

Stock Code: 603605

Stock Abbreviation: Proya

Bond Code: 113634

Bond Abbreviation: Proya Convertible Bond



Proya Cosmetics Co., Ltd.
Semi-Annual Report 2024

Important Notes

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

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

III. The Semi-Annual Report has not been audited.

IV. HOU Juncheng, chairman of the Company, and WANG Li, CFO, person in charge of Accounting Department (and Head of the Accounting Department) of the Company represent and warrant that the financial report in the Semi-Annual Report is authentic, accurate and complete.

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

No profit distribution plan or the plan for capitalization of capital reserves during the Reporting Period.

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 Semi-Annual Report disclosed by the Company

No

X. Disclosure of major risks

The Company has disclosed the existing risks in details in this Report. Refer to “(I) Possible risks”, “V. Other Disclosures”, “Section III Management Discussion and Analysis”.

XI. Others

Applicable Not applicable

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Documents Available for Inspection	Financial statements signed and sealed by the Legal Representative, CFO, and person in charge of Accounting Department of the Company
	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

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.
CSRC	refers to	China Securities Regulatory Commission
SSE	refers to	Shanghai Stock Exchange
Articles of Association	refers to	Articles of Association of Proya Cosmetics Co., Ltd.
RMB/RMB'0,000	refers to	RMB/RMB '0,000

Section II Company Profile and Key Financial Indicators

I. Company Information

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

II. Contact Details

	Board Secretary	Securities Affairs Representative
Name	WANG Li	WANG Xiaoyan
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
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Email	proyazq@proya.com	proyazq@proya.com

III. Changes in General Information

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

Index changes during the Reporting Period	Not applicable
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IV. Changes in Information Disclosure and Places for Inspection

Name of designated newspapers for information disclosure by the Company	<i>Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily, Economic Information Daily, China Daily</i>
Website for the publication of the Semi-Annual Report	http://www.sse.com.cn
Place for inspection of the Semi-Annual Report of the Company	Board of Director's Office, Proya Building, No.588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Index changes during the Reporting Period	Not applicable

V. Stock Overview

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

VI. Other Relevant Information

Applicable Not applicable

VII. Key Accounting Data and Financial Indicators of the Company

(I) Key accounting data

Unit: Yuan Currency: RMB

Key accounting data	In the Reporting Period (January - June)	Same period of prior year	Year-on-year change (%)
Operating revenue	5,001,465,470.72	3,626,991,878.22	37.90
Net profit attributable to shareholders of the listed company	701,671,374.89	499,493,997.71	40.48
Net profit attributable to shareholders of the listed company, net of non-recurring gains and losses	678,996,518.33	478,891,852.27	41.78
Net cash flows from operating activities	662,102,794.39	1,181,268,072.03	-43.95
	End of the Reporting Period	End of prior year	Change as at the end of the Reporting Period over the end of prior year (%)
Net assets attributable to shareholders of the listed company	4,541,679,882.42	4,349,545,381.60	4.42

Total assets	7,362,862,729.83	7,323,078,222.45	0.54
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(II) Key financial indicators

Key financial indicators	In the Reporting Period (January - June)	Same period of prior year	Year-on-year change (%)
Basic earnings per share (RMB/share)	1.78	1.25	42.40
Diluted earnings per share (RMB/share)	1.72	1.24	38.71
Basic earnings per share after deducting non-recurring gains and losses (RMB/share)	1.72	1.20	43.33
Weighted average ROE (%)	15.34	13.29	Up by 2.05 percentage points
Weighted average ROE after deducting non-recurring gains and losses (%)	14.85	12.74	Up by 2.11 percentage points

Notes to key accounting data and financial indicators

Applicable Not applicable**VIII. Differences in Accounting Data under Chinese and International Accounting Standards**Applicable Not applicable**IX. Items and amounts of non-recurring gains and losses**Applicable Not applicable

