related assets are sold, transferred, scrapped or damaged before the end of their service life, related deferred income balance unallocated is transferred into the profit and loss for the period of asset disposal.

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

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

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

37. Deferred income tax assets/liabilities

Applicable Not applicable

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

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

3. At the balance sheet date, the carrying value of the deferred income tax assets is reviewed. When it is very likely that sufficient taxable income will not be obtained in future periods to deduct their benefits, the carrying value of the deferred income tax assets is written down. When it is very likely that sufficient taxable income will be obtained, the amount written down is reversed.

4. The current income tax and deferred income tax of the Company are included in the current profit or loss as income tax expense or income, except for the income tax arising from the following circumstances: (1) business combination; (2) transaction or matters recognized directly in the owners' equity.

5. Where the following conditions are met simultaneously, the Company will present the deferred income tax assets and deferred income tax liabilities at the net amount after offset: (1) the Company has a legal right to settle the current income tax assets and liabilities; (2) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities. However, in the future, for each significant period of deferred income tax assets and liabilities being reversed, the involved taxable entity intends to either settle current tax liabilities and assets on a net basis, or to acquire the assets and settle the liabilities simultaneously.

38. Lease

Applicable Not applicable

Judgment and accounting treatment of the Company as the lessee for short-term leases and low-value asset leases subject to simplified treatment

Applicable Not applicable

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 applying the 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 a lease incentive exists; 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 with the straight-line method. If it can be reasonably determined that the Company will acquire ownership of the leased assets at the expiration of the lease term, the Company accrues depreciation over the remaining service life of the leased assets. If it cannot be reasonably determined that the Company will acquire ownership of the leased assets at the expiration of the lease term, the Company accrues depreciation over the lease term or the remaining service life of the leased assets, whichever is shorter.

(2) Lease liabilities

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

After the start date of the lease term, when there is a change in the actual amount of fixed payment, a change in the estimated payable amount of the guaranteed residual value, a change in the index or ratio used to determine the lease payment amount, or a change in the evaluation results 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 is included in the current profit or loss.

Classification and accounting treatment of the Company as the lessor for leases

Applicable Not applicable

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 leases

During each period of the lease term, the Company recognizes the lease receipts as rental income by applying 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 leases

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

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

39. Other significant accounting policies and estimates

Applicable Not applicable

Accounting treatment related to repurchasing the Company's shares

If the Company's shares are acquired due to reasons such as reducing registered capital or rewarding employees, the actual amount paid is treated as treasury shares and recorded for future reference. Where the repurchased shares are canceled, the difference between the total face value of the shares calculated based on the face value and number of canceled shares and the actual amount paid for the repurchase will be offset against the capital reserve. If the capital reserve is insufficient to be offset, the retained earnings will be offset. Where the repurchased shares are rewarded to employees of the Company as equity-settled share-based payments, the cost of treasury shares delivered to employees and the cumulative amount of capital reserves (other capital reserves) during the waiting period is charged off when employees exercise their rights to purchase shares of the Company and relevant payments are received, and the capital reserves (share premium) are also adjusted according to the difference.

40. Changes in significant accounting policies and estimates

(1). Changes in significant accounting policies

Applicable Not applicable

(2). Changes in significant accounting estimates

Applicable Not applicable

(3). Financial statements at the beginning of the year of the first implementation which are adjusted due to the first implementation of new accounting standards or relevant interpretations from 2023

Applicable Not applicable

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

Surcharge for local education	Actual turnover tax paid	2%
Enterprise income tax	Taxable income	[Note]

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

If there are taxpayers with different enterprise income tax rates, details will be disclosed

√ Applicable □ Not applicable

Name of taxpayer	Income tax rate (%)
The Company	15
Huzhou Niuke Technology Co., Ltd.	20
Xuzhou Laibo Information Technology Co., Ltd.	20
Hangzhou CORRECTORS Trade Co., Ltd.	20
Hangzhou Weiluoke Cosmetics Co., Ltd.	20
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 Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Xinghuo Industry Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Wanyan Electronic Commerce Co., Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Zhongwen Electronic Commerce Co., Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Hong Kong Xuchen Trading Limited	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Boya (Hong Kong) Investment Management Co., Limited.	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
Proya Europe SARL	Relevant taxes are calculated and paid according to local tax regulations in Luxembourg
PROYA PTE. LTD	Relevant taxes are calculated and paid according to local tax regulations in Singapore
PROYA BEAUTY MALAYSIA SDN. BHD	Relevant taxes are calculated and paid according to local tax regulations in Malaysia
OR Off&Relax	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 passed the high-tech enterprise review on December 8, 2023 and obtained the high-tech enterprise certificate, which is valid for 3 years. The preferential period of corporate income tax is from 2023 to 2025. The Company was subject to the enterprise income tax at the preferential rate of 15% during the Reporting Period.

According to the *Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing Preferential Policies of Income Tax for Small and Micro Enterprises* (Announcement No. 13 of 2022 of the Ministry of Finance and the State Taxation Administration) and the *Announcement on Preferential Policies of Income Tax for Small and Micro Enterprises and Individual Industrial and Commercial Households* (Announcement No. 6 of 2023 of the Ministry of Finance and the State Taxation Administration), the subsidiaries Huzhou Niuke Technology Co., Ltd., Xuzhou Laibo Information Technology Co., Ltd., Hangzhou CORRECTORS Trade Co., Ltd., and Hangzhou Weiluoke Cosmetics Co., Ltd. meet the tax standards for small low-profit enterprises. Thus, the portion of taxable income not exceeding RMB1 million in the current period is reduced by 25% to be included in the taxable income and the enterprise income tax is paid by such subsidiaries at the rate of

20%, and the portion of taxable income exceeding RMB1 million but not exceeding RMB3 million in the current period is also reduced by 25% to be included in the taxable income and the enterprise income tax is also paid by such subsidiaries at the rate of 20%.

According to the Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying Policies for Value-Added Tax Reduction and Exemption for Small-Scale Taxpayers (Announcement No. 1 of 2023 of the Ministry of Finance and the State Taxation Administration), the subsidiary Hangzhou Proya Commercial Management Co., Ltd. meets the conditions for general taxpayers engaging in the life service industry. From January 1, 2023 to December 31, 2023, the subsidiary is allowed to offset the tax payable by an additional 5% of the deductible input tax amount for the current period.

3. Other

Applicable Not applicable

VII. Notes to the Items in Consolidated Financial Statements

1. Cash and cash equivalents

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Cash on hand	29,332.00	20,176.08
Cash at bank	3,783,575,412.37	3,078,501,723.18
Other monetary capital	227,480,813.70	82,481,185.79
Deposits with finance companies		
Total	4,011,085,558.07	3,161,003,085.05
Including: Total cash deposited outside China	79,895,831.50	73,162,153.00

Other explanations

At the end of the period, bank deposits subject to restricted use included the fixed-term deposit of RMB335,288,251.36, the transformer fixed-term deposit of RMB250,000.00, and the L/C deposit of RMB8,800,000.00, ETC vehicle deposit of RMB70,000.00, Pinduoduo deposit of 5,298,890.00, and the Tmall and Alipay deposits of RMB2,110,704.68 in other monetary capital.

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

2. Held-for-trading financial assets

Applicable Not applicable

3. Derivative financial assets

Applicable Not applicable

4. Notes receivable

(1). Presentation of notes receivable by category

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of notes receivable with changes in provision for loss in the current period:

Applicable Not applicable

(5). Information on provisions for bad debts

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

None

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

Applicable Not applicable

Wherein, write-off of important notes receivable:

Applicable Not applicable

Explanation on the write-off of notes receivable:

Applicable Not applicable

Other explanations

Applicable Not applicable

5. Accounts receivable**(1). Disclosed by account age**

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Ending book balance	Opening book balance
Within 1 year		
Including: Sub-items within 1 year		
Within 1 year	361,290,118.83	102,578,046.19
Sub-total within 1 year	361,290,118.83	102,578,046.19
1-2 years	1,358,203.20	3,828,412.88

2-3 years	787,682.79	5,152,061.48
Above 3 years	12,055,855.34	14,301,950.43
3-4 years		
4-5 years		
Above 5 years		
Total	375,491,860.16	125,860,470.98

(2). Disclosed by the classification of bad debt accrual method√ Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance					Opening balance				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Per cent age (%)	Amount	Accrual ratio (%)		Amount	Per cent age (%)	Amount	Accrual ratio (%)	
Provision for bad debts accrued individually	8,401,266.23	2.24	8,401,266.23	100.00		13,574,973.09	10.79	13,574,973.09	100.00	
Including:										
Provision for bad debts accrued individually	8,401,266.23	2.24	8,401,266.23	100.00		13,574,973.09	10.79	13,574,973.09	100.00	
Provision for bad debts accrued by portfolio	367,090.59	97.76	22,520.39	6.13	344,570.19	112,285.49	89.21	10,127.59	9.02	102,157.89
Including:										
Account age portfolio	367,090.59	97.76	22,520.39	6.13	344,570.19	112,285.49	89.21	10,127.59	9.02	102,157.89
Total	375,491.86	/	30,921.66	/	344,570.19	125,860.47	/	23,702.57	/	102,157.89
	0.16		3.62		6.54	0.98		2.57		8.41

Provision for bad debts accrued individually:

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Ending balance			
	Carrying amount	Provision for bad debts	Accrual ratio (%)	Reason for accrual
Provision for bad debts accrued individually	8,401,266.23	8,401,266.23	100.00	Expected to be unrecoverable
Total	8,401,266.23	8,401,266.23	100.00	/

Explanation on provision for bad debts accrued individually:

 Applicable Not applicable

Provision for bad debts accrued by portfolio:

√ Applicable Not applicable

By portfolio: Account age portfolio

Unit: Yuan Currency: RMB

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Accrual ratio (%)
Account age portfolio	367,090,593.93	22,520,397.39	6.13
Total	367,090,593.93	22,520,397.39	6.13

Explanation on provision for bad debts accrued by portfolio:

Applicable Not applicable

Account age	Ending amount		
	Carrying amount	Provision for bad debts	Accrual ratio (%)
Within 1 year	361,290,118.83	18,064,505.92	5.00
1-2 years	1,358,203.20	407,460.96	30.00
2-3 years	787,682.79	393,841.40	50.00
Above 3 years	3,654,589.11	3,654,589.11	100.00
Subtotal	367,090,593.93	22,520,397.39	6.13

Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of accounts receivable with changes in provision for loss in the current period:

Applicable Not applicable

(3). Information on provisions for bad debts

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of changes in the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued individually	13,574,973.09	124,369.15	289,706.45	5,008,369.56		8,401,266.23
Provision for bad debts accrued by portfolio	10,127,599.48	13,254,766.42		861,968.51		22,520,397.39
Total	23,702,572.57	13,379,135.57	289,706.45	5,870,338.07		30,921,663.62

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

Applicable Not applicable

Other explanations:

None

(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	5,870,338.07

Among them, information on accounts receivable significantly written off

□ Applicable √ Not applicable

Explanation on the write-off of the account receivable:

□ Applicable √ Not applicable

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

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Company name	Balance of accounts receivable at the end of the period	Balance of contract assets at the end of the period	Balance of accounts receivable and contract assets at the end of the period	Proportion of total balance of accounts receivable and contract assets at the end of the period (%)	Ending balance of provision for bad debts
Beijing Jingdong Century Trading Co., Ltd.	318,502,679.98		318,502,679.98	84.82	15,925,134.00
Vipshop (China) Co., Ltd.	21,478,514.58		21,478,514.58	5.72	1,073,925.73
Zhejiang Haochao Network Technology Co., Ltd.	3,779,622.99		3,779,622.99	1.01	188,981.15
BOTANIERA (Hangzhou) Health Technology Co., Ltd.	3,622,381.28		3,622,381.28	0.96	181,119.06
Hangzhou Zhishang Technology Co., Ltd.	3,199,647.18		3,199,647.18	0.85	254,859.68
Total	350,582,846.01		350,582,846.01	93.36	17,624,019.62

Other explanations

None

Other explanations:

Applicable Not applicable

6. Contract assets

(1). Description of contract assets

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts accrued individually:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of contract assets with changes in provision for loss in the current period:

Applicable Not applicable

(4). Provision for bad debts of contract assets accrued in the current period

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

None

(5). Contract assets actually written off in the current period

Applicable Not applicable

Wherein, write-off of important contract assets:

Applicable Not applicable

Explanation on write-off of contract assets:

Applicable Not applicable

Other explanations:

Applicable Not applicable

7. Receivable financing**(1). Presentation of receivable financing by category**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Bank acceptance bills	7,378,700.06	
Total	7,378,700.06	

(2). Receivable financing pledged by the Company at the end of the period Applicable √ Not applicable**(3). Receivable financing endorsed or discounted by the Company at the end of the period and not yet due on the balance sheet date**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	600,000.00	
Total	600,000.00	

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

(4). Disclosed by the classification of bad debt accrual method√ Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance					Opening balance				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Accrual ratio (%)		Amount	Percentage (%)	Amount	Accrual ratio (%)	
Provision for bad debts accrued individually										
Including:										
Provision for bad debts accrued by portfolio	7,378,700.06	100.00			7,378,700.06					
Including:										
Bank acceptance bills	7,378,700.06	100.00			7,378,700.06					
Total	7,378,700.06	/		/	7,378,700.06		/		/	

Provision for bad debts accrued individually:

 Applicable √ Not applicable

Explanation on provision for bad debts accrued individually:

 Applicable √ Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of receivable financing with changes in provision for loss in the current period:

Applicable Not applicable

(5). Information on provisions for bad debts

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

None

(6). Receivable financing actually written off in the current period

Applicable Not applicable

Wherein, write-off of important receivable financing:

Applicable Not applicable

Explanation on write-off of receivable financing:

Applicable Not applicable

(7). Changes in the current period of receivables financing and changes in fair value:

Applicable Not applicable

(8). Other explanations:

Applicable Not applicable

8. Prepayments

(1). Prepayments are presented by account age

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Ending balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	200,521,100.41	98.84	88,898,806.55	97.18
1-2 years	1,427,668.59	0.70	1,696,085.16	1.85
2-3 years	383,035.66	0.19	829,263.44	0.91
Above 3 years	538,390.92	0.27	59,368.00	0.06
Total	202,870,195.58	100.00	91,483,523.15	100.00

Explanation on reasons for prepayments with an account age of more than one year and a significant amount are not settled in time:

None

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

√ Applicable □ Not applicable

Company name	Ending balance	Ratio of total ending balance of prepayment (%)
Hangzhou Alimama Software Service Co., Ltd. [Note 1]	57,138,476.76	28.17
Wuhan Juliang Xingtu Technology Co., Ltd. [Note 2]	34,771,709.17	17.14
Guangxi Jingdong Qingchuan E-commerce Co., Ltd. [Note 3]	29,688,880.41	14.63
Shanghai Boguan Ruisi Media Technology Co., Ltd.	12,671,442.01	6.25
Shanghai Zhuiji Information Technology Co., Ltd.	9,140,806.81	4.51
Total	143,411,315.16	70.70

Other explanations

[Note 1] The prepayments are the consolidated statistics of Hangzhou Alimama Software Service Co., Ltd. and Zhejiang Alibaba Communication Technology Co., Ltd. under common control.

[Note 2] The prepayments are the consolidated statistics of Hubei Juliang Engine Technology Co., Ltd. and Wuhan Juliang Xingtu Technology Co., Ltd. under common control.

[Note 3] The prepayments are the consolidated statistics of Guangxi Jingdong Qingchuan E-commerce Co., Ltd. and Chongqing Jingdong Haijia e-commerce Co., Ltd. under common control.