Unit: Yuan Currency: RMB

Non-recurring gains and losses item	Amount	Notes (if applicable)
Gains or losses from disposal of non-current assets, including write-offs of provision for asset impairment accrued	-712,859.58	
Government grants included in current profit or loss (excluding government grants that are closely related to the Company's normal business operations, compliant with national policies, granted at set standards, and imposing sustaining influence on the Company's profit or loss)	41,996,899.59	
Gains or losses from change in fair value generated by financial assets and financial liabilities held by non-financial businesses as well as gains or losses from disposal of financial assets and financial liabilities, except for valid hedging business related to the Company's normal business operations		
Capital occupation fees charged to non-financial enterprises and included in current profit or loss		
Gains or losses on authorizing others to invest or manage		

Non-recurring gains and losses item	Amount	Notes (if applicable)
assets		
Gains or losses from outward entrusted loaning		
Asset loss incurred by force majeure such as natural disasters		
Reversal of provision for impairment of accounts receivable individually tested for impairment		
Gains when the investment cost of acquiring a subsidiary, an associate or 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 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 gains or losses 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 or losses from changes in the fair value of employee compensation payable for share-based payment in cash after the exercise date		
Gains or losses arising from changes in the fair value of investment property subsequently measured with the fair value model		
Gains arising from transactions with unreasonable transaction price		
Gains or losses arising from contingencies unrelated to the Company's normal operations		
Custody fee income from entrusted operations		
Other non-operating revenue and expenses besides the above items	-474,557.25	
Other items that conform to the definition of non-recurring gains and losses		
Less: Effect of income tax	10,032,617.51	
Impact of minority interests (after tax)	8,102,008.69	
Total	22,674,856.56	

The reasons should be explained for the Company defining 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 gains and losses items listed in the same document as recurring gains and losses items.

Applicable Not applicable

X. Others

Applicable Not applicable

Section III Management Discussion and Analysis

I. Description of the Industry in Which the Company Operates and Primary Businesses of the Company during the Reporting Period

(I) Primary 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 exquisite 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 care”, 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, Douyin, 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 mainly self-produced while make-up products adopt both self-production and OEM production. 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.

(III) Industry overview

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

According to statistics from the National Bureau of Statistics, from January to June 2024, the total retail sales of consumer goods reached RMB23,596.9 billion, a YOY increase of 3.7%; the total retail sales of cosmetics reached RMB216.8 billion, a YOY increase of 1.0% (the retail sales value from the businesses above designated units).

II. Analysis of Core Competitiveness during the Reporting Period

Applicable Not applicable

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 a self-driven organization structure featuring “culture-strategy-mechanism-talents”. We flexibly responded to market development and changes, rapidly established our presence and invested in emerging channels. Meanwhile, 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.

With a keen insight into consumers' needs, the Company continued to sharpen the strengths of hero products, as well as build and improve the matrix of core hero products based on our strong competence in R&D and backed by our quick-response internal organizational capabilities. In doing so, the Company kept expanding our brand appeal and vitality. A self-driven agile organization was built to serve the second tier brands 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, the Company strengthened the internal circular ecology and fostered the external ecosystem of Proya brand.

III. Business Discussion and Analysis

(I) Financial analysis

1. Year-on-year growth in operating revenue

Operating revenue amounted to RMB5.001 billion, up by 37.90% YOY

Including: primary operating revenue was RMB4.994 billion, up by 37.99% YOY

Other operating revenue was RMB7 million

Primary operating revenue:

(1) By channel

By channel		Amount (RMB100 million)	Change in H1 2024 YOY (%)	Change in 2023 YOY (%)	Change in 2022 YOY (%)	Change in 2021 YOY (%)	Proportion of H1 2024 (%)	Proportion of 2023 (%)	Proportion of 2022 (%)	Proportion of 2021 (%)
Online	Direct sales	37.24	40.01	50.70	59.79	76.16	74.56	75.91	70.40	60.66
	Distribution	9.56	42.52	16.49	16.79	8.56	19.13	17.16	20.58	24.27
	Subtotal	46.80	40.52	42.96	47.50	49.54	93.69	93.07	90.98	84.93
Offline	Cosmetics stores	2.23	-7.66	11.59	-11.96	-40.52	4.46	5.56	6.96	10.88
	Others	0.91	92.29	-6.98	-32.32	-30.50	1.85	1.37	2.06	4.19

	Subtotal	3.14	8.85	7.35	-17.62	-38.03	6.31	6.93	9.02	15.07
Total		49.94	37.99	39.74	37.69	23.28	100.00	100.00	100.00	100.00

Note: The proportion of sales revenue from each channel is as the percentage of primary operating revenue.

(2) By brand

By brand		Amount (RMB100 million)	Change in H1 2024 YOY (%)	Change in 2023 YOY (%)	Change in 2022 YOY (%)	Change in 2021 YOY (%)	Proportion of H1 2024 (%)	Proportion of 2023 (%)	Proportion of 2022 (%)	Proportion of 2021 (%)
Self-owned brands	Proya	39.81	37.67	36.36	37.46	28.25	79.71	80.73	82.74	82.87
	TIMAGE	5.82	40.57	75.06	132.04	103.48	11.66	11.26	8.99	5.33
	OR	1.38	41.91	71.17	509.93	-	2.76	2.42	1.98	-
	Hapsode	1.61	22.35	61.82	188.27	-	3.22	3.41	2.94	-
	Other brands	1.32	56.29	18.86	-60.11	-5.96	2.65	2.18	2.57	8.85
	Subtotal	49.94	37.99	40.86	40.74	26.63	100.00	100.00	99.22	97.05
Agency brands	Cross-border agency brands	0.00	-	-100.00	-63.01	-34.04	0.00	0.00	0.78	2.95
Total		49.94	37.99	39.74	37.69	23.28	100.00	100.00	100.00	100.00

Note: The proportion of sales revenue from each brand is as the percentage of primary operating revenue. The revenue from OR and Hapsode was incorporated into that of other brands for 2021 and prior years, but has been shown separately since 2022.

(3) By category

Category	Amount (RMB100 million)	Change in H1 2024 YOY (%)	Change in 2023 YOY (%)	Change in 2022 YOY (%)	Change in 2021 YOY (%)	Proportion of H1 2024 (%)	Proportion of 2023 (%)	Proportion of 2022 (%)	Proportion of 2021 (%)
Skincare (including cleansing)	41.91	37.12	37.85	38.56	22.70	83.91	85.03	86.20	86.10
Make-up	6.65	42.84	48.28	21.70	32.97	13.32	12.55	11.82	13.38
Body & hair	1.38	42.26	71.17	509.93	-	2.77	2.42	1.98	-
Others	0.00	-	-	-100.00	-41.05	0.00	0.00	0.00	0.52
Total	49.94	37.99	39.74	37.69	23.28	100.00	100.00	100.00	100.00

Note: The sales revenue from body & hair products was included in the “Skincare (including cleansing)” category for 2021 and prior years, but has been shown separately since 2022.

2. Year-on-year growth in net profit

Net profit attributable to shareholders of the listed company amounted to RMB702 million, up by 40.48% YOY

Net profit attributable to shareholders of the listed company net of non-recurring profit and loss amounted to RMB679 million, up by 41.78% YOY

Indicator	H1 2024	2023	2022	2021	Notes
1. Net profit margin	14.47%	13.82%	13.02%	12.02%	Mainly due to the increased operating revenue and reduced administrative expense ratio.
2. Gross profit margin	69.82%	69.93%	69.70%	66.46%	
3. Sales expense ratio	46.78%	44.61%	43.63%	42.98%	Mainly due to the increased payment for image promotion fees.
Including: Image promotion fee ratio	41.25%	39.69%	37.90%	36.12%	
4. Administrative expense ratio	3.54%	5.11%	5.13%	5.12%	Mainly due to the decreased share-based payment expenses.
5. R&D expense ratio	1.89%	1.95%	2.00%	1.65%	The parent company's R&D expense ratio was 3.82% for January to June 2024 (compared with 5.10% for the same period last year)
6. Accounts receivable turnover rate (times)	40.40	39.87	53.04	21.88	
7. Accounts receivable turnover days (days)	8.91	9.03	6.79	16.45	
8. Inventory turnover rate (times)	4.08	3.65	3.46	3.39	
9. Inventory turnover days (days)	88.20	98.57	103.91	106.19	