Other explanations

□ Applicable √ Not applicable

9. Other receivables**Presentation by item**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	81,966,213.90	73,564,083.63
Total	81,966,213.90	73,564,083.63

Other explanations:

□ Applicable √ Not applicable

Interest receivable**(1). Classification of interest receivable**

□ Applicable √ Not applicable

(2). Significant overdue interest

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts accrued individually:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

(4). Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of interest receivable with changes in provision for loss in the current period:

Applicable Not applicable

(5). Information on provisions for bad debts

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

None

(6). Interest receivable actually written off in the current period

Applicable Not applicable

Wherein, write-off of important interest receivable

Applicable Not applicable

Explanation on write-off of receivable financing:

Applicable Not applicable

Other explanations:

Applicable Not applicable

Dividend receivable

(1). Dividend receivable

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts accrued individually:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

(4). Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of dividends receivable with changes in provision for loss in the current period:

Applicable Not applicable

(5). Information on provisions for bad debts

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

None

(6). Dividends receivable actually written off in the current period

Applicable Not applicable

Wherein, write-off of important dividends receivable

Applicable Not applicable

Explanation on write-off of receivable financing:

Applicable Not applicable

Other explanations:

Applicable Not applicable

Other receivables

(1). Disclosed by account age

Applicable Not applicable

Account age	Ending book balance	Unit: Yuan Currency: RMB	
		Opening book balance	
Within 1 year			
Including: Sub-items within 1 year			
Within 1 year	83,104,304.36		65,862,919.09
Sub-total within 1 year	83,104,304.36		65,862,919.09
1-2 years	3,463,981.21		19,331,287.17
2-3 years	5,143,264.28		22,496,350.23
Above 3 years	28,159,425.53		6,470,493.57
3-4 years			
4-5 years			
Above 5 years			
Total	119,870,975.38		114,161,050.06

(2). Classification by nature of payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Ending book balance	Opening book balance
Security deposits	10,750,199.61	22,781,728.37
Suspense payment receivables	105,147,206.95	90,500,345.08
Reserve funds	620,596.53	552,985.89
Temporary loans	3,000,000.00	
Other	352,972.29	325,990.72
Total	119,870,975.38	114,161,050.06

(3). Information on 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, 2023	3,293,145.99	4,430,510.11	32,873,310.33	40,596,966.43
Balance as of January 1, 2023 in the current period				
– Transferred into the second stage	-173,199.06	173,199.06		
– Transferred into the 3rd stage		-355,402.74	355,402.74	
– Transferred back to the second stage				
– Transferred back to the first stage				
Amount accrued in the current period	1,035,268.26	-3,209,112.07	-518,361.14	-2,692,204.95
Amount written back in the current period				
Amount charged-off in the current period				
Amount written off in the current period				
Other changes				
Balance as of December 31, 2023	4,155,215.19	1,039,194.36	32,710,351.93	37,904,761.48

Classification basis and accrual ratio of provision for bad debts for each stage

None

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

Applicable Not applicable

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

Applicable Not applicable

(4). Information on provisions for bad debts

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of changes in the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued individually	25,821,363.11	382,862.44				26,204,225.55
Provision for bad debts accrued by portfolio	14,775,603.32	-3,075,067.39				11,700,535.93
Total	40,596,966.43	-2,692,204.95				37,904,761.48

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

Applicable Not applicable

Other explanations

None

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

Applicable Not applicable

Wherein, write-off of other important receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Ending balance	As a proportion of total ending balance in other receivables (%)	Nature of payment	Account age	Provision for bad debts Ending balance

Beijing Youzhuju Network Technology Co., Ltd.	58,826,562.99	49.07	Suspense payment receivables	RMB58,801,562.99 with an account age within 1 year, and RMB25,000.00 with an account age of 2-3 years	2,952,578.15
Zhejiang Tmall Technology Co., Ltd.	18,463,296.17	15.40	Suspense payment receivables	Within 1 year	923,164.81
EURL PHARMATIC A	18,169,451.02	15.16	Suspense payment receivables	Above 3 years	18,169,451.02
SIKEROM EUROPE GMBH	8,034,774.53	6.70	Suspense payment receivables	Above 3 years	8,034,774.53
Hangzhou Property Maintenance Fund Management Center	4,708,614.72	3.93	Security deposits	Above 3 years	4,708,614.72
Total	108,202,699.43	90.26	/	/	34,788,583.23

(7). Presented as other receivables due to centralized fund management

Applicable Not applicable

Other explanations:

Applicable Not applicable

10. Inventories**(1). Classification of inventories**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Provision for devaluation of inventories/Impairment provision of contract performance cost	Carrying value	Carrying amount	Provision for devaluation of inventories/Impairment provision of contract performance cost	Carrying value
Raw materials	64,320,795.95	10,411,607.57	53,909,188.38	80,114,114.87	1,703,611.59	78,410,503.28
Packaging	54,811,928.32	4,460,418.42	50,351,509.90	42,300,426.18	1,016,137.11	41,284,289.07
Work in process	22,883,723.89	252,167.47	22,631,556.42	18,952,830.41	134,093.52	18,818,736.89
Outsourcing gifts	22,364,071.52	171,660.98	22,192,410.54	12,011,197.41	65,685.51	11,945,511.90
Inventory commodities	725,768,386.69	88,209,742.39	637,558,644.30	546,279,426.61	37,780,598.48	508,498,828.13
Low-value consumables	10,957,787.46	385,941.32	10,571,846.14	10,474,077.34	380,619.88	10,093,457.46
Total	901,106,693.83	103,891,538.15	797,215,155.68	710,132,072.82	41,080,746.09	669,051,326.73

(2). Provision for devaluation of inventories and impairment provision 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	1,703,611.59	9,254,051.84		546,055.86		10,411,607.57
Packaging	1,016,137.11	4,393,756.45		949,475.14		4,460,418.42
Work in process	134,093.52	250,947.19		132,873.24		252,167.47
Outsourcing gifts	65,685.51	1,106,061.12		1,000,085.65		171,660.98
Inventory commodities	37,780,598.48	91,647,961.79		41,218,817.88		88,209,742.39
Low-value consumables	380,619.88	105,003.73		99,682.29		385,941.32
Total	41,080,746.09	106,757,782.12		43,946,990.06		103,891,538.15

Reason for write-back or charge-off of provisions for devaluation of inventories in the current period

√ Applicable Not applicable

At the end of the current period, the net realizable value of some products was lower than their corresponding cost, so the provision for devaluation of inventories was accrued based on the difference between the cost and the net realizable value; In the current period, the Company consumed, sold or scrapped some of the inventories of which the Company had already accrued provisions for devaluation, so the provisions for devaluation was charged off in the current period.

Provision for devaluation of inventories accrued by portfolio

 Applicable Not applicable

Accrual standards for provision for devaluation of inventories accrued by portfolio

 Applicable Not applicable**(3). Capitalized amount of borrowing expenses included in ending balance of inventories and its calculation standard and basis** Applicable Not applicable**(4). Explanation on current amortization amount of contract performance cost** Applicable Not applicable

Other explanations

 Applicable Not applicable**11. Held-for-sale assets** Applicable Not applicable**12. Non-current assets due within one year** Applicable Not applicable**Debt investments due within one year** Applicable Not applicable

Other debt investments due within one year

Applicable Not applicable

Other explanations on non-current assets due within one year

None

13. Other current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Contract acquisition cost		
Return cost receivable	9,190,580.83	8,782,156.33
Input VAT to be deducted	90,306,570.44	36,944,213.35
Advance payment of taxes	267,921.80	4,009,626.89
Total	99,765,073.07	49,735,996.57

Other explanations

None

14. Debt investments**(1). Information on debt investments**

Applicable Not applicable

Changes in impairment provisions of debt investments in the current period

Applicable Not applicable

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

Applicable Not applicable

(3). Information on accrual of impairment provisions

Applicable Not applicable

Classification basis and accrual ratio of impairment provisions for each stage:

None

Explanation on significant changes in book balance of debt investments with changes in provision for loss in the current period:

Applicable Not applicable

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

Applicable Not applicable

(4). Information on debt investments actually written off in the current period

Applicable Not applicable

Wherein, write-off of important debt investments

Applicable Not applicable

Explanation on write-off of debt investments:

Applicable Not applicable

Other explanations

Applicable Not applicable

15. Other debt investments

(1). Information on other debt investments

Applicable Not applicable

Changes in impairment provisions of other debt investments in the current period

Applicable Not applicable

(2). Important other debt investments at the end of the period

Applicable Not applicable

(3). Information on accrual of impairment provisions

Applicable Not applicable

Classification basis and accrual ratio of impairment provisions for each stage:

None

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

Applicable Not applicable

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

Applicable Not applicable

(4). Information on other debt investments actually written off in the current period

Applicable Not applicable

Wherein, write-off of important other debt investments

Applicable Not applicable

Explanation on write-off of other debt investments:

Applicable Not applicable

Other explanations:

Applicable Not applicable

16. Long-term receivables

(1). Information on long-term receivables

Applicable Not applicable

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

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts accrued individually:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

(3). Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of long-term receivables with changes in provision for loss in the current period:

Applicable Not applicable

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

Applicable Not applicable

(4). Information on provisions for bad debts

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

None

(5). Information on long-term receivables actually written off in the current period

Applicable Not applicable

Wherein, write-off of important long-term receivables:

Applicable Not applicable

Explanation on the write-off of long-term receivables:

Applicable Not applicable

Other explanations

Applicable Not applicable

17. Long-term equity investments

(1). Information on long-term equity investments

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance	Current changes								Ending balance	Ending balance of impairment provisions
		Additional investment	Investment decrease	Recognized investment gain and loss under the equity method	Other comprehensive -ve income adjustments	Other changes in equity	Declared payment of cash dividends or profits	Impairment provision accrued	Other		
I. Joint Venture											
Huzhou Panrui Industry Investment Partnership (Limited Partnership)	3,068,948.16			-8,956.25						3,059,991.91	
Subtotal	3,068,948.16			-8,956.25						3,059,991.91	
II. Affiliate											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,649,619.70			-31,784.81						2,617,834.89	
Jiaxing Woyong Investment Partnership (Limited Partnership)	111,253,221.93	18,636,363.64		8,675,141.73	20,250,000.00					100,964,443.84	
Zhuhai Haishilong Biotechnology Co., Ltd.	10,576,298.67			8,175,090.89						2,401,207.78	81,442,213.22
Beijing Xiushi Cultural Development Co., Ltd.	4,918,865.34			-388,185.27						4,530,680.07	
Matis Information Technology (Guangzhou) Co., Ltd.	6,066,423.66		6,066,423.66								
Subtotal	135,464,429.30	18,636,363.64	6,066,423.66	17,270,202.70	20,250,000.00					110,514,166.58	81,442,213.22
Total	138,533,377.46	18,636,363.64	6,066,423.66	17,279,158.95	20,250,000.00					113,574,158.49	81,442,213.22

(2). Information on impairment testing of long-term equity investments

Applicable Not applicable

Other explanations

None

18. Other equity instrument investments**(1). Information on other equity instrument investments**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current changes					Ending balance	Dividend income recognized in the current period	Accumulated gains recognized in other comprehensive income	Accumulated losses recognized in other comprehensive income	Reason for other equity instrument investments designated as measured at fair value through other comprehensive income
		Additional investment	Investment decrease	Gains recognized in other comprehensive income in the current period	Losses recognized in other comprehensive income in the current period	Other					
Hangzhou Regenovo Bio-technology Co., Ltd.	20,580,000.00						20,580,000.00				Refer to "Other explanations"
LIPOTRUE,S.L.	35,822,400.00						35,822,400.00				Refer to "Other explanations"
Golong Holdings Co., Ltd.	90,000,000.00				-38,742,000.00		51,258,000.00			-38,742,000.00	Refer to "Other explanations"
Total	146,402,400.00				-38,742,000.00		107,660,400.00			-38,742,000.00	/

(2). Explanation on derecognition in the current period

□ Applicable √ Not applicable

Other explanations:

√ Applicable □ Not applicable

Reason for equity instrument investments designated as measured at fair value through other comprehensive income

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

19. Other non-current financial assets

Applicable Not applicable

Other explanations:

Applicable Not applicable

20. Investment real estate

Measurement mode of investment real estate

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

Unit: Yuan Currency: RMB

Item	Building and construction	Land use rights	Construction in progress	Total
I. Original carrying value				
1. Beginning balance	78,781,143.26			78,781,143.26
2. Current increase				
(1) Outsourcing				
(2) Transfer-in of inventories, fixed assets, or construction in process				
(3) Increase due to business combination				
3. Current decrease				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	78,781,143.26			78,781,143.26
II. Accumulated depreciation and amortization				
1. Beginning balance	10,126,442.45			10,126,442.45
2. Current increase	2,498,228.90			2,498,228.90
(1) Accrual or amortization	2,498,228.90			2,498,228.90
3. Current decrease				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	12,624,671.35			12,624,671.35
III. Impairment provision				
1. Beginning balance				
2. Current increase				
(1) Accrual				
3. Current decrease				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance				
IV. Carrying value				
1. Ending carrying value	66,156,471.91			66,156,471.91
2. Opening carrying value	68,654,700.81			68,654,700.81

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

Applicable Not applicable

(3). Information on impairment testing of investment real estate with the cost measurement mode

Applicable Not applicable

Other explanations

Applicable Not applicable

21. Fixed assets**Presentation by item**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Fixed assets	827,350,985.29	570,376,309.67
Disposal of fixed assets		
Total	827,350,985.29	570,376,309.67

Other explanations:

Applicable Not applicable

Fixed assets**(1). Information on fixed assets**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Houses and buildings	General equipment	Dedicated equipment	Means of transportation	Total
I. Original carrying value:					
1. Beginning balance	539,295,502.97	80,477,003.51	249,649,332.67	20,584,593.97	890,006,433.12
2. Current increase	202,409,554.02	11,394,343.95	103,401,559.42	6,037,463.71	323,242,921.10
(1) Purchase		9,613,663.30	11,847,662.98	6,037,463.71	27,498,789.99
(2) Transfer-in of construction in process	202,409,554.02	1,780,680.65	91,553,896.44		295,744,131.11
(3) Increase due to business combination					
3. Current decrease		4,685,530.91	11,082,474.20	510,746.31	16,278,751.42
(1) Disposal or scrapping		4,685,530.91	11,082,474.20	510,746.31	16,278,751.42
4. Ending balance	741,705,056.99	87,185,816.55	341,968,417.89	26,111,311.37	1,196,970,602.80
II. Accumulated depreciation					
1. Beginning balance	127,549,692.50	41,778,273.41	133,987,291.36	16,314,866.18	319,630,123.45
2. Current increase	21,550,471.57	10,992,033.33	24,581,637.89	3,356,409.23	60,480,552.02
(1) Accrual	21,550,471.57	10,992,033.33	24,581,637.89	3,356,409.23	60,480,552.02
3. Current decrease		946,981.73	10,457,692.86	423,915.63	11,828,590.22

(1) Disposal or scrapping		946,981.73	10,457,692.86	423,915.63	11,828,590.22
4. Ending balance	149,100,164.07	51,823,325.01	148,111,236.39	19,247,359.78	368,282,085.25
III. Impairment provision					
1. Beginning balance					
2. Current increase			1,337,532.26		1,337,532.26
(1) Accrual			1,337,532.26		1,337,532.26
3. Current decrease					
(1) Disposal or scrapping					
4. Ending balance			1,337,532.26		1,337,532.26
IV. Carrying value					
1. Ending carrying value	592,604,892.92	35,362,491.54	192,519,649.24	6,863,951.59	827,350,985.29
2. Opening carrying value	411,745,810.47	38,698,730.10	115,662,041.31	4,269,727.79	570,376,309.67

(2). Information on temporarily idle fixed assets

Applicable Not applicable

(3). Fixed assets leased out through operating lease

Applicable Not applicable

(4). Information on fixed assets without property right certificate

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Carrying value	Reason for failure to obtain the property right certificate
Expansion of Huzhou Production Base	123,603,623.54	The property right certificate is still being processed
Longwu R&D Center	77,580,055.84	The property right certificate is still being processed
Total	201,183,679.38	

(5). Information on impairment testing of fixed assets

Applicable Not applicable

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Carrying value	Recoverable amount	Impairment amount	Determination of fair value and disposal costs	Key parameter	Determination basis of key parameters

Dedicated equipment	1,337,532.26		1,337,532.26	It is the equipment to be scrapped, with the estimated disposal value of RMB0		
Total	1,337,532.26		1,337,532.26	/	/	/

The recoverable amount is determined based on the present value of expected future cash flows

Applicable Not applicable

Reasons for significant discrepancies between the aforementioned information and the information used in previous years' impairment tests or external information

Applicable Not applicable

Reasons for significant discrepancies between the information used in previous years' impairment tests of the Company and the actual situation of the current year

Applicable Not applicable

Other explanations:

Applicable Not applicable

Disposal of fixed assets

Applicable Not applicable

22. Construction in progress

Presentation by item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Construction in progress	52,038,642.94	207,378,935.86
Engineering materials		
Total	52,038,642.94	207,378,935.86

Other explanations:

Applicable Not applicable

Construction in progress

(1). Information on construction in progress

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Huzhou Production Base Expansion Project (Phase I)	24,853,830.82		24,853,830.82	141,886,053.44		141,886,053.44

Longwu R&D Center Construction Project	8,377,199.03		8,377,199.03	34,804,789.71		34,804,789.71
Decoration engineering	4,759,533.93		4,759,533.93	5,282,700.29		5,282,700.29
Information System Upgrade Project	8,545,628.83		8,545,628.83	4,266,606.14		4,266,606.14
Makeup Factory				14,323,636.47		14,323,636.47
Other sporadic projects	5,502,450.33		5,502,450.33	6,815,149.81		6,815,149.81
Total	52,038,642.94		52,038,642.94	207,378,935.86		207,378,935.86