(II) Analysis of business operations

1. New product strategy

Proya:

During the Reporting Period, Proya continued to consolidate the “hero product strategy”, focusing on upgrading hero products of the “Advanced Firming Nourishing Series” and “Advanced Original Repair Series”. The world's exclusive innovative ingredient “Recombinant Collagen Type XVII” was firstly applied in “Advanced Original Repair Cream 2.0”, further solidifying the brand's expertise in basal membrane repair and anti early-aging. In “Advanced Firming Nourishing Essence 3.0”, Proya applied “cyclic peptide”, the first patented raw material of the Chinese beauty industry, together with the special “Retinol + HPR” formula, and also adopted exclusive collagen activation technology, thus achieving advanced anti-wrinkle effects.

Proya also launched a brand new product line, the “Sebum Control Purifying Series”, which marked a scientifically efficient solution for various oily skin issues by utilizing the exclusive oil-control technology “™SeboPlex™” and new fermented extracts. Additionally, Proya rolled out the “Illuminating Skin-Purifying Series” and a new-edition of Sun Around Protective Shield Sunscreen Serum, further expanding the brand's offerings in the brightening and sun protection categories.

In the first half of 2024, Proya maintained its leading position in the essence and cream categories on Tmall, ranking first in both. Proya ranked second in sheet masks and facial care sets, and fourth in eye creams. The market shares for all core categories saw significant growth.

TIMAGE:

During the Reporting Period, TIMAGE continued to consolidate the hero product matrix in the facial make-up category, and made further efforts on base makeup front. Some new single products were launched, such as Porcelain Yarn Glow Pressed Powder, Balanced Soft Cushion Foundation and Concealer (For mixed skin), Cream Foundation for Dry Skin, and Vigorous and Flowing Jade Essence Glossy Lipstick. The “Small Round Liquid Foundation” continued to maintain strong growth across all channels. During the “618” shopping festival, it ranked first in the foundation category on Tmall among all domestic products, and third in the whole foundation category. The “Porcelain Yarn Glow Pressed Powder” rushed to eighth in the powder category on Tmall.

In the first half of 2024, TIMAGE’ core hero products all ranked top in all categories. Among them, the “Tri-colored Contour Palette” ranked first in the highlighter category on Tmall; the “Dual-colored Highlighter Palette” ranked second in the highlighter category on Tmall; the “Master Make-up Primer” ranked first in the sun block/primer category on Tmall; the “Tri-colored Concealer Palette” ranked first in the concealer category on Tmall; and the “Tri-colored Blush Palette” ranked first in the blush category on Tmall.

Off&Relax (OR):

During the Reporting Period, Off&Relax deepened its brand image of an “Expert in Asian Scalp Health Care”. The brand continued to increase the consumer penetration of the hero product “OR Refresh Spa Shampoo” in an effort to make it be recognized by more people. Meanwhile, Off&Relax launched oil-control shampoos and repair shampoos for the second tier of hair care products, striving to expand the market shares of core categories. Additionally, Off&Relax endeavored to stabilize the ranking of its hair care series - hair mask category, and mainly promoted the new product OR Soft & Shine Hair Oil. During the “618” shopping festival, OR Soft & Shine Hair Oil ranked top 10 among the hair care essential oils on Tmall.

In the first half of 2024, Off&Relax kept improving its brand image of professionalism. The “OR Purifying Scalp Cleanser” ranked first in the pre-shampoo category on Tmall, with a market share of more than 10% in this category. The second hero product “OR Medicated Hair Tonic” ranked second in the scalp essence best seller list on Tmall during the “618” shopping festival in 2024.