(2). Information on changes in important construction in progress projects in the current period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Budget	Opening balance	Increased amount in the current period	Amount of transfer to fixed assets in the current period	Amount of other decreases in the current period	Ending balance	Proportion of accumulated project investment to budget (%)	Progresses 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 funds
Huzhou Production Base Expansion Project (Phase I)	RMB416.78million	141,886,053.44	77,130,719.15	194,162,941.77		24,853,830.82	61.15	61.15	15,611,853.14	5,220,465.60	4.57	Raised funds and self-owned funds
Longwu R&D Center Construction Project	RMB128.61million	34,804,789.71	89,143,735.33	77,580,055.84	37,991.270.17	8,377,199.03	96.37	96.37	14,857,625.44	7,969,294.09	4.57	Raised funds and self-owned funds
Information System Upgrade Project	RMB112.40million	4,266,606.14	10,963,788.53	1,780,680.65	4,904,085.19	8,545,628.83	13.55	13.55	5,338,134.02	2,702,091.44	4.57	Raised funds and self-owned funds
Makeup Factory	RMB66.11million	14,323,636.47	84,955.75	14,408,592.22			43.45	100.00				
Total	RMB723.90million	195,281,085.76	177,323,198.76	287,932,270.48	42,895.355.36	41,776,658.68	/	/	35,807,612.60	15,891,851.13	/	/

[Note 1] Amount of other decreases in the current period of Longwu R&D Center Construction Project was incurred due to the partial transfer of decoration fees of lease houses to long-term deferred expenses

[Note 2] Amount of decrease in the current period of the Information System Upgrade Project was incurred due to the partial transfer of the Information System Upgrade Project to intangible assets or long-term prepaid expenses upon completion

(3). Information on impairment provision of construction in progress accrued in the current period

Applicable Not applicable

(4). Information on impairment testing of construction in progress

Applicable Not applicable

Other explanations

Applicable Not applicable

Engineering materials**(1). Information on engineering materials**

Applicable Not applicable

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

Applicable Not applicable

(2). Information on impairment testing of productive biological assets with the cost measurement mode

Applicable Not applicable

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

Applicable Not applicable

Other explanations

Applicable Not applicable

24. Oil and gas assets**(1) Information on oil and gas assets**

Applicable Not applicable

(2) Information on impairment testing of oil and gas assets

Applicable Not applicable

Other explanations:

None

25. Right-of-use assets**(1) Information on right-of-use assets**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Houses and buildings	Total
I. Original carrying value		
1. Beginning balance	7,481,934.15	7,481,934.15
2. Current increase	12,158,843.83	12,158,843.83
1) Lease-in	12,158,843.83	12,158,843.83
3. Current decrease		
4. Ending balance	19,640,777.98	19,640,777.98
II. Accumulated depreciation		

1. Beginning balance	1,071,299.90	1,071,299.90
2. Current increase	4,464,656.74	4,464,656.74
(1) Accrual	4,464,656.74	4,464,656.74
3. Current decrease		
(1) Disposal		
4. Ending balance	5,535,956.64	5,535,956.64
III. Impairment provision		
1. Beginning balance		
2. Current increase		
(1) Accrual		
3. Current decrease		
(1) Disposal		
4. Ending balance		
IV. Carrying value		
1. Ending carrying value	14,104,821.34	14,104,821.34
2. Opening carrying value	6,410,634.25	6,410,634.25

(2) Information on impairment testing of right-of-use assets

□ Applicable √ Not applicable

Other explanations:

None

26. Intangible assets**(1). Information on intangible assets**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Land use rights	Office software	Patent right	Non-patented technologies	Customer resources	Trademark rights	Total
I. Original carrying value							
1. Beginning balance	472,400,130.10	24,280,278.43	475,089.70	563,293.07	12,833,684.00	39,897,000.00	550,449,475.30
2. Current increase		2,891,511.70					2,891,511.70
(1) Purchase		90,515.95					90,515.95
(2) Internal R&D							
(3) Increase due to business combination							
(4) Transfer-in of		2,800,995.75					2,800,995.75

construct ion in process							
3. Current decrease			4,000.00				4,000.00
(1) Disposal			4,000.00				4,000.00
4. Ending balance	472,400,130.10	27,171,790.13	471,089.70	563,293.07	12,833,684.00	39,897,000.00	553,336,987.00
II. Accumulated amortization							
1. Beginning balance	92,279,870.46	21,721,920.25	430,621.47	539,820.37	12,819,610.79	2,340,748.70	130,132,592.04
2. Current increase	11,948,578.91	2,552,061.57	6,705.97	5,966.14	14,073.21	3,989,700.00	18,517,085.80
(1) Accrual	11,948,578.91	2,552,061.57	6,705.97	5,966.14	14,073.21	3,989,700.00	18,517,085.80
3. Current decrease			700.00				700.00
(1) Disposal			700.00				700.00
4. Ending balance	104,228,449.37	24,273,981.82	436,627.44	545,786.51	12,833,684.00	6,330,448.70	148,648,977.84
III. Impairment provision							
1. Beginning balance							
2. Current increase							
(1) Accrual							
3. Current decrease							
(1) Disposal							
4. Ending balance							
IV. Carrying value							
1. Ending carrying value	368,171,680.73	2,897,808.31	34,462.26	17,506.56		33,566,551.30	404,688,009.16
2. Opening carrying value	380,120,259.64	2,558,358.18	44,468.23	23,472.70	14,073.21	37,556,251.30	420,316,883.26

At the end of the current period, the proportion of intangible assets formed through internal R&D of the Company to the balance of intangible assets is 0.00%.

(2). Information on land use rights without the property ownership certificate

Applicable Not applicable

(3) Information on impairment testing of intangible assets

Applicable Not applicable

Other explanations:

Applicable Not applicable

27. Goodwill

(1). Original carrying value of goodwill

Applicable Not applicable

(2). Impairment provision of goodwill

Applicable Not applicable

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

Applicable Not applicable

Changes to the asset group or combination of asset groups

Applicable Not applicable

Other explanations

Applicable Not applicable

(4). Specific methods for determining the recoverable amount

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

Applicable Not applicable

Reasons for significant discrepancies between the aforementioned information and the information used in previous years' impairment tests or external information

Applicable Not applicable

Reasons for significant discrepancies between the information used in previous years' impairment tests of the Company and the actual situation of the current year

Applicable Not applicable

(5). Information on performance commitments and corresponding goodwill impairment

When goodwill is formed, there is a performance commitment and the reporting period or its previous period is within the performance commitment period

Applicable Not applicable

Other explanations

Applicable Not applicable

28. Long-term prepaid 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	19,109,585.61	56,322,765.83	9,581,084.61		65,851,266.83
Software service fees	33,018.85	1,999,593.00	699,549.85		1,333,062.00
Total	19,142,604.46	58,322,358.83	10,280,634.46		67,184,328.83

Other explanations:

None

29. Deferred income tax assets or liabilities**(1). Deferred income tax assets without offset**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income taxes Assets	Deductible temporary difference	Deferred income taxes Assets
Impairment provision of assets				
Provision for bad debts of accounts receivable	22,142,965.55	5,533,579.62	14,181,029.90	3,545,098.74
Provision for devaluation of inventories	82,737,837.07	15,220,065.94	24,366,081.72	4,518,122.80
Impact of share-based payments	31,715,129.69	5,935,847.80	31,280,678.91	5,940,147.52
Unrealized profit from internal transactions	159,567,947.59	39,891,986.91	42,025,801.32	10,506,450.33
Unused membership points	127,713,129.39	31,928,282.35	83,272,601.46	20,818,150.36
Government subsidies pertinent to assets	6,383,359.33	957,503.90	6,399,811.33	959,971.70
Anticipated return losses	6,686,117.43	1,671,529.37	4,541,544.48	1,135,386.12
Estimated unused gifts for sold products	50,074,244.87	12,518,561.21		
Interest expenses on convertible bonds	1,321,312.76	198,196.91		
Lease expenses	13,940,366.98	2,139,203.47	449,832.92	67,474.94
Advertising and business promotion expenses	10,339,382.64	2,584,845.66	3,258,145.25	814,536.31
Accrued expenses	14,451,922.15	2,914,846.09		
Changes in the fair value of other equity instrument investments	38,742,000.00	5,811,300.00		
Total	565,815,715.45	127,305,749.23	209,775,527.29	48,305,338.82

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

Unit: Yuan Currency: RMB

Item	Ending balance		Opening balance	
	Taxable temporary difference	Deferred income taxes Liabilities	Taxable temporary difference	Deferred income taxes Liabilities
Assets assessment appreciation in businesses consolidation under common control				
Changes in the fair value of other debt investments				
Changes in the fair value of other equity instrument investments				
One-time deduction for depreciation of fixed assets	110,300,243.62	16,649,225.12	126,101,620.56	19,019,431.67
Deferred income tax recognized on right-of-use assets	14,104,821.34	2,162,159.51		
Total	124,405,064.96	18,811,384.63	126,101,620.56	19,019,431.67

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

Unit: Yuan Currency: RMB

Item	Deferred income tax assets and liabilities offset at the end of the period	Ending balance of deferred income tax assets or liabilities after offset	Deferred income tax assets and liabilities offset at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets	18,811,384.63	108,494,364.60		48,305,338.82
Deferred income tax liabilities	18,811,384.63			19,019,431.67

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

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Deductible temporary difference	200,424,961.81	218,452,946.39
Deductible losses	414,387,984.35	393,391,257.51
Total	614,812,946.16	611,844,203.90

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

Unit: Yuan Currency: RMB

Year	Ending balance	Beginning balance	Remarks
2023		44,562,908.90	
2024	71,058,103.62	89,520,734.89	
2025	61,988,728.89	66,686,117.23	

2026	53,623,347.32	63,349,129.45	
2027	127,093,665.49	129,272,367.04	
2028	100,624,139.03		
Total	414,387,984.35	393,391,257.51	/

Other explanations:

Applicable Not applicable

30. Other non-current assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Contract acquisition cost						
Contract performance cost						
Return cost receivable						
Contract assets						
Funds prepaid for purchase of long-term assets	8,775,522.84		8,775,522.84			
Other long-term assets	8,199,424.15		8,199,424.15	5,554,726.06		5,554,726.06
Total	16,974,946.99		16,974,946.99	5,554,726.06		5,554,726.06

Other explanations:

None

31. Assets with limited ownership or use rights

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending				Opening			
	Carrying amount	Carrying value	Type of restrictions	Description	Carrying amount	Carrying value	Type of restrictions	Description
Cash and cash equivalents	351,817,846.04	351,817,846.04	Other	Note 1	35,670,000.00	35,670,000.00	Frozen	Note 2
Accounts receivable								
Inventory								

ries								
Fixed assets								
Intangible assets								
Total	351,817,846.04	351,817,846.04	/	/	35,670,000.00	35,670,000.00	/	/

Note 1: It includes fixed-term deposits of RMB335,288,251.36 that cannot be withdrawn at any time, and frozen monetary funds of RMB16,529,594.68, including: the L/C deposit of RMB8,800,000.00, the transformer deposit of RMB250,000.00, ETC vehicle deposit of RMB70,000.00, Pinduoduo deposit of RMB5,298,890.00, and the direct-sales store deposit of RMB2,110,704.68.

Note 2: It includes the transformer deposit of RMB250,000.00, ETC vehicle deposit of RMB70,000.00, Pinduoduo deposit of RMB5,000,000.00, and the direct-sales store deposit of RMB350,000.00.

Other explanations:

None

32. Short-term borrowings

(1). Classification of short-term borrowings

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Pledged borrowings		
Mortgaged borrowings		
Guaranteed borrowings		
Credit loans	200,155,555.56	200,195,890.41
Total	200,155,555.56	200,195,890.41

Explanation on classification of short-term borrowings

None

(2). Information on overdue but yet unrepaid short-term borrowings

Applicable Not applicable

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

Applicable Not applicable

Other explanations

Applicable Not applicable

33. Held-for-trading financial liabilities

Applicable Not applicable

Other explanations:

Applicable Not applicable

34. Derivative financial liabilities

Applicable Not applicable

35. Notes payable

(1). Presentation of notes payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Ending balance	Opening balance
Commercial acceptance bills		
Bank acceptance bills	36,959,074.14	69,626,352.12
Total	36,959,074.14	69,626,352.12

The amount of notes payable due and unpaid at the end of this period is RMB0.00. The reason for failure to pay is that such notes do not exist.

36. Accounts payable

(1). Presentation of accounts payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Payment for goods	524,325,866.69	252,113,782.78
Expenses	422,130,510.68	213,566,905.71
Payment for acquisition of long-term assets	72,065,981.23	9,746,795.74
Total	1,018,522,358.60	475,427,484.23

(2). Important accounts payable with an account age of more than one year or overdue

Applicable Not applicable

Other explanations

Applicable Not applicable

37. Receipts in advance

(1). Presentation of receipts in advance

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Rents receivable in advance	30,514.45	464,328.26
Total	30,514.45	464,328.26

(2). Important receipts in advance with an account age of more than one year

Applicable Not applicable

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

Applicable Not applicable

Other explanations

Applicable Not applicable

38. Contract liabilities

(1). Information on contract liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Advance receipt of payment for goods	116,005,079.06	83,234,612.24
Unused membership points	134,935,549.65	91,368,221.67
Unused gifts for sold products	50,074,244.87	

Total	301,014,873.58	174,602,833.91
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(2). Important contract liabilities with an account age of more than one year

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

Applicable Not applicable

39. Employee compensation payable**(1). Presentation of employee compensation payable**

Applicable Not applicable

Item	Unit: Yuan			Currency: RMB
	Opening balance	Current increase	Current decrease	Ending balance
I. Short-term compensation	124,278,743.01	713,532,993.76	672,990,610.04	164,821,126.73
II. Post-employment benefits – Defined contribution plans	660,006.35	22,525,305.34	22,200,906.95	984,404.74
III. Dismissal benefits		3,252,390.82	2,613,427.86	638,962.96
IV. Other benefits due within one year				
Total	124,938,749.36	739,310,689.92	697,804,944.85	166,444,494.43

(2). Presentation of short-term compensation

Applicable Not applicable

Item	Unit: Yuan			Currency: RMB
	Opening balance	Current increase	Current decrease	Ending balance
I. Salaries, bonuses, allowances and subsidies	123,139,326.87	650,994,994.44	611,956,277.51	162,178,043.80
II. Welfare expense of employee		26,617,247.44	26,617,247.44	
III. Social insurance premium	764,855.85	15,244,969.41	13,835,210.62	2,174,614.64
Including: Medical insurance premium	747,556.58	14,300,711.60	12,909,467.01	2,138,801.17
Work-related injury insurance premium	13,253.30	913,366.91	893,997.66	32,622.55
Maternity insurance premium	4,045.97	30,890.90	31,745.95	3,190.92
IV. Housing provident fund	374,560.29	16,192,604.20	16,098,696.20	468,468.29
V. Trade union fund and staff education fund		4,483,178.27	4,483,178.27	
VI. Short-term paid leave				
VII. Short-term profit sharing plan				
Total	124,278,743.01	713,532,993.76	672,990,610.04	164,821,126.73

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

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance
1. Basic endowment insurance	637,429.90	21,749,419.31	21,435,853.57	950,995.64
2. Unemployment insurance	22,576.45	775,886.03	765,053.38	33,409.10
3. Enterprise annuity payment				
Total	660,006.35	22,525,305.34	22,200,906.95	984,404.74

Other explanations:

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

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Enterprise income tax	127,005,079.31	111,162,751.37
Value-added tax (VAT)	71,556,095.69	27,112,038.46
Consumption tax		
Income tax		
Urban maintenance and construction tax	7,644,618.17	1,288,999.75
Property tax	6,734,175.81	6,689,657.49
Education surcharge	4,287,830.76	1,003,854.07
Surcharge for local education	2,866,440.40	619,094.66
Withholding of personal income tax	1,867,193.08	4,226,657.07
Stamp duties	804,436.72	796,591.64
Disabled security fund		19,226.94
Total	222,765,869.94	152,918,871.45

Other explanations:

None

41. Other payables**(1). Presentation by item**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Interest payable		
Dividends payable		
Other payables	155,345,148.68	216,392,183.41
Total	155,345,148.68	216,392,183.41

Other explanations:

 Applicable Not applicable**(2). Interest payable**

Presentation by category

 Applicable Not applicable

Important overdue interest payable:

Applicable Not applicable

Other explanations:

Applicable Not applicable

(3). Dividends payable

Presentation by category

Applicable Not applicable

(4). Other payables

Other payables presented by nature of payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Security deposits	41,092,318.36	46,394,144.19
Restricted share repurchase obligations	107,884,296.66	164,976,000.00
Other	6,368,533.66	5,022,039.22
Total	155,345,148.68	216,392,183.41

Important other payables with an account age of more than one year or overdue

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Reason for failure to repay or carry forward
Restricted share repurchase obligations	107,884,296.66	Restricted share repurchase obligations have not been fulfilled yet
Total	107,884,296.66	/

Other explanations:

Applicable Not applicable

42. Held-for-sale liabilities

Applicable Not applicable

43. Non-current liabilities due within one year

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Long-term borrowings due within one year		
Bonds payable due within one year		
Long-term payables due within one year		
Lease liabilities due within one year	3,970,060.11	2,549,452.14
Total	3,970,060.11	2,549,452.14

Other explanations:

None

44. Other current liabilities

Information on 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	15,022,173.42	10,820,499.59
Total	15,022,173.42	10,820,499.59

Changes in short-term bonds payable:

Applicable Not applicable

Other explanations:

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Convertible corporate bonds	753,119,902.88	724,491,557.93
Total	753,119,902.88	724,491,557.93

(2). Specific information on bonds payable (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities):√ Applicable Not applicable

Unit: Yuan Currency: RMB

Bonds Name	Face value	Coupon rate (%)	Issuance Date	Bonds Period	Issuance Amount	Opening balance	Current period Issuance	Interest accrued by face value	Premium or discount amortization	Current period Repayment	Impact of current share conversion	Ending balance	Default or not
Proya Convertible Bond	100.00	0.5	December 8, 2021	6 years	751,713,000.00	724,491,557.93		4,000,219.29	28,522,197.85	3,753,950.00	140,122.09	753,119,902.88	No
Total	/	/	/	/	751,713,000.00	724,491,557.93		4,000,219.29	28,522,197.85	3,753,950.00	140,122.09	753,119,902.88	/

(3). Explanation on convertible corporate bonds√ Applicable Not applicable

Item	Share conversion conditions	Share conversion time

Proya Convertible Bond	<p>With the approval of the CSRC, namely, the <i>Reply on Approving Proya Cosmetics Co., Ltd.'s Public Issuance of Convertible Corporate Bonds</i> (CSRC Approval [2021] No. 3408), the Company publicly issued 7,517,130 convertible bonds to non-specific targets on December 8, 2021, each bond with a face value of RMB 100.00. The total amount of issuance is 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 3rd year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. Annual interest payment dates are anniversaries of the date of initial offering of convertible bonds. The Company will, no later than five trading days after the interests payment day of each year, pay the interests of the year and, no later than five trading days after the maturity date of convertible corporate bonds, redeem all unconverted convertible bonds from investors at a price of 115% of the par value of the convertible bonds issued that time (including the annual interests of the last tranche). The convertible period of convertible bonds starts from the first trading day after the expiration of six months from the issuance date of convertible bonds until the maturity date of convertible bonds. The initial conversion price is RMB195.98/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 is not adjusted up. Due to the implementation of the equity distribution plan and the repurchase and cancellation of some equity incentive restricted shares by the Company, according to the relevant provisions of the Prospectus of Proya Cosmetics Co., Ltd. for Public Issuance of A-share Convertible Corporate Bonds and the relevant provisions of the CSRC on the issuance of convertible corporate bonds, the conversion price of Proya convertible bonds was adjusted from RMB195.98/share to RMB98.25/share, and the adjusted price took effect on December 18, 2023.</p>	June 14, 2022 to December 7, 2027
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Accounting treatment and judgment basis of share conversion rights

Applicable Not applicable

In the current period, a total of 1,480 convertible corporate bonds were converted, with an increase of RMB1,121.00 in capital stock, an increase of RMB148,524.61 in capital reserve (capital stock premium), and a decrease of RMB9,523.52 in other equity instruments.

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

Applicable Not applicable

47. Lease liabilities√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Payable operating lease payment	11,172,403.17	3,814,629.83
Unrecognized financing expenses	-1,202,096.30	-96,510.42
Total	9,970,306.87	3,718,119.41

Other explanations:

None

48. Long-term payable**Presentation 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****(1). Special payables presented by nature** Applicable √ Not applicable**49. Long-term employee compensation payable** Applicable √ Not applicable**50. Estimated liabilities**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Ending balance	Cause of formation
Provide external guarantees			
Pending litigations			
Product quality assurance			
Restructuring obligation			
Loss-making contract to be performed			
Return payment payable	59,282,928.68	33,063,299.45	Estimated future potential return losses
Other			
Total	59,282,928.68	33,063,299.45	/

Other particulars, including the particulars on key assumptions and estimates concerning estimated significant liabilities

None

51. Deferred income

Information on deferred income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance	Cause of formation
Government subsidies	6,399,811.33	2,062,638.00	2,079,090.00	6,383,359.33	Government subsidies
Total	6,399,811.33	2,062,638.00	2,079,090.00	6,383,359.33	/

Other explanations:

□ Applicable √ Not applicable

52. Other non-current liabilities

□ Applicable √ Not applicable

53. Share capital

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Opening balance	Increase or decrease in the change (+, -)					Ending balance
		Issuance of shares	Bonus shares	Provident fund Share conversion	Other	Subtotal	
Total shares	283,519,469	-171,542		113,408,136	1,121	113,237,715	396,757,184

Other explanations:

According to the resolution of the 11th meeting of the 3rd session of Board of Directors, the resolution of the 13th meeting of the 3rd session of Board of Directors, the resolution of the 2022 annual General Meeting of Shareholders, the resolution of the First Extraordinary General Meeting of Shareholders in 2023 and the revised articles of association of the Company, the Company applied for an increase in registered capital of RMB113,408,136.00, which is increased from capital reserve. The base date of increase is the registration date of implementing equity distribution, and the registered capital after change is RMB396,927,605.00. The above matter has been verified by Pan-China Certified Public Accountants LLP (Special General Partnership) which has issued the *Capital Verification Report* (TJY (2023) No. 551).

According to the resolution of the 12th meeting of the 3rd session of Board of Directors, the resolution of the 13th meeting of the 3rd session of Board of Directors, the resolution of the First Extraordinary General Meeting of Shareholders in 2023 and the revised articles of association of the Company, the Company applied for cash repurchase of 105,350 restricted RMB ordinary shares (A shares) granted but not yet released, and paid a total share repurchase amount of RMB5,846,187.54, of which RMB105,350.00 was reduced in share capital and RMB5,740,837.54 was reduced in capital reserve (equity premium). The above matter has been verified by Pan-China Certified Public Accountants LLP (Special General Partnership) which has issued the *Capital Verification Report* (T.J.Y. (2023) No. 552).

According to the resolution of the 15th meeting of the 3rd session of Board of Directors and the resolution of the 14th meeting of the 3rd session of Board of Supervisors of the Company in 2023, the Company applied for cash repurchase of 66,192 restricted RMB ordinary shares (A shares) granted but not yet released, and paid a total share repurchase amount of RMB3,648,039.70, of which RMB66,192.00 was reduced in share capital and RMB3,581,847.70 was reduced in capital reserve (equity premium). The above matter has been verified by Pan-China Certified Public Accountants LLP (Special General Partnership) which has issued the *Capital Verification Report* (T.J.Y. (2024) No.93).

In the current period, a total of 1,480 convertible corporate bonds were converted, with an increase of RMB1,121.00 in capital stock, an increase of RMB148,524.61 in capital reserve (capital stock premium), and a decrease of RMB9,523.52 in other equity instruments.

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

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Outstanding financial instruments	Opening		Current increase		Current decrease		Ending	
	Number	Carrying value	Number	Carrying value	Number	Carrying value	Number	Carrying value
Proya Convertible Bond	7,509,370	50,903,510.12			1,480	9,523.52	7,507,890	50,893,986.60
Total	7,509,370	50,903,510.12			1,480	9,523.52	7,507,890	50,893,986.60

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

Applicable Not applicable

Other explanations:

Applicable Not applicable

In the current period, there was a decrease of RMB9,523.52 due to the current conversion of 1,480 convertible corporate bonds into shares, with an increase of RMB1,121.00 in capital stock, an increase of RMB148,524.61 in capital reserve (capital stock premium), and a decrease of RMB9,523.52 in other equity instruments.

55. Capital reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance
Capital premium (Equity premium)	858,188,638.87	51,289,781.41	126,433,214.30	783,045,205.98
Other capital reserve	56,627,147.35	75,619,877.90	51,141,256.80	81,105,768.45
Total	914,815,786.22	126,909,659.31	177,574,471.10	864,150,974.43

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

1) Changes in capital premium

Capital reserve (capital stock premium) increased by RMB51,289,781.41 in the current period, of which:

① RMB148,524.61 was increased due to the current conversion of convertible corporate bonds into shares. For relevant details, refer to the particulars contained in "46. Bonds payable", "VII. Notes to the Items of Consolidated Financial Statements", "Section X Financial Report" of this Report; ②

RMB51,141,256.80 was increased due to the transfer of other capital reserves recognized during the waiting period for the released portion of restricted shares issued by the equity incentive plan into capital stock premium;

Capital reserve (capital stock premium) decreased by RMB126,433,214.30, of which: ①

RMB113,408,136.00 was decreased due to capitalization of capital reserves. For relevant details, refer to

the particulars contained in "53. Capital stock", "VII. Notes to the Items of Consolidated Financial Statements", "Section X Financial Report" of this Report; ② RMB9,322,685.24 was decreased due to the Company's cash repurchase of restricted RMB ordinary shares (A shares) granted but not yet released. For relevant details, refer to the particulars contained in "53. Capital stock", "VII. Notes to the Items of Consolidated Financial Statements", "Section X Financial Report" of this Report; ③ RMB3,702,393.06 was decreased due to the difference between the payment for purchase of minority equity of the subsidiary Huzhou Niuke Technology Co., Ltd. and the attributable share of identifiable net assets of the subsidiary calculated according to the newly increased shareholding ratio.

2) Changes in other capital reserves

Other capital reserve increased by RMB75,619,877.90 in the current period, of which: ① RMB104,825.19 was increased due to the deferred income tax assets accrued for the positive difference between the amount expected to be deducted before tax in the future period and the recognized restricted stock incentive expenses, which is included in other capital reserves increased; ② RMB75,515,052.71 was increased due to the incentive expenses of RMB75,515,052.71 for restricted shares in 2023 recognized according to the Company's equity incentive plan, which are included in other capital reserves.

Other capital reserve decreased by RMB51,141,256.80 in the current period due to the transfer of other capital reserves recognized during the waiting period for the released portion of restricted shares issued by the equity incentive plan into capital stock premium.

56. Treasury stock

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance
Restricted shares with repurchase obligation	164,976,000.00		57,091,703.34	107,884,296.66
Share repurchase		39,082,438.95		39,082,438.95
Total	164,976,000.00	39,082,438.95	57,091,703.34	146,966,735.61

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

RMB39,082,438.95 was increased in the current period due to the Company's repurchase of shares through centralized bidding trading with its own funds according to the *Proposal on Repurchasing the Company's Shares Through Centralized Bidding Trading*, which was approved at the 17th meeting of the 3rd session of Board of Directors in December 13, 2023. As of December 31, 2023, the Company had cumulatively repurchased 395,980 shares of the Company through centralized bidding trading, with a total payment of RMB39,076,754.20 and the transaction costs of RMB5,684.75.

RMB57,091,703.34 was decreased in the current period, of which: ① RMB2,570,682.80 was decreased since dividends allocated to restricted stocks that have not yet been released were offset against treasury stocks and other payables were adjusted accordingly; ② RMB9,494,227.24 was decreased since the Company repurchased in form of cash 171,542 restricted RMB ordinary shares (A shares) granted but not yet released. For relevant details, refer to Note V(I) 33 Capital stock herein; ③ RMB45,026,793.30 was decreased since the Company released 811,398 restricted shares according to the Proposal on Satisfying the Conditions for Release from Sales Restrictions in the First Release Period Under 2022 Restricted Share Incentive Plan deliberated and approved at the 14th meeting of the 3rd session of Board of Directors of the Company held on September 8, 2023 (the Company issued 0.40 share for every 1 share to all shareholders through capital reserve in May 2023, resulting in a total of 579,570 shares before the capital reserve was increased), and the grant price per share was RMB77.31 after the deduction of the distributed cash dividends.

57. Other comprehensive income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening	Amount incurred in the current period	Ending
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	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	balance
I. Other comprehensive income that will not be subsequently reclassified into profit and loss		- 58,992,000.00			- 5,811,300.00	- 53,180,700.00		- 53,180,700.00
Including: Changes arising from re-measurement of defined benefit plans								
Other comprehensive income that can't be reversed through profit and loss under the equity method		- 20,250,000.00				- 20,250,000.00		- 20,250,000.00
Changes in the fair value of other equity instrument investments		- 38,742,000.00			- 5,811,300.00	- 32,930,700.00		- 32,930,700.00
Changes in the fair value of enterprise's own credit risk								
II. Other comprehensive income that will be reclassified into profit or loss	- 1,918,603.07	1,252,202.16				1,252,202.16		- 666,400.91
Including: Other comprehensive income that will be reclassified to profit or loss under the equity method								
Changes in the fair value of other debt investments								
Amount of financial assets reclassified into other comprehensive income								

Credit impairment provision of other debt investments								
Cash flow hedge reserve								
Difference from translation of financial statements in foreign currency	- 1,918,603.07	1,252,202.16				1,252,202.16		- 666,400.91
Total other comprehensive income	- 1,918,603.07	- 57,739,797.84			- 5,811,300.00	- 51,928,497.84		- 53,847,100.91

Other explanations, including the adjustment of the effective part of cash flow hedging gains and losses into the initially recognized amount of the hedged item:

None

58. Special reserve

Applicable Not applicable

59. Surplus reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase	Current decrease	Ending balance
Legal surplus	141,759,734.50	56,651,848.00		198,411,582.50
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Other				
Total	141,759,734.50	56,651,848.00		198,411,582.50

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

RMB56,651,848.00 was increased in the current period due to the withdrawal of statutory surplus reserve according to the net profit of the parent company. The statutory surplus reserve does not need to be withdrawn if the cumulative amount reaches 50% or more of the registered capital.

60. Undistributed profits

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Prior period
Undistributed profit at the end of previous period before adjustment	2,300,384,763.19	1,696,978,064.52
Total undistributed profit at the beginning of the adjustment period (+ for increase, - for decrease)		
Unappropriated earnings at the beginning of the period after adjustment	2,300,384,763.19	1,696,978,064.52
Add: Net profit attributable to the owner of the parent company in the current period	1,193,868,141.81	817,400,223.93
Less: Withdrawal of statutory surplus reserve	56,651,848.00	41,124,954.50

Withdrawal of any surplus reserves		
Withdrawal of general risk provision		
Dividends payable on common stock	397,455,566.41	172,868,570.76
Common stock dividends converted to share capital		
Undistributed profit at the end of the period	3,040,145,490.59	2,300,384,763.19

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

According to the Resolution of the First Extraordinary General Meeting of Shareholders of the Company in 2023, the Company distributed cash dividends of RMB3.80 (tax inclusive) per 10 shares to all shareholders based on the total share capital of 396,823,346 shares registered on the registration date of dividend-paying equity, totaling RMB150,792,871.48 (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 common control at the beginning of the period is RMB0.00.
5. The undistributed profit affected by other adjustments at the beginning of the period is RMB0.00.

61. Operating revenue and costs

(1). Information of operating revenue and costs

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	8,890,227,788.97	2,666,864,872.50	6,361,763,550.69	1,916,352,535.29
Other business	14,345,712.42	10,580,834.11	23,687,873.31	18,497,668.36
Total	8,904,573,501.39	2,677,445,706.61	6,385,451,424.00	1,934,850,203.65

(2). Breakdown of operating revenue and costs

Applicable Not applicable

Other explanations

Applicable Not applicable

(3). Explanation on performance obligations

Applicable Not applicable

(4). Explanation on remaining performance obligations allocated

Applicable Not applicable

(5). Significant contract changes or significant transaction price adjustments

Applicable Not applicable

Other explanations:

Breakdown of revenue

1) Breakdown of income generated from contracts with clients by goods or service type

Item	Amount for the current period		Amount for the same period last year	
	Revenue	Cost	Revenue	Cost
Products sales	8,890,227,788.97	2,666,864,872.50	6,363,192,536.17	1,920,643,747.84
Other	14,345,712.42	10,580,834.11	22,258,887.83	14,206,455.81
Subtotal	8,904,573,501.39	2,677,445,706.61	6,385,451,424.00	1,934,850,203.65

2) Breakdown of income generated from contracts with clients 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	8,901,828,883.95	6,383,224,182.76
Income recognized in a certain period	2,744,617.44	2,227,241.24
Subtotal	8,904,573,501.39	6,385,451,424.00

3) Revenue recognized in the current period and included in the beginning carrying value of contract liabilities is RMB174,418,612.87.