Hapsode:

During the Reporting Period, Hapsode continued to deepen its brand recognition as an “Expert in Oily Skin Care”. Co-branding with Loopy, an IP popular among young people, Hapsode rolled out Loopy limited edition of cleansing products (including Purifying Watery Cleansing Foam, Pore Purely Cleansing Mud Mask, Purifying Moisture Cleansing Mousse, Soft Purifying Cleansing Balm). Hapsode also launched a campaign with the theme of “Real me, So loopy”, hoping that the brand will become a sincere companion of young users in their daily lives. During the “38” shopping festival, the limited edition of Pore Purely Cleansing Mud Mask ranked first in both the “Tmall’s Mud Mask Positive Feedback List” and “Mud Mask Repurchase List”.

In the first half of 2024, the Ultra Soothing Serum achieved high growth in sales, earned a reputation of good efficacy for Hapsode. Some other products were newly launched, such as Anti-Acne Clarifying Serum, Soft Purifying Cleansing Balm, and Cloud Watery Sunscreen (upgraded).

2. New marketing strategy

Proya:

During the Reporting Period, Proya followed its 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 Remembering” in January. In this event, Proya specially launched *Thank you for remembering*, a short film inspired by our users' true stories. At the same time, the MV for its theme song, *Shufen*, was released, showcasing the journey of a little girl named Tiantian as she searches for her grandmother, Shufen. The story conveys warmth, strength, and love. A user story exhibition themed *Thank You for Remembering* was held at Liuxia Metro Station in Hangzhou to expand the core of “thankfulness” and express our gratitude to users for their “remembering”.
- (2) “Infinite Space” Offline Pop-Up Event in March. In this event, Proya made the debut of its five “Infinite Space” pop-up stores simultaneously in Shanghai, Hangzhou, Chongqing and Chengdu. This event opened a new journey of discovery for “Scientific Formulation, the Scientific Choice for Skin” along with users.
- (3) “It's Gender, Not Border” on Women’s Day in March. In this event, Proya specially launched a TVC: *We Are Just Different*. In the silhouettes of more women's lives, people can see their courage in confronting “prejudice”, and learn their occupations, hobbies, ages, identities, and lifestyles.
- (4) The “Proya Empty Bottles Recycling Program” on May Day Holiday. In this event, Proya joined hands with the eco-friendly brand “Wuyuzuisheng”, a leader in sustainable lifestyle aesthetics, to launch the “Proya Empty Bottles Recycling Program”. This program aimed to integrate the concept of scientific skincare into daily life together with users, and to find out more possibilities of sustainable living.
- (5) On Mother’s Day in May, Proya released the short film *Do You Hear*. In this event, Proya showed that mothers are overshadowed by the judgments of others, highlighting their voicelessness in the role of “being a mom”. It calls on the public to recognize the struggles that mothers are facing and they can be what they want to be.

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 January, TIMAGE officially announced its first brand ambassador, CHEN Duling, and released a series of conceptual films and print ads. TIMAGE aimed to enhance the overall brand visibility and break through to new audiences, presenting the brand’s makeup effects to consumers. Leveraging the influence of the celebrity, TIMAGE expanded the appeal of the “Small Round Liquid Foundation”, and reinforced consumers' impression of TIMAGE as “a professional makeup artist brand”. The product has repeatedly trending across all platforms.
- (2) In March, TIMAGE launched the limited edition “TIMAGE & SUMMER PALACE” series. In collaboration with the national IP of “Summer Palace”, TIMAGE gave four hero products a new look and elevated the brand's aesthetic to new level. Online, TIMAGE released a new video of CHEN Duling, where she looks stunning wearing a fresh and unique makeup with mint green eyeshadow and watery lip effect. This further reinforced the products' image, makeup style and application techniques, accelerating the establishment of brand perception for base makeup. Offline, TIMAGE held the “TIMAGE &

SUMMER PALACE” series launch event at the Summer Palace in Beijing on March 25, attended by our brand founder Mr. TANG Yi, TIMAGE's brand ambassador CHEN Duling, and celebrity makeup artists. TIMAGE also broadcasted the entire event live on TIMAGE's Tmall livestream channel on Tmall Super Brand Day, boosting the overall brand visibility and sales.