62. Taxes and surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income tax		
Urban maintenance and construction tax	43,276,504.94	25,692,368.39
Education surcharge	21,357,013.35	12,641,385.47
Surcharge for local education	14,122,981.38	8,447,813.01
Stamp duties	3,999,013.74	2,921,661.26
Property tax	7,672,905.13	6,663,485.15
Consumption tax	186,353.52	14,370.78
Vehicle and vessel use tax	35,456.20	10,724.88

Cultural undertaking construction tax	5,528.94	2,700.00
Resource tax		
Land use tax		
Total	90,655,757.20	56,394,508.94

Other explanations:

None

63. Selling expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Image promotion expenses	3,533,952,237.22	2,419,867,469.08
Employee compensation and service fees	362,407,560.34	314,177,020.39
Office allowances	37,424,067.84	28,106,339.49
Travel expenses	15,189,368.08	11,852,844.96
Meeting affair charges	12,158,679.33	4,094,821.02
Equity incentive expenses for restricted shares	4,186,552.14	3,815,630.91
Survey consulting fees	4,761,013.66	3,156,462.06
Other	2,121,673.88	766,765.04
Total	3,972,201,152.49	2,785,837,352.95

Other explanations:

None

64. General and administrative expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee compensation and service fees	199,180,004.62	156,737,777.08
Office allowance and business entertainment expenses	86,374,110.35	61,368,432.01
Equity incentive expenses for restricted shares	62,868,293.10	38,406,625.33
Expenses for depreciation, amortization and lease	47,863,814.80	45,778,417.02
Travel expense and conference fees	28,771,703.61	5,024,738.17
Consultation and intermediary fees	26,131,927.56	12,338,732.18
Other	4,251,916.66	7,642,027.58
Total	455,441,770.70	327,296,749.37

Other explanations:

None

65. R&D expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Labor cost	87,886,568.10	66,055,676.59

Outsourced R&D expenses	49,917,542.88	41,417,003.04
Expenses for depreciation, amortization and lease	14,907,715.74	5,485,513.91
Direct input costs	9,067,633.86	8,833,694.90
Equity incentive expenses for restricted shares	8,460,207.47	5,134,865.00
Other	3,330,459.44	1,082,351.05
Total	173,570,127.49	128,009,104.49

Other explanations:

None

66. Financial expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	18,355,694.64	13,019,503.91
Handling fees	712,455.44	634,636.61
Exchange gains and losses	-2,800,529.37	-2,943,538.91
Interest income	-75,347,198.04	-51,707,124.62
Total	-59,079,577.33	-40,996,523.01

Other explanations:

None

67. Other income

Applicable Not applicable

Unit: Yuan Currency: RMB

Classification by nature	Amount incurred in the current period	Amount incurred in the previous period
Government subsidies pertinent to assets	2,079,090.00	2,079,090.00
Government subsidies related to income	41,964,528.77	36,384,642.07
Refund of service charges for withholding personal income tax	702,780.68	507,799.10
Additional deduction for VAT	279,900.29	93,574.45
Total	45,026,299.74	39,065,105.62

Other explanations:

None

68. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income calculated by the equity method	-17,279,158.95	-5,658,023.28
Investment income from disposal of long-term equity investment	-113,212.70	
Investment income of held-for-trading financial assets during the holding period		

Dividend income from other equity instrument investments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of held-for-trading financial assets		
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gains of debt restructuring		
Total	-17,392,371.65	-5,658,023.28

Other explanations:

None

69. Net exposure hedging income

Applicable Not applicable

70. Income from the change in fair values

Applicable Not applicable

71. Credit impairment loss

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Loss on bad debts of notes receivable		
Loss on bad debts of accounts receivable	-13,089,429.12	741,308.99
Loss on bad debts of other receivables	2,692,204.95	-5,798,734.42
Impairment losses of debt investment		
Impairment losses of other debt investments		
Loss on bad debts of long-term receivables		
Impairment losses related to financial guarantees		
Total	-10,397,224.17	-5,057,425.43

Other explanations:

None

72. Asset impairment losses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Impairment losses of contract assets		

I. Loss for devaluation of inventories and impairment loss of contract performance cost	-106,757,782.12	-94,640,937.84
II. Impairment loss of long-term equity investment		-66,771,744.63
III. Impairment loss of investment real estate		
IV. Impairment loss of fixed assets	-1,337,532.26	
V. Impairment loss of engineering materials		
VI. Impairment loss of construction in progress		
VII. Impairment loss of productive biological assets		
VIII. Impairment loss of oil and gas assets		
IX. Impairment loss of intangible assets		
X. Impairment loss of goodwill		
XI. Others		
Anticipated return losses		-3,471,872.81
Total	-108,095,314.38	-164,884,555.28

Other explanations:

None

73. Income from disposal of assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income from disposal of non-current assets	-703,593.33	60,155.60
Total	-703,593.33	60,155.60

Other explanations:

None

74. Non-operating revenue

Information on non-operating revenue

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring gains and losses
Total profit from disposal of non-current assets			
Including: Gains from disposal of fixed assets			
Gains from disposal of intangible assets			
Non-monetary asset exchange profits			
Accepting donations			

Government subsidies			
Revenue from fines and liquidated damages	1,787,058.74	252,782.71	1,787,058.74
Amount not required to be paid	686,774.60	505,051.10	686,774.60
Income from right protection funds	1,528,566.87		1,528,566.87
Other	164,261.56	421,052.52	164,261.56
Total	4,166,661.77	1,178,886.33	4,166,661.77

Other explanations:

Applicable Not applicable

75. Non-operating expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring gains and losses
Total loss from disposal of non-current assets			
Including: Losses from disposal of fixed assets			
Loss from disposal of intangible assets			
Non-monetary asset exchange losses			
External donation	8,865,320.50	1,434,600.00	8,865,320.50
Late fees	2,320,528.94		2,320,528.94
Fines	220,000.00	2,915,707.07	220,000.00
Other	116,512.19	126,645.38	116,512.19
Loss from damage and scrapping of non-current assets	100,854.99	136,692.79	100,854.99
Total	11,623,216.62	4,613,645.24	11,623,216.62

Other explanations:

None

76. Income tax expenses

(1). Income tax expense statement

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expense	337,808,223.91	239,665,217.82
Deferred income tax expense	-73,292,568.66	-16,798,498.26
Total	264,515,655.25	222,866,719.56

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

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period
Total profit	1,495,319,805.59
Income tax expense calculated at statutory or applicable tax rate	373,829,951.41
Impact of different tax rates applicable to subsidiaries	
Impact of adjusting income tax in previous periods	2,053,410.29
Impact of non-taxable income	
Impact of non-deductible costs, expenses and losses	11,462,350.79
Impact of using deductible losses of deferred income tax assets unrecognized in the previous period	-13,652,192.96
Impact of deductible temporary differences or deductible losses of deferred income tax assets unrecognized in the current period	27,431,942.45
Impact of applicable preferential tax rates	-114,497,159.95
Additional deductions for R&D expenditures	-22,112,646.78
Income tax expenses	264,515,655.25

Other explanations:

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

For details, refer to the particulars contained in "57. Other comprehensive income", "VII. Notes to the Items of Consolidated Financial Statements", "Section X Financial Report" of this Report.

78. Items in the cash flow statement**(1). Cash related to operating activities**

Other cash received related to operating activities

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest income from bank deposits	74,557,758.90	51,707,124.62
Government subsidies	45,009,847.74	38,447,280.07
Receivables and payables and others	5,846,000.83	9,345,735.71
Total	125,413,607.47	99,500,140.40

Explanation on other cash received related to operating activities:

None

Other cash paid related to operating activities

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Expenses paid in cash	3,732,844,574.91	2,579,629,003.60
Receivables and payables	28,579,145.07	36,679,087.31
Total	3,761,423,719.98	2,616,308,090.91

Explanation on other cash paid related to operating activities:

None

(2). Cash related to investing activities

Important cash received related to investing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Cash received for construction deposit	13,193,392.00	
Total	13,193,392.00	

Explanation on important cash received related to investing activities

None

Important cash paid related to investing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Payment for the purchase and construction of long-term assets	179,658,688.53	170,963,405.43
Capital increase by Jiaxing Woyong Investment Partnership (Limited Partnership)	18,636,363.64	41,003,609.10
Investment by Golong Holdings Co., Ltd.		90,000,000.00
Purchase of fixed-term deposits	300,000,000.00	
Total	498,295,052.17	301,967,014.53

Explanation on important cash paid related to investing activities

None

Other cash received related to investing activities

Applicable Not applicable

Other cash paid related to investing activities

Applicable Not applicable

(3). Cash related to financing activities

Other cash received related to financing activities

Applicable Not applicable

Other cash paid related to financing activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Payment for equity incentive repurchase	9,494,227.24	
Payment for repurchase of the Company's shares	39,082,438.95	
Payment for acquisition of minority equity		46,085,313.00
Payment for operating lease rent	3,607,485.92	1,319,087.27

Payment for liquidation funds to minority shareholders	1,003,954.40	859,171.61
Total	53,188,106.51	48,263,571.88

Explanation on other cash paid related to financing activities:

None

Information on changes in liabilities arising from financing activities:

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Current increase		Current decrease		Ending balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	200,195,890.41	300,000,000.00		300,000,000.00	40,334.85	200,155,555.56
Bonds payable (including bonds payable due within one year)	724,491,557.93		33,093,877.87	3,753,950.00	711,582.92	753,119,902.88
Lease liabilities (including lease liabilities due within one year)	6,267,571.55		12,997,592.65	3,607,485.92	1,717,311.30	13,940,366.98
Total	930,955,019.89	300,000,000.00	46,091,470.52	307,361,435.92	2,469,229.07	967,215,825.42

(4). Explanation on presentation of cash flows at net amount

Applicable Not applicable

(5). Significant activities and financial impacts that do not involve current cash receipts and payments but affect the financial condition of the enterprise or may affect the cash flow of the enterprise in the future

Applicable Not applicable

Item	Amount for the current period	Amount for the same period last year
Amount of the commercial paper transferred by endorsement	3,900,925.86	26,020,864.88
Including: Payment for goods	3,900,925.86	26,020,864.88

79. Supplementary information to cash flow statement

(1). Supplementary information to cash flow statement

Applicable Not applicable

Unit: Yuan Currency: RMB

Supplementary Information	Amount for the current period	Amount of previous period
1. Reconciliation of net profits to cash flows from operating activities:		
Net profit	1,230,804,150.34	831,283,806.37
Add: Impairment provision of assets	118,492,538.55	169,941,980.71
Credit impairment loss		
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	62,978,780.92	52,552,861.25
Amortization of right-to-use assets	4,464,656.74	1,071,299.90
Amortization of intangible assets	18,517,085.80	17,445,985.14
Amortization of long-term unamortized expenses	10,280,634.46	17,522,556.64
Losses on disposal of fixed assets, intangible assets and other long-term assets ("- " refers to income)	703,593.33	-60,155.60
Losses on retirement of fixed assets ("- " refers to income)	100,854.99	136,692.79
Losses on changes in fair value ("- " refers to income)		
Financial expenses ("- " refers to income)	13,067,443.28	13,019,503.91
Investment loss ("- " refers to income)	17,392,371.65	5,658,023.28
Decrease in deferred income tax assets ("- " refers to increase)	-54,273,136.99	-27,409,771.12
Increase in deferred income tax liabilities ("- " refers to decrease)	-19,019,431.67	10,611,272.86
Decrease in inventories ("- " refers to increase)	-234,921,611.07	-315,753,506.27
Decrease in operating receivables ("- " refers to increase)	-449,560,276.02	-28,573,373.07
Decrease in operating payables ("- " refers to increase)	674,251,107.56	316,331,819.20
Other	75,515,052.71	47,357,121.24
Net cash flow from operating activities	1,468,793,814.58	1,111,136,117.23
2. Major investment and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	3,659,267,712.03	3,125,333,085.05
Less: Beginning balance of cash	3,125,333,085.05	2,378,334,768.09
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	533,934,626.98	746,998,316.96

(2). Net cash paid for acquisition of subsidiaries in the current period
 Applicable Not applicable

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

□ Applicable √ Not applicable

(4). Composition of cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
I. Cash	3,659,267,712.03	3,125,333,085.05
Including: Cash on hand	29,332.00	20,176.08
Bank deposits that can be used for payment at any time	3,448,037,161.01	3,048,251,723.18
Other monetary funds that can be used for payment at any time	211,201,219.02	77,061,185.79
Funds deposited with the central bank for payment		
Deposits in interbank		
Funds for interbank lending		
II. Cash equivalents		
Including: Bond investments due within three months		
III. Ending balance of cash and cash equivalents	3,659,267,712.03	3,125,333,085.05
Including: Cash and cash equivalents with restricted use by the parent company or a subsidiary of the group	257,906,850.60	507,079,183.81

(5). Information on funds with restricted use but still presented as cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Reason
Raised funds	178,011,019.10	Special account of raised funds
Cash subject to foreign exchange control of overseas operating subsidiaries	79,895,831.50	Subject to foreign exchange control
Total	257,906,850.60	/

(6). Monetary funds not belonging to cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount of previous period	Reason
Fixed-term deposit	335,288,251.36	30,000,000.00	No withdrawal at any time
L/C deposit	8,800,000.00		No withdrawal at any time
Transformer deposit	250,000.00	250,000.00	No withdrawal at any time
Vehicle ETC deposit	70,000.00	70,000.00	No withdrawal at any time
Pinduoduo deposit	5,298,890.00	5,000,000.00	No withdrawal at any time
Direct store deposit	2,110,704.68	350,000.00	No withdrawal at any time
Total	351,817,846.04	35,670,000.00	/

Other explanations:

Applicable Not applicable

80. Notes on items in the statement of changes in owners' equity

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

Applicable Not applicable

81. Foreign-currency monetary items

(1). Foreign-currency monetary items

Applicable Not applicable

Unit: Yuan

Item	Ending foreign currency balance	Converted exchange rate	Converted RMB at the end of period balance
Cash and cash equivalents	-	-	284,606,933.99
Including: USD	7,847,098.42	7.0827	55,578,643.98
EUR	26,105,651.86	7.8592	205,169,539.10
HKD	22,387,179.89	0.9062	20,287,262.42
SF	193,233.76	8.4184	1,626,719.09
JPY	32,304,317.77	0.0502	1,621,676.75
KRW	58,744,118.00	0.0055	323,092.65
Accounts receivable	-	-	4,164,394.64
Including: EUR	218,942.52	7.8592	1,720,713.05
HKD	66,999.18	0.9062	60,714.66
JPY	47,465,900.00	0.0502	2,382,788.18
KRW	32,499.71	0.0055	178.75
Other receivables	-	-	26,732,449.48
Including: USD	558,965.44	7.0827	3,958,984.52
EUR	2,832,778.86	7.8592	22,263,375.62
HKD	99,313.63	0.9062	89,998.01
JPY	8,368,353.22	0.0502	420,091.33
Accounts payable	-	-	8,078,057.66
Including: EUR	777,723.41	7.8592	6,112,283.82
HKD	610,942.50	0.9062	553,636.09
JPY	28,130,234.00	0.0502	1,412,137.75
Other payables	-	-	865,815.54
Including: HKD	5,975.00	0.9062	5,414.55
JPY	683,412.06	0.0502	34,307.29
KRW	150,198,853.99	0.0055	826,093.70

Other explanations:

None

(2). Explanation on overseas operating entities, including the main overseas operating location, bookkeeping currency, selection criteria, and reasons for change in the bookkeeping currency of important overseas operating entities, which should be disclosed

Applicable Not applicable

Hapsode Co., Ltd. and Hanna Cosmetics Co., Ltd. operate in South Korea, and their business income and expenditures are mainly in KRW, thus they choose KRW as the bookkeeping currency. Hong Kong Xinghuo Industry Limited, LIMITED, Hong Kong Zhongwen Electronic Commerce Co., Limited, Hong Kong Xuchen Trading Limited, Hong Kong Keshi Trading Co., Ltd., Boya (Hong Kong) Investment Management Co., Limited and Hong Kong Wanyan Electronic Commerce Co., Limited operate in Hong Kong, thus they choose HKD as the bookkeeping currency. OR Off&Relax operates in Japan and its

business income and expenditures are mainly in JPY, thus it chooses JPY as the bookkeeping currency. PROYA PTE. LTD. operates in Singapore, and its business income and expenditures are mainly in SGD, thus it chooses SGD as the bookkeeping currency; PROYA BEAUTY ALAYSIA SDH BHD. operates in Malaysia and its business income and expenditures are mainly in MYR, thus it chooses MYR as the bookkeeping currency.

82. Lease

(1) The Company as the lessee

Applicable Not applicable

1) For details on right-of-use assets, refer to the particulars contained in "25. Right-of-use assets" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" hereof.

2) For the details on accounting policies for short-term leases and low-value asset leases of the Company, refer to the particulars contained in "38. Lease" in "V. Significant Accounting Policies and Estimates" of "Section X Financial Report" of this Report.

Variable lease payments not included in the measurement of lease liabilities

Applicable Not applicable

Lease expenses of short-term leases or low-value asset leases subject to simplified treatment

Applicable Not applicable

Item	Amount for the current period	Amount for the same period last year
Short-term lease expenses	6,986,080.67	2,725,585.47
Low value asset lease expenses (except for short-term lease expenses)	2,169,311.63	178,817.29
Total	9,155,392.30	2,904,402.76

Sale and leaseback transactions and judgment basis

Applicable Not applicable

Total cash outflows related to leases is 13,312,201.76 (Unit: Yuan Currency: RMB)

For the details of maturity analysis and corresponding liquidity risk management of lease liabilities, refer to the particulars contained in "1(II) Liquidity risk" in "XII. Risks related to Financial Instruments" in "Section X Financial Report" hereof.

(2) The Company as the lessor

Operating lease where the Company is the lessor

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Lease income	Including: Income related to variable lease payments not included in lease receipts
Investment real estate	2,744,617.44	
Total	2,744,617.44	

For the details of fixed assets leased out through operating lease, refer to the particulars contained in "20 Investment real estate" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" hereof.

Financing lease where the Company is the lessor

Applicable Not applicable

Reconciliation of undiscounted lease receipts and net lease investments

Applicable Not applicable

Undiscounted lease receipts in the next five years

Applicable Not applicable

(3) Profits and losses of financial lease sales recognized by the Company as a manufacturer or distributor

Applicable Not applicable

Other explanations

None

83. Other

Applicable Not applicable

VIII.R&D expenditures

(1). Presentation by nature of expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Labor cost	87,886,568.10	66,055,676.59
Outsourced R&D expenses	49,917,542.88	41,417,003.04
Expenses for depreciation, amortization and lease	14,907,715.74	5,485,513.91
Direct input costs	9,067,633.86	8,833,694.90
Equity incentive expenses for restricted shares	8,460,207.47	5,134,865.00
Other	3,330,459.44	1,082,351.05
Total	173,570,127.49	128,009,104.49
Including: Expensed R&D expenditures	173,570,127.49	128,009,104.49
Capitalized R&D expenditures		

Other explanations:

None

(2). R&D project development expenditures eligible for capitalization

Applicable Not applicable

Important capitalized R&D project

Applicable Not applicable

Impairment provision of development expenditures

Applicable Not applicable

Other explanations

None

(3). Important outsourcing projects under research

Applicable Not applicable

IX.Change of Consolidation Scope

1. Business combination not under common control

Applicable Not applicable

2. Business combination under common control

Applicable Not applicable

3. Counter purchase

Applicable Not applicable

4. Disposal of subsidiaries

Were there any transactions or events that resulted in the loss of control over a subsidiary in the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Time point of loss of control	Disposal price at the time point of loss of control	Disposal ratio at the time point of loss of control (%)	Disposal method at the time point of loss of control	Judgment basis of the time point of loss of control	Difference between the disposal price and the attributable share of net assets of the subsidiary at the level of consolidated financial statements corresponding to the disposal of investment	Proportion of remaining equity on the date of loss of control (%)	Carrying value of remaining equity at the level of consolidated financial statements on the date of loss of control	Fair value of remaining equity at the level of consolidated financial statements on the date of loss of control	Gains or losses arising from re-measurement of remaining equity at fair value	Determination methods and major assumptions for fair value of remaining equity at the level of consolidated financial statements on the date of loss of control	Amount of other comprehensive income related to equity investments in original subsidiaries transferred to investment gains and losses or retained earnings
Hangzhou Tiedingxian Catering Management Co., Ltd.	February 2023	1,500,000.00	100.00	Selling equity to external parties	Completed equity delivery	-12,828.43						
Hangzhou Xiake Bar Catering Management Co., Ltd.	February 2023	3,500,000.00	100.00	Selling equity to external parties	Completed equity delivery	-11,332.08						

Other explanations:

Applicable Not applicable

Was there a stepwise disposal of investment to subsidiaries through multiple transactions and a loss of control in the current period

Applicable Not applicable

Other explanations:

Applicable Not applicable

5. Change of combination scope for other reasons

Explain the changes in the consolidation scope caused by other reasons (for example, newly established subsidiary, liquidated subsidiary, etc.) and the specific information:

Applicable Not applicable

1. Expansion of consolidation scope

Company name	Equity acquisition method	Time point of equity acquisition	Contribution amount	Contribution ratio
Huzhou Keyan Trading Co., Ltd.	Newly established subsidiary	March 2023		100.00%
Hubei Laibo Information Co., Ltd.	Newly established subsidiary	July 2023	100,000.00	100.00%
PROYA PTE. LTD	Newly established subsidiary	November 2023		100.00%
PROYA BEAUTY MALAYSIA SDH. BHD.	Newly established subsidiary	November 2023		100.00%

2. Narrowing of consolidation scope

Company name	Equity disposal method	Time point of equity disposal	Net assets as at the disposal date	From the beginning of the period to the disposal date Net profit
Korea Younimi Cosmetics Co., Ltd.	Cancel	April 2023	1,801,826.67	-1,740,215.20
Hangzhou Donghai Wangchao Catering Management Co., Ltd.	Cancel	June 2023		
Danyang Hapsode Cosmetics Trading Co., Ltd.	Cancel	December 2023	970.33	7,268,352.65

6. Other

Applicable Not applicable

X. Equity in Other Entities**1. Equity in subsidiaries****(1). Composition of enterprise group**

√ Applicable □ Not applicable

Subsidiary Name	Main place of business	Registered capital	Registration place	Nature of business	Shareholding ratio (%)		Mode of acquisition
					Direct	Indirect	
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Hangzhou	10 million	Hangzhou	Wholesale and retail	100.00		Establishment
Ningbo TIMAGE Cosmetics Co., Ltd.	Ningbo	1 million	Ningbo	Wholesale and retail	71.36		Establishment
Proya (Zhejiang) Cosmetics Co., Ltd.	Huzhou	10 million	Huzhou	Manufacturing	100.00		Establishment

Unit: Yuan Currency: RMB

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

None

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

None

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

None

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

None

Other explanations:

The Company incorporated 46 subsidiaries, including Hangzhou Proya Trade Co.,Ltd. and Zhejiang Meiligu Electronic Commerce Co., Ltd., into the consolidation scope of the consolidated financial statements.

(2). Important non-wholly-owned subsidiaries

√ Applicable □ Not applicable

Name of subsidiary	Shareholding ratio of the minority shareholder Percentage	Gain or loss attributable to minority shareholders in the current period	Dividends declared and distributed to minority shareholders in the current period	Balance of minority interest at the end of the period
Ningbo TIMAGE Cosmetics Co., Ltd.	28.64%	37,167,220.38		55,449,339.11

Unit: Yuan Currency: RMB

Explanation on 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: Yuan Currency: RMB

Name of subsidiary	Ending balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo TIMAGE Cosmetics Co., Ltd.	297,734	11,052,026.21	308,769.95	111,987,809.76	1,079,017.49	113,066,827.25	173,712,882.33	5,198,059.78	178,910,942.11	112,248,423.70	1,672,655.27	113,921,078.97

Name of subsidiary	Amount incurred in the current period				Amount incurred in the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows generated from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows generated from operating activities
Ningbo TIMAGE Cosmetics Co., Ltd.	1,000,707,718.37	129,773,814.16	129,773,814.16	98,459,950.02	571,701,521.25	76,095,826.44	76,095,826.44	36,940,377.15

Other explanations:

None

(4). Major restrictions on using enterprise group assets and paying off enterprise group debts Applicable Not applicable**(5). Financial support or other support provided to structured entities included in the scope of consolidated financial statements** Applicable Not applicable

Other explanations:

 Applicable Not applicable**2. Transactions where the share of owners' equity in a subsidiary changes and the subsidiary is still controlled** Applicable Not applicable**3. Rights and interests in joint ventures and affiliates** Applicable Not applicable**(1). Important joint ventures and affiliates** Applicable Not applicable**(2). Major financial information of important joint ventures** Applicable Not applicable

(3). Major financial information of important affiliates

Applicable Not applicable

(4). Summary financial information of unimportant joint ventures and affiliates

Applicable Not applicable

Unit: Yuan Currency: RMB

	Ending balance or amount incurred in the current period	Beginning balance or amount incurred in the previous period
Joint ventures:		
Total carrying value of investment	3,059,991.91	3,068,948.16
Total of the following items calculated according to the shareholding ratio		
– Net profit	-8,956.25	-5,810.52
– Other comprehensive income		
– Total comprehensive income		
Affiliates:		
Total carrying value of investment	110,514,166.58	135,464,429.30
Total of the following items calculated according to the shareholding ratio		
– Net profit	-17,270,202.70	-5,652,212.76
– Other comprehensive income	-20,250,000.00	
– Total comprehensive income		

Other explanations

None

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

Applicable Not applicable

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

Applicable Not applicable

(7). Unconfirmed commitments related to investments in joint ventures

Applicable Not applicable

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

Applicable Not applicable

4. Important joint operations

Applicable Not applicable

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

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

Applicable Not applicable

6. Other

Applicable Not applicable

XI. Government subsidies**1. Government subsidies recognized by amount receivable at the end of the Reporting Period**

Applicable Not applicable

Reasons for failure to receive the expected amount of government subsidies at the expected time point

Applicable Not applicable

2. Liability items involving government subsidies:

Applicable Not applicable

Unit: Yuan Currency: RMB

Items in financial statements	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating revenue in the current period	Amount transferred in other income in the current period	Other changes in the current period	Ending balance	Related to assets or income
Deferred income	6,399,811.33	2,062,638.00	2,079,090.00			6,383,359.33	Related to assets
Total	6,399,811.33	2,062,638.00	2,079,090.00			6,383,359.33	/

3. Government subsidies included in the current profit or loss

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Amount incurred in the current period	Amount incurred in the previous period
Related to income	44,043,618.77	38,463,732.07
Total	44,043,618.77	38,463,732.07

Other explanations:

None

XII. Risks Related to Financial Instruments**1. Risks of financial instruments**

Applicable Not applicable

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

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

(I) Credit risk

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

1. Credit risk management practice**(1) Assessment method of credit risk**

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

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

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

- 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 exiting or anticipated technology, market, economic or legal environment which have a material adverse effect on the debtor's ability to make repayment to the Company.

(2) Definitions of default and assets with credit impairment

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

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

2. Measurement of expected credit loss

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

3. For the details of the Reconciliation of Beginning Balance and Ending Balance of Provision for Loss of Financial Instruments, refer to the particulars contained in "5. Accounts receivable", "7. Receivable financing" and "9. Other receivables" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this Report.

4. Credit risk exposure and credit risk concentration

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

(1) Monetary capital

The bank deposit and other monetary capitals of the Company were deposited with financial institutions with high credit rating; therefore, the credit risk was low.

(2) Accounts receivable

The Company continuously carries out credit assessments on customers who trade in credit. According to the results of credit assessments, 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 3rd parties.

Credit risk concentration is managed on a per-customer basis. As of December 31, 2023, the Company had a certain credit concentration risk of 93.36% (as of December 31, 2022: 68.05%) of the Company's accounts receivable originating from the top five customers in the balance. 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 settlements and bank loans, in appropriate combination of long-term and short-term financing to optimize the financing structure and keep the balancing between financing sustainability and flexibility. The Company has obtained lines of credit from several commercial banks to satisfy its working capital demand and capital expenditure.

Classification of financial liabilities by the remaining due days

Item	Ending amount				
	Carrying value	Undiscounted contract value	Within 1 year	1-3 years	Above 3 years
Short-term borrowings	200,155,555.56	204,136,925.42	204,136,925.42		
Notes payable	36,959,074.14	36,959,074.14	36,959,074.14		
Accounts payable	1,018,522,358.60	1,018,522,358.60	1,018,522,358.60		
Other payables	155,345,148.68	155,345,148.68	155,345,148.68		
Bonds payable	753,119,902.88	902,651,337.03	7,500,387.51	31,446,772.75	863,704,176.77
Lease liabilities	9,970,306.87	14,684,876.69		5,269,969.69	9,414,907.00
Non-current liabilities due within one year	3,970,060.11	4,213,792.92	4,213,792.92		
Subtotal	2,178,042,406.84	2,336,513,513.48	1,426,677,687.27	36,716,742.44	873,119,083.77

(Continued)

Item	Balance at the end of the previous year				
	Carrying value	Undiscounted contract value	Within 1 year	1-3 years	Above 3 years
Short-term borrowings	200,195,890.41	201,900,886.94	201,900,886.94		
Notes payable	69,626,352.12	69,626,352.12	69,626,352.12		
Accounts payable	475,427,484.23	475,427,484.23	475,427,484.23		
Other payables	216,392,183.41	216,392,183.41	216,392,183.41		
Bonds payable	724,491,557.93	900,552,174.00	3,754,685.00	18,773,425.00	877,094,416.00
Lease liabilities	3,718,119.41	3,718,119.41		3,718,119.41	
Non-current liabilities due within one year	2,549,452.14	2,549,452.14	2,549,452.14		
Subtotal	1,692,401,039.65	1,870,166,652.25	969,651,043.84	22,491,544.41	877,094,416.00

(III) Market risk

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

1. Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flow of financial instruments 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 risk of fluctuations in the fair value or future cash flow of financial instruments due to the change of foreign exchange rates. The risk of changes in foreign exchange rates faced by the Company is mainly related to the Company's foreign currency assets and liabilities. The Company carries out business in the Chinese mainland, and therefore has main activities valued in RMB. Therefore, the market risk of foreign exchange changes faced by the Company is minor. For the details on foreign-currency monetary assets and liabilities of the Company at the end of the period, refer to the particulars contained in "81. Foreign-currency monetary items" in "VII. Notes to the Items of Consolidated Financial Statements" of "Section X Financial Report" of this Report.

2. Hedging

(1) The Company carries out hedging business for risk management

Applicable Not applicable

Other explanations

Applicable Not applicable

(2) The Company carries out qualified hedging business and applies hedging accounting

Applicable Not applicable

Other explanations

Applicable Not applicable

(3) The Company carries out hedging business for risk management, expects to achieve risk management objectives, but does not apply hedging accounting

Applicable Not applicable

Other explanations

Applicable Not applicable

3. Transfer of financial assets

(1) Classification of transfer methods

Applicable Not applicable

(2) Financial assets derecognized due to transfer

Applicable Not applicable

(3) Financial assets transferred due to continued involvement

Applicable Not applicable

Other explanations

Applicable Not applicable

XIII. Disclosure of Fair Value

1. Ending fair value of assets and liabilities measured at fair value

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending fair value			Total
	The first level of fair value measurement	The second level of fair	The 3rd level of fair value measurement	

		value measurement		
I. Continuous fair value measurement				
(I) Held-for-trading financial assets				
1. Financial assets measured at fair value through profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Financial assets designated as measured at fair value through profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(II) Other debt investments				
(III) Other equity instrument investments			107,660,400.00	107,660,400.00
(IV) Investment real estate				
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				
Receivable financing			7,378,700.06	7,378,700.06
Total assets continuously measured at fair value			115,039,100.06	115,039,100.06
(VI) Held-for-trading financial liabilities				
1. Financial liabilities measured at fair value through profit or loss				
Including: Trading bonds issued				
Derivative financial liabilities				
Other				

2. Financial liabilities designated to be measured at fair value through profit or loss				
Total liabilities continuously measured at fair value				
II. Non-continuous Fair Value Measurement				
(I) Held-for-sale assets				
Total assets not continuously measured at fair value				
Total liabilities not continuously measured at fair value				

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

1. For bank acceptance bills held by the Company, the fair value is determined by the par value.
2. As for investments in other equity instruments held by the Company, due to important changes in business environment, operating conditions, financial conditions and external valuation of the investees, including Hangzhou Regenovo Bio-technology Co., Ltd., Golong Holdings Co., Ltd., and LIPOTRUE,S.L., the Company takes the investment cost as a reasonable estimate of fair value for measurement. Due to the difference between the financial situation of the investee Golong Holdings Co., Ltd. in 2023 and the expectations at the time of investment, the Company determines the fair value at the end of the period based on the asset evaluation report issued by a professional evaluation agency, the valuation technique adopted by the Company is based on the reasonably available information, and the important parameters adopted include the EBITDA, and the P/E ratio and EV/EBITDA value ratio of listed companies in the same industry.