(3) In May, TIMAGE traced the origin of Celadon series, drawing inspiration from porcelain for makeup. Mr. MENG Qingyang and the brand founder Mr. TANG Yi were invited to co-star in a brand documentary themed around celadon, creating the concept of “Chinese Celadon Base Makeup” and showcasing the Chinese aesthetics expressed through the brand. With “Little Round Liquid Foundation” as the core hero product, TIMAGE continued to build market awareness and product reputation.

3. New channel strategy

Proya:

Online:

(1) Tmall flagship store

During the Reporting Period, the Company continuously increased the market penetration of brand hero products. To capture more market share, we increased efforts to promote product kits, and introduced new categories and products, such as Sebum Control Purifying Lotion and the Energy Series. We enhanced customer perception, and coordinated both on-site and off-site efforts to offer customers exclusive products, in this way to expand our core customer base. By deeply engaging across all touch points, we capitalized on content marketing opportunities to drive precise traffic to our stores. Additionally, we refined operations for target customers, increasing member recruitment and engagement to boost repeat purchases from existing customers.

During the “38” and “618” shopping festivals in 2024, the gross merchandise volume (GMV) of Proya's Tmall flagship store ranked first on Tmall Beauty. And during the “618” shopping festival, we topped the Tmall fast-moving consumer goods rankings for the first time. In the first half of 2024, the GMV of Proya's Tmall flagship store ranked first on Tmall Beauty for the first time.

(2) Douyin

During the Reporting Period, the Company continued to strengthen refined operations. In terms of self live-streaming, the Company further refined the brand matrix account setup and implemented a multi-product distribution strategy. To optimize the hero product strategy, we mainly promoted certain core products in the live-streaming room to create dedicated accounts for hero products, so as to achieve an integration of brand recommendation and sales. Additionally, by organically combining the Douyin Mall with self live-streaming, we developed a special product pipeline to promote a synergistic growth between live streaming and the online mall. In terms of KOL live-streaming, we engaged in deep collaborations with high-quality influencers to diversify live-streaming scenarios, effectively boosting the integration of brand recommendation and sales.

During the “618” shopping festival in 2024, the GMV of Proya ranked first on Douyin Beauty, and ranked first among domestic products. In the first half of 2024, the GMV of Proya ranked second on Douyin Beauty.

(3) JD

During the Reporting Period, the Company enhanced the strategic status of hero products by uplifting their category ranking and sales share. We explored competitive categories on the platform and strategically planned product lines in each price range, striving to seize opportunities for special offers. Through concerted efforts both on-site and off-site, we enhanced brand competitiveness and further

expanded our market share. We also deeply focused on our user operation system and refined operations based on target audience. These efforts aim to increase user value and promote high repeat purchases and conversions. Moreover, we rationally deployed our efforts on advertising for targeted audience, giving the priority to efficiency.

During the “618” shopping festival in 2024, the GMV of Proya ranked third on JD Beauty, and ranked first among domestic products. In the first half of 2024, the GMV of Proya ranked fifth on JD Beauty, and ranked first among domestic products.

Offline:

(1) Department store channel

The Company continuously optimized the store structure and advanced the transition of the management system at leading stores to a directly operated model. At the same time, we developed high-quality new department stores and shopping center network, and comprehensively upgraded the brand image of new counters. Furthermore, the Company continued to strengthen internal management, and further improved the training system for counter consultants, by doing so to improve their retail management skills and customer service levels and increase average sales per counter.

(2) Cosmetics store channel

In terms of market positioning, the Company leveraged the potential of the Proya brand and products to continuously expand market share. We deepened cooperation with new type of mall aggregate stores, upgraded brand experience zones, and established brand image communication hubs. Moreover, in the traditional cosmetics store channel, we maintained the brand's momentum by solidifying cooperation with existing major cosmetics clients.