5. Adjustment information and sensitivity analysis of non-observable parameters between beginning and ending carrying value for continuous 3rd-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. Information on Fair value of financial assets and liabilities not measured at fair value

Applicable Not applicable

9. Other

Applicable Not applicable

XIV.Related Parties and Transactions**1. Information on the parent company of the Company**

Applicable Not applicable

2. Information on subsidiaries of the Company

Refer to the notes for the details on subsidiaries of the Company

Applicable Not applicable

For the details on subsidiaries of the Company, refer to the particulars contained in "X. Equity in Other Entities", "Section X Financial Report" of this Report.

3. Information on joint ventures and affiliates of the Company

Refer to the notes for details of the important joint ventures or affiliates of the Company

Applicable Not applicable

For the details on important joint ventures or affiliates of the Company, refer to the particulars contained in "X. Equity in Other Entities", "Section X Financial Report" of this Report.

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

Applicable Not applicable

Other explanations

Applicable Not applicable

4. Information on other related parties

Applicable Not applicable

Name of other related party	Relationship between other related party and the Company
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Other
Ningbo Weiman Cosmetics Co., Ltd.	Other
Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Other
Beijing Xiushi Cultural Development Co., Ltd.	Other
Hangzhou Regenovo Bio-technology Co., Ltd.	Other
Hangzhou Slow Coral Cultural Tourism Planning and Design Co., Ltd.	Other
PARISEZHAN HK LIMITED	Other
EURL PHARMATICA	Other
SARL ORTUS	Other
S.A.S AREDIS	Other
Shanghai Youke Brand Management Co., Ltd.	Other
Shanghai Youke Jiabei Technology Co., Ltd.	Other
Beauty Hi-tech Innovation Co.Ltd	Other

Other explanations
None

5. Information on related transactions

(1). Related transactions of purchasing and selling goods, and providing and receiving labor services

Statement of purchasing goods or accepting labor services

Applicable Not applicable

Unit: Yuan Currency: RMB

Related parties	Related transaction content	Amount incurred in the current period	Approved transaction limit (if applicable)	Whether the transaction limit is exceeded (if applicable)	Amount incurred in the previous period
Hangzhou Slow Coral Cultural Tourism Planning and Design Co., Ltd.	Promotional services	621,966.94	Not applicable		
Beijing Xiushi Cultural Development Co., Ltd.	Promotional services	169,811.41	Not applicable		
Ningbo Weiman Cosmetics Co., Ltd.	Purchase of goods	121,884.94	Not applicable		107,862.78
Hangzhou Regenovo Bio-technology Co., Ltd.	Purchase of goods	41,663.72	Not applicable		
Beauty Hi-tech Innovation Co.Ltd	Purchase of goods	4,545,263.84	Not applicable		324,982.00

Statements of sales of goods or provision of services

Applicable Not applicable

Unit: Yuan

Currency: RMB

Related parties	Related transaction content	Amount incurred in the current period	Amount incurred in the previous period
Shanghai Youke Brand Management Co., Ltd.	Sales of goods		12,289,045.76
Shanghai Youke Jiabei Technology Co., Ltd.	Sales of goods		33,616,486.42
Ningbo Weiman Cosmetics Co., Ltd.	Sales of goods	14,321.36	630,810.70
Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Sales of goods		3,396.23

Explanation on related party transactions in purchasing and selling goods, and providing and receiving labor services

Applicable Not applicable

(2). Related entrusted management, contracting and entrusted management, and outsourcing

Statement of entrusted management or contracting of the Company:

Applicable Not applicable

Explanation on related trusteeship or contracting

Applicable Not applicable

Statement of entrusted management or outsourcing of the Company

Applicable Not applicable

Explanation on related management or outsourcing

Applicable Not applicable

(3). Information on related lease

The Company as the lessor:

Applicable Not applicable

The Company as the lessee:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of lessor	Types of leased assets	Rent expenses of short-term leases and low-value asset leases subject to simplified treatment (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expenses on lease liabilities assumed		Right-of-use assets increased	
		Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Field	85,715.77	214,434.03			517,536.00	386,182.00	27,952.40	15,292.30	-229,315.75	693,678.71

Explanation on related lease

□ Applicable √ Not applicable

(4). Information on related guarantee

The Company as the guarantor

 Applicable Not applicable

The Company as the guarantee

 Applicable Not applicable

Description of related guarantee

 Applicable Not applicable**(5). Borrowing of related party funds** Applicable Not applicable**(6). Information of asset transfer and debt restructuring of related parties** Applicable Not applicable**(7). Remuneration of key management personnel** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key management personnel	9,373,634.51	6,664,014.49

Note: The above remuneration excludes the relevant remuneration recognized by share-based payment

(8). Other related party transactions Applicable Not applicable**6. Information on unsettled items such as accounts receivable from and accounts payable to related parties****(1). Receivable items** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related parties	Ending balance		Opening balance	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Accounts receivable					
	Ningbo Weiman Cosmetics Co., Ltd.	15,052.00	752.60		
Subtotal		15,052.00	752.60		
Prepayments					
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.			43,000.00	
	Beauty Hi-tech Innovation Co.Ltd	21,021.52			
Subtotal		21,021.52		43,000.00	

Other receivables					
	EURL PHARMATICA [Note]	18,169,451.02	18,169,451.02	18,232,635.52	18,232,635.52
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	132,568.20	132,568.20	133,568.20	132,868.20
	Beauty Hi-tech Innovation Co., Ltd.	82,767.74	4,138.39		
Subtotal		18,384,786.96	18,306,157.61	18,366,203.72	18,365,503.72

[Note] Other receivables from EURL PHARMATICA are the consolidated statistics of receivables from PAN Xiang and receivables from EURL PHARMATICA, PARISEZHAN HK LIMITED, SARLORTUS, and S.A.SAREDIS controlled by PAN Xiang.

(2). Payable items

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related parties	Ending book balance	Opening book balance
Accounts payable			
	Hangzhou Slow Coral Cultural Tourism Planning and Design Co., Ltd.	199,622.64	
	Ningbo Weiman Cosmetics Co., Ltd.	121,884.94	121,884.94
	S.A.S AREDIS		243,598.94
Subtotal		321,507.58	365,483.88
Other payables			
	HOU Juncheng	2,000,000.00	
Subtotal		2,000,000.00	

(3). Other items

Applicable Not applicable

7. Commitment of related parties

Applicable Not applicable

8. Other

Applicable Not applicable

XV.Share-based Payments

1. Equity instruments

Applicable Not applicable

Quantity unit: Share Amount unit: Yuan Currency: RMB

Categories of granted objects	Awarded in the current period		Exercised in the current period		Released in the current period		Invalid in the current period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Management					679,770	42,844,932.00	110,404	6,105,220.21
R&D personnel					91,518	5,768,248.80	13,720	761,363.96

Sales specialists					40,110	2,528,076.00	47,418	2,627,643.07
Total					811,398	51,141,256.80	171,542	9,494,227.24

[Note] On May 29, 2023, the Company implemented the annual equity distribution for 2022, distributing a cash dividend of RMB0.87 (including tax) per share and issuing 0.40 shares for every 1 share to all shareholders through capitalization of the capital reserve, so this number is the number of shares after the capitalization of the capital reserve.

Outstanding stock options and other equity instruments at the end of the period

Applicable Not applicable

Categories of granted objects	Outstanding stock options at the end of the period		Outstanding other equity instruments at the end of the period	
	Scope of exercise price	Remaining term of contract	Scope of exercise price	Remaining term of contract
Management	Not applicable	Not applicable	RMB78.56/Share	31 months
R&D personnel	Not applicable	Not applicable	RMB78.56/Share	31 months
Sales specialists	Not applicable	Not applicable	RMB78.56/Share	31 months

Other explanations

On July 25, 2022, the Company, according to the *Proposal on the 2022 Restricted Shares Incentive Plan of the Company (Draft) and Its Summary* deliberated and approved at the First Extraordinary General Meeting of Shareholders of the Company in 2022, under the Incentive Plan, proposed to grant up to 2,100,000 restricted shares to incentive objects. The grant date of restricted shares is July 25, 2022, and the incentive objects are 101 persons including senior managers, middle managers and core backbone personnel of the Company (excluding independent directors, supervisors and shareholders or actual controllers holding more than 5% of the company's shares alone or in total, as well as their spouses, parents and children). The grant price is RMB78.56 per share. The subject shares under the Incentive Plan are derived from the A-share ordinary shares of the Company privately issued by the Company to the incentive objects. The validity period of the Incentive Plan begins from the date when the registration of the grant of restricted shares is completed to the date when all the restricted shares granted to the incentive objects are released or repurchased and de-registered, in no case taking longer than 48 months. The granted restricted shares will be released in 3 installments (30%, 30%, 40%) over 36 months after the first 12 months after the initial grant of the restricted shares. The performance condition for the first release is that: On the basis of the operating revenue and net profit in 2021, the growth rates of operating revenue and net profit in 2022 were no less than 25% and 25%, respectively. The performance condition for the second release is that: On the basis of the operating revenue and net profit in 2021, the growth rates of operating revenue and net profit in 2023 were no less than 53.75% and 53.75%, respectively. The performance condition for the 3rd release is that: On the basis of the operating revenue and net profit in 2021, the growth rates of operating revenue and net profit in 2024 were no less than 87.58% and 87.58%, respectively.

According to the *Proposal on Satisfying the Conditions for Release from Sales Restrictions in the First Release Period under the 2022 Restricted Shares Incentive Plan* deliberated and approved at the 14th meeting of the 3rd session of Board of Directors of the Company in 2023, the Company released the 811,398 restricted shares held by the incentive objects who had satisfied the first release conditions (and issued 0.40 shares for every 1 share to all shareholders through capitalization of the capital reserve, so this number is the number of shares after the capitalization of the capital reserve). The circulating date of the sales was September 26, 2023.

2. Equity-settled share-based payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Determination method of the fair value of equity instruments on the grant date	Determined as per the share price on the grant date and the grant price of restricted shares
Important parameters of fair value of equity instruments on the grant date	
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 payments included in the capital reserve	163,564,812.98

Other explanations

None

3. Information on cash-settled share-based payments

Applicable Not applicable

4. Share-based payment expenses in the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Categories of granted objects	Equity-settled share-based payment expenses	Cash-settled share-based payment expenses
Management	62,868,293.10	
R&D personnel	8,460,207.47	
Sales specialists	4,186,552.14	
Total	75,515,052.71	

Other explanations

None

5. Information on modification and termination of share-based payments

Applicable Not applicable

6. Other

Applicable Not applicable

XVI. 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, 2023, the investment projects conducted by the Company through public issuance of convertible bonds were as follows:

Unit: RMB '0,000

Item	Total investment amount	Adjusted investment amount of raised funds	Ending accumulated investment	Project filing or approval No.
Huzhou Production Base Expansion Project (Phase I)	43,752.54	33,850.00	23,435.69	2011-330502-04-01-178735
Longwu R&D Center Construction Project	21,774.45	19,450.00	19,053.45	2101-330106-04-02-307916
Information System Upgrade Project	11,239.50	8,801.27	3,143.45	
Additional working capital	18,000.00	12,349.60	12,533.15	
Total	94,766.49	74,450.87	58,165.74	

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 must also state:

Applicable Not applicable

3. Other

Applicable Not applicable

XVII.Events after the balance sheet date**1. Important non-adjustment matters**

Applicable Not applicable

2. Information on profit distribution

Applicable Not applicable

Unit: Yuan Currency: RMB

Profits or dividends to be distributed	359,037,186.69
Profits or dividends declared after deliberation and approval	397,455,566.41

According to the 18th meeting of the 3rd session of Board of Directors on April 17, 2024, the Company distributed a cash dividend of RMB9.10 (including tax) per 10 shares to all shareholders registered on the equity registration date based on the total share capital on the registration date of dividend distribution (deducting the shares in the Company's special securities account for repurchase), totaling RMB 359,037,186.69 (including tax). In case of a change in the Company's total share capital due to the conversion of convertible bonds before the date of record for equity distribution, the Company maintains the said distribution and conversion ratios and adjusts the total distribution and conversion amounts. The above matter is yet to be deliberated and approved at the shareholders' meeting.

3. Sales return

Applicable Not applicable

4. Explanation on other events after the balance sheet date

Applicable Not applicable

XVIII.Other Important Matters**1. Correction of early accounting errors****(1). Retrospective restatement**

Applicable Not applicable

(2). Prospective application

Applicable Not applicable

2. Important debt restructuring

Applicable Not applicable

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

Applicable Not applicable

(2). Replacement of other assets

Applicable Not applicable

4. Annuity plan

Applicable Not applicable

5. Termination of operation

Applicable Not applicable

6. Segment information**(1). Determination basis and accounting policy of reportable segment**

Applicable Not applicable

The Company's main business is the production and sale of cosmetics. The Company regards this business as a whole to implement management and evaluate business results. Therefore, the Company has no need to disclose segment information. For the details on revenue breakdown of the Company, refer to the particulars contained in Note V(II)1 of the Financial Statements.

The details of main business income and main business cost of the Company classified by brands are as follows:

2023

Brand	Income from main business	Cost of main business	Gross profit
Proya brand	7,177,344,635.84	2,097,878,713.27	5,079,465,922.57
Other brands	1,712,883,153.13	568,986,159.23	1,143,896,993.90
Subtotal	8,890,227,788.97	2,666,864,872.50	6,223,362,916.47

2022

Brand	Income from main business	Cost of main business	Gross profit
Proya brand	5,263,675,333.17	1,520,575,295.77	3,743,100,037.40
Other brands	1,098,088,217.52	395,777,239.52	702,310,978.00
Subtotal	6,361,763,550.69	1,916,352,535.29	4,445,411,015.40

(2). Financial information of the reportable segment

Applicable Not applicable

(3). If the Company has no reportable segment, or cannot disclose the total assets and liabilities of each reportable segment, the reasons must be explained

Applicable Not applicable

(4). Other explanations

Applicable Not applicable

7. Other important transactions and matters that have an impact on investors' decisions

Applicable Not applicable

8. Other

Applicable Not applicable

XIX. Notes on Main Items of the Financial Statements of the Parent Company**1. Accounts receivable****(1). Disclosed by account age**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Ending book balance	Opening book balance
Within 1 year		
Including: Sub-items within 1 year		
Within 1 year	601,922,452.45	259,683,548.62
Sub-total within 1 year	601,922,452.45	259,683,548.62
1-2 years	21,289,087.90	54,333,721.43
2-3 years		10,300,174.10
Above 3 years		
3-4 years		
4-5 years		
Above 5 years		
Total	623,211,540.35	324,317,444.15

(2). Disclosed by the classification of bad debt accrual method√ Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance					Opening balance				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Accrual ratio (%)		Amount	Percentage (%)	Amount	Accrual ratio (%)	
Provision for bad debts accrued individually										
Including:										
Provision for bad debts accrued by portfolio	623,211,540.35	100.00	36,482,849.00	5.85	586,728,691.35	324,317,444.15	100.00	34,434,380.91	10.62	289,883,063.24
Including:										
Account age portfolio	623,211,540.35	100.00	36,482,849.00	5.85	586,728,691.35	324,317,444.15	100.00	34,434,380.91	10.62	289,883,063.24
Total	623,211,540.35	/	36,482,849.00	/	586,728,691.35	324,317,444.15	/	34,434,380.91	/	289,883,063.24

Provision for bad debts accrued individually:

 Applicable Not applicable

Provision for bad debts accrued by portfolio:

√ Applicable Not applicable

By portfolio: Account age portfolio

Unit: Yuan Currency: RMB

Name	Ending balance		
	Accounts receivable	Provision for bad debts	Accrual ratio (%)

Within 1 year	601,922,452.45	30,096,122.63	5.00
1-2 years	21,289,087.90	6,386,726.37	30.00
Total	623,211,540.35	36,482,849.00	5.85

Explanation on provision for bad debts accrued by portfolio:

Applicable Not applicable

Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of accounts receivable with changes in provision for loss in the current period:

Applicable Not applicable

(3). Information on provisions for bad debts

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of changes in the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued by portfolio	34,434,380.91	2,048,468.09				36,482,849.00
Total	34,434,380.91	2,048,468.09				36,482,849.00

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

Applicable Not applicable

Other explanations

None

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

Applicable Not applicable

Among them, information on accounts receivable significantly written off

Applicable Not applicable

Explanation on the write-off of the account receivable:

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Balance of accounts receivable at the end of the period	Balance of contract assets at the end of the period	Balance of accounts receivable and contract assets at the end of the period	Proportion of total balance of accounts receivable and contract assets at the end of the period (%)	Ending balance of provision for bad debts
Proya (Zhejiang) Cosmetics Co., Ltd.	260,909,671.88		260,909,671.88	41.87	13,045,483.59
Huzhou Hapsode Trading Co., Ltd.	84,267,184.00		84,267,184.00	13.52	4,213,359.20
Huzhou UZERO Trading Co., Ltd.	51,127,826.40		51,127,826.40	8.20	2,556,391.32
Ningbo Tangyu Trading Co., Ltd.	49,945,434.71		49,945,434.71	8.01	2,497,271.74
Hangzhou Proya Commercial Management Co., Ltd.	43,959,624.86		43,959,624.86	7.05	6,633,111.85
Total	490,209,741.85		490,209,741.85	78.65	28,945,617.70

Other explanations

None

Other explanations:

Applicable Not applicable

2. Other receivables

Presentation by item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	80,702,024.60	141,574,549.59
Total	80,702,024.60	141,574,549.59

Other explanations:

Applicable Not applicable

Interest receivable

(1). Classification of interest receivable

Applicable Not applicable

(2). Significant overdue interest

Applicable Not applicable

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

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts accrued individually:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

(4). Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of interest receivable with changes in provision for loss in the current period:

Applicable Not applicable

(5). Information on provisions for bad debts

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

None

(6). Interest receivable actually written off in the current period

Applicable Not applicable

Wherein, write-off of important interest receivable

Applicable Not applicable

Explanation on write-off of receivable financing:

Applicable Not applicable

Other explanations:

Applicable Not applicable

Dividend receivable

(1). Dividend receivable

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts accrued individually:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

(4). Provision for bad debts accrued according to the general model of expected credit loss

Applicable Not applicable

Classification basis and accrual ratio of provision for bad debts for each stage

None

Explanation on significant changes in book balance of dividends receivable with changes in provision for loss in the current period:

Applicable Not applicable

(5). Information on provisions for bad debts

Applicable Not applicable

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

Applicable Not applicable

Other explanations:

None

(6). Dividends receivable actually written off in the current period

Applicable Not applicable

Wherein, write-off of important dividends receivable

Applicable Not applicable

Explanation on write-off of receivable financing:

Applicable Not applicable

Other explanations:

Applicable Not applicable

Other receivables**(1). Disclosed by account age**

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Ending book balance	Opening book balance
Within 1 year		
Including: Sub-items within 1 year		
Within 1 year	36,258,395.66	33,856,482.33
Sub-total within 1 year	36,258,395.66	33,856,482.33
1-2 years	32,135,546.26	62,659,488.92
2-3 years	47,523,332.69	131,098,498.27

Above 3 years	135,780,112.99	4,741,614.72
3-4 years		
4-5 years		
Above 5 years		
Total	251,697,387.60	232,356,084.24

(2). Classification by nature of payment

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Ending book balance	Opening book balance
Current accounts receivable	244,184,515.37	210,637,812.50
Security deposits	6,322,669.24	18,833,006.72
Suspense payment receivables	234,768.29	2,334,148.44
Other	955,434.70	551,116.58
Total	251,697,387.60	232,356,084.24

(3). Information on 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, 2023	1,692,824.12	18,797,846.68	70,290,863.86	90,781,534.65
Balance as of January 1, 2023 in the current period				
– Transferred into the second stage	-1,606,777.31	1,606,777.31		
– Transferred into the Third stage		-7,128,499.90	7,128,499.90	
– Transferred back to the second stage				
– Transferred back to the first stage				
Amount accrued in the current period	1,726,872.98	-3,635,460.21	82,122,415.58	80,213,828.35
Amount written back in the current period				
Amount charged-off in the current period				
Amount written off in the current period				
Other changes				

Balance as of December 31, 2023	1,812,919.79	9,640,663.88	159,541,779.34	170,995,363.00
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Classification basis and accrual ratio of provision for bad debts for each stage
None

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

Applicable Not applicable

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

Applicable Not applicable

(4). Information on provisions for bad debts

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of changes in the current period				Ending balance
		Accrual	Withdrawal or write-back	Charge-off or write-off	Other changes	
Account age portfolio	90,781,534.65	80,213,828.35				70,995,363.00
Total	90,781,534.65	80,213,828.35				70,995,363.00

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

Applicable Not applicable

Other explanations

None

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

Applicable Not applicable

Wherein, write-off of other important receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Ending balance	As a proportion of total ending balance in other receivables (%)	Nature of payment	Account age	Provision for bad debts Ending balance
Hong Kong Xinghuo Industry Limited	158,596,921.24	63.01	Current accounts receivable	Note [1]	138,826,631.30

Boya (Hong Kong) Investment Management Co., Limited	37,724,160.00	14.99	Current accounts receivable	2-3 years	18,862,080.00
Zhejiang Meiligu Electronic Commerce Co., Ltd.	17,430,278.00	6.93	Current accounts receivable	Within 1 year	871,513.90
Hangzhou Yizhuo Culture Media Co., Ltd.	7,491,913.31	2.98	Current accounts receivable	Note [2]	2,484,299.62
Ningbo Keshi Trading Limited	7,053,500.14	2.80	Current accounts receivable	Note [3]	978,425.05
Total	228,296,772.69	90.71	/	/	162,022,949.87

[Note 1] RMB1,378,625.13 with an account age within 1 year, RMB25,296,150.57 with an account age of 1-2 years, RMB1,506,581.35 with an account age of 2-3 years, and RMB130,415,564.19 with an account age of above 3 years.

[Note 2] RMB2,253,097.49 with an account age within 1 year, RMB1,238,815.82 with an account age of 1-2 years, and RMB4,000,000.00 with an account age of 2-3 years.

[Note 3] RMB5,609,833.36 with an account age within 1 year, RMB119,500.04 with an account age of 1-2 years, and RMB1,324,166.74 with an account age of 2-3 years.

(7). Presented as other receivables due to centralized fund management

Applicable Not applicable

Other explanations:

Applicable Not applicable

3. Long-term equity investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Opening balance		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Investments in subsidiaries	347,674,082.74	42,500,000.00	305,174,082.74	304,354,996.61	42,500,000.00	261,854,996.61
Investments in affiliates and joint ventures	195,016,371.71	81,442,213.22	113,574,158.49	213,909,167.02	81,442,213.22	132,466,953.80
Total	542,690,454.45	123,942,213.22	418,748,241.23	518,264,163.63	123,942,213.22	394,321,950.41

(1) Investments in subsidiaries

Applicable Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance	Current increase	Current decrease	Ending balance	Impairment provi	Ending balance of
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					tion accru ed in the curre nt perio d	impairment provisions
Hangzhou Proya Trade Co.,Ltd.	32,241,059.09	2,338,647.32	1,468,369.21	33,111,337.20		
Hanna Cosmetics Co., Ltd.	2,094,048.00			2,094,048.00		
Zhejiang Meiligu Electronic Commerce Co., Ltd.	26,913,422.69	19,870,916.12	3,208,555.13	43,575,783.68		
Yueqing Laiya Trading Co., Ltd.	1,000,000.00			1,000,000.00		
Hapsode (Hangzhou) Cosmetics Co., Ltd.	42,500,000.00			42,500,000.00		42,500,000.00
Mijing Siyu (Hangzhou) Cosmetics Co., Ltd.	18,000,000.00			18,000,000.00		
Huzhou UZERO Trading Co., Ltd.	5,460,276.70			5,460,276.70		
Huzhou Niuke Technology Co., Ltd.	3,500,000.00			3,500,000.00		
Hangzhou Proya Commercial Management Co., Ltd.	5,000,000.00			5,000,000.00		
Huzhou Younimi Cosmetics Co., Ltd.	21,393,476.00			21,393,476.00		
Shanghai Zhongwen Electronic Commerce Co., Ltd.	5,929,948.75	936,247.72		6,866,196.47		
Korea Younimi Cosmetics Co., Ltd.	5,046,455.61		5,046,455.61			
Hong Kong Keshi Trading Co., Ltd.	24,736,491.00			24,736,491.00		
Hong Kong Xinghuo Industry Limited	10,185,924.00			10,185,924.00		
Ningbo TIMAGE Cosmetics Co., Ltd.	61,330,669.19	756,966.23		62,087,635.42		
Ningbo Keshi Trading Limited	520,000.00			520,000.00		
Zhejiang Beauty Cosmetics Co., Ltd.	10,181,983.21			10,181,983.21		
Ningbo Proya Enterprise Consulting Management Co., Ltd.	19,558,487.33	24,613,354.27	272,867.22	43,898,974.38		
Hangzhou Yizhuo Culture Media Co., Ltd.	1,000,000.00			1,000,000.00		
Hangzhou Oumisi Trade Co., Ltd.	3,900,000.00			3,900,000.00		

Guangzhou Qianxi Network Technology Co., Ltd.	1,000,000.00			1,000,000.00		
Zhejiang Qingya Culture Art Communication Co., Ltd.	1,650,000.00			1,650,000.00		
Hangzhou Weiluke Cosmetics Co., Ltd.	500,000.00			500,000.00		
Singuladerm (Hangzhou) Cosmetics Co., Ltd.	500,000.00	4,500,000.00		5,000,000.00		
Proya (Hainan) Cosmetics Co., Ltd.	100,000.00			100,000.00		
Hangzhou TIMAGE Cosmetics Co., Ltd.	112,755.04	199,201.64		311,956.68		
Hubei Laibo Information Co., Ltd.		100,000.00		100,000.00		
Total	304,354,996.61	53,315,333.30	9,996,247.17	347,674,082.74		42,500,000.00

(2) Investments in affiliates and joint ventures

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investment Unit	Opening balance	Current changes							Ending balance	Ending balance of impairment provisions	
		Additional investment	Investment decrease	Recognized investment gain and loss under the equity method	Other comprehensive income adjustments	Other changes in equity	Declared payment of cash dividends or profits	Impairment provision accrued			Other
I. Joint Venture											
Huzhou Panrui Industry Investment Partnership (Limited Partnership)	3,068,948.16			-8,956.25						3,059,991.91	
Subtotal	3,068,948.16			-8,956.25						3,059,991.91	
II. Affiliate											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,649,619.70			-31,784.81						2,617,834.89	
Jiaying Woyong Investment Partnership (Limited Partnership)	111,253.21	18,636,363.64		-8,675.14	-20,250,000.00					100,964,443.84	
Zhuhai Haishilong Biotechnology Co., Ltd.	10,576,298.67			-8,175,090.89						2,401,207.78	81,442,213.22

Beijing Xiushi Cultural Development Co., Ltd.	4,918,865.34			-388,185.27					4,530,680.07	
Subtotal	129,398,005.64	18,636,363.64		-17,270,202.70	-20,250,000.00				110,514,166.58	81,442,213.22
Total	132,466,953.80	18,636,363.64		-17,279,158.95	-20,250,000.00				113,574,158.49	81,442,213.22

(3). Information on impairment testing of long-term equity investments

Applicable Not applicable

Other explanations:

None

4. Operating revenue and costs**(1). Information of operating revenue and costs**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	4,208,203,129.11	1,951,916,303.90	3,061,899,622.39	1,407,736,680.98
Other business	36,251,912.21	15,065,147.90	19,237,314.36	16,988,430.02
Total	4,244,455,041.32	1,966,981,451.80	3,081,136,936.75	1,424,725,111.00

(2). Breakdown of operating revenue and costs

Applicable Not applicable

Other explanations

Applicable Not applicable

(3). Explanation on performance obligations

Applicable Not applicable

(4). Explanation on remaining performance obligations allocated

Applicable Not applicable

(5). Significant contract changes or significant transaction price adjustments

Applicable Not applicable

Other explanations:

1) Breakdown of income generated from contracts with clients by goods or service type

Item	Amount for the current period		Amount for the same period last year	
	Revenue	Cost	Revenue	Cost
Products sales	4,208,203,129.11	1,951,916,303.90	3,063,670,101.01	1,407,736,680.98
Other	36,251,912.21	15,065,147.90	17,466,835.74	16,988,430.02

Item	Amount for the current period		Amount for the same period last year	
	Revenue	Cost	Revenue	Cost
Subtotal	4,244,455,041.32	1,966,981,451.80	3,081,136,936.75	1,424,725,111.00

2) Breakdown of income generated from contracts with clients 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	4,215,112,328.12	3,063,670,101.01
Income recognized in a certain period	29,342,713.20	17,466,835.74
Subtotal	4,244,455,041.32	3,081,136,936.75

3) Revenue recognized in the current period and included in the beginning carrying value of contract liabilities is RMB68,099,041.17.

5. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income calculated by applying the cost method		
Long-term equity investment income calculated by the equity method	-17,279,158.95	-5,149,438.13
Investment income from disposal of long-term equity investment	-2,545,129.34	988,000.42
Investment income of held-for-trading financial assets during the holding period		
Dividend income from other equity instrument investments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of held-for-trading financial assets		
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gains of debt restructuring		
Total	-19,824,288.29	-4,161,437.71

Other explanations:

None

6. Other

Applicable Not applicable

XX. Supplementary Information**1. Statement of non-recurring gains and losses for the current period**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount	Note
Gains or losses from disposal of non-current assets, including write-offs of provision for adjusted asset impairment	-703,593.33	
Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the Company's business operations, compliant with national policies, granted at set standards, and imposing sustaining influence on the Company's gains and losses)	44,043,618.77	
Gains or losses from change in fair value generated by financial assets and liabilities held by non-financial businesses as well as gains or losses from disposal of financial assets and liabilities		
Capital occupation fees charged to the non-financial enterprises and included in profit or loss for the current period		
Gains or losses from entrusting others with investment or asset management		
Gains or losses from outward entrusted loaning		
Asset loss incurred by force majeure such as natural disasters		
Reversal of impairment provisions of accounts receivable that have undergone impairment testing alone	289,706.45	
Gains when the investment cost of acquiring a subsidiary, an associate and a joint venture is less than the fair value of the identifiable net assets of the invested entity		
Current net gains or losses of subsidiaries established by business combination involving enterprises under common control from the beginning of the period to the combination date		
Gains or losses from exchange of non-monetary assets		
Gains or losses from debt restructuring		
One-time expenses incurred due to the cessation of relevant business activities, such as staffing expenses		
One-time impact on current profit and loss due to the adjustments of taxes and accounting laws and regulations		
One-time share-based payment recognized for cancellation and modification of equity incentive plans		
Gains and losses from changes in the fair values of employee compensation payable for share-based payment in cash after the exercise date		
Gains or losses from changes in the fair values of Investment real estate that are subsequently		

measured using the fair value model		
Profits generated from transactions with unreasonable transaction price		
Gains or losses on contingencies that have no relation with the normal operation of the Company		
Custody fees of entrusted operation		
Other non-operating revenue and expenses besides the above items	-7,456,554.85	
Other items that conform to the definition of non-recurring profit or loss	-113,212.70	Investment income from disposal of long-term equity investment
Less: Effect of income tax	10,105,613.47	
Effect of minority equity (after tax)	6,230,469.38	
Total	19,723,881.49	

Impact of the implementation of the Explanatory *Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Non-recurring Gains and Losses* (Revised in 2023) on the amount of non-recurring gains and losses for the year of 2022

Item	Amount
Net non-recurring gains and losses attributable to owners of the parent company for the year of 2022	28,886,986.92
Net non-recurring gains and losses attributable to owners of the parent company for the year of 2022 calculated in accordance with the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 - Non-recurring Gains and Losses (Revised in 2023)	28,474,794.06
Difference	412,192.86

The reasons should be explained for the Company defining the non-recurring gains and losses items not listed in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Non-Recurring Gains and Losses as non-recurring gains and losses items of high value and defining the non-recurring profit and loss items listed in the same document as recurring gains and losses items.

Applicable Not applicable

Other explanations

Applicable Not applicable

2. Return on equity and earnings per share

Applicable Not applicable

Profit during the Reporting Period	Weighted average ROE (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	29.94	3.01	2.97
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	29.44	2.96	2.92

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

Applicable Not applicable

4. Other

Applicable Not applicable

Chairman of the Board of Directors: HOU Juncheng

Date of submission approved by the Board of Directors: April 17, 2024

Revision information

Applicable Not applicable