4. New organizational strategy

(1) Institutional construction: The Company continued to deepen the value return concept of “high investment, high performance and high returns”, reinforcing a results-oriented performance culture. We have established a business-centered multiple incentive system, including a combination of short-term incentives represented by performance bonuses/project bonuses, mid-term incentives represented by overachievement bonuses, and long-term incentives. Additionally, we upgraded our human resource management system to enhance work efficiency through empowerment tools.

(2) Talent development: We collaborated with prestigious institutions and continuously recruited management trainees, supplementing high-potential talent pools in R&D, product, marketing, and operations. We set up qualification standards for key positions to guide employee growth and provide a basis for talent cultivation. Furthermore, we conducted empowerment training for middle and junior managers to enhance their situational leadership and goal management capabilities.

5. New R&D strategy

During the Reporting Period, the Company continued to enhance its R&D layout of all key stages from raw material to finished products, including fundamental research, formula development, efficacy evaluation, etc. The focus was to conduct research on skin mechanisms, 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 16 national invention patents, and 6 utility model patents, totaling 22 new patents; newly obtained 3 nationally licensed invention patents, 1 utility model patents, and 3 design patents, totaling 7 patents. As of the end of the Reporting Period, the Company had 125 nationally authorized invention patents, 21 utility model patents, and 92 design patents, totaling 238 patents.

(2) Standard releasing: During the Reporting Period, the Company released 10 group standards 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 36 group standards.

(3) R&D results: During the Reporting Period, the Company led and participated in the preparation of vocational evaluation standards for the China National Light Industry Council (including QG-9-02-01-15 *Cosmetic Efficacy Evaluator* and QG-9-02-01-14 *Fragrance Evaluator*). The Company published energy skincare research reports with a total of 23 papers during this period. The research findings on core technology of our Advanced Firming Nourishing series, titled *Mitigation of retinol-induced skin irritation by physiologic lipids: Evidence from patch testing*, was published in the *Journal of Cosmetic Dermatology*.

(4) Strategic cooperation: During the Reporting Period, the Company deepened our existing strategic partnerships. We furthered our collaborations with Zhejiang University, Shanghai Academy of Agricultural Sciences, Beijing Technology and Business University, SiyoMicro, WuXi AppTec, and Zhejiang Peptide.

6. New supply chain guarantee

(1) During the Reporting Period, the Huzhou production base made a ceaseless effort to develop eco-friendly green factories. It actively initiated the “Zero Direct Discharge of Rainwater” renovation project, including excavating and constructing surface channels for rainwater and sewage water, modifying rainwater discharge outlets for transparent supervision, expanding the initial rainwater collection pool, and building a smart platform for the emergency pool warning system.

(2) During the Reporting Period, the Huzhou production base officially operated new production workshops, including multiple sets of intelligent homogeneous emulsification equipment and several fully automated production lines. Higher operational efficiency was achieved with a newly developed pre-process treatment system and an advanced intelligent manufacturing model in the industry. Boasting the first new workshop in the industry to apply an automated process control system, the workshop had reduced risk of equipment misuse and ensured product quality stability.

(3) During the Reporting Period, all management personnel at the Huzhou production base diligently studied the *Three-Year Action Plan to Strengthen Workplace Safety (2024-2026)* released by Work Safety Committee of the State Council. The base proposed the theme of “Respect Life, Care for Safety, Fundamental Improvements, Deep Governance”, comprehensively enhanced the Company's safety management. Collaborating with a third-party consulting firm, the base established a safety production system framework, conducted hazard inspections, and built a risk management platform to achieve visual safety effects. These efforts aimed at improving emergency response capabilities, establishing an emergency management system, and enhancing crisis management skills for sustainable safety production.

(4) During the Reporting Period, the Huzhou production base always upheld the quality control philosophy of “Process Control, Quality and Safety, and Customer Satisfaction”, and continually optimized the quality management system. This resulted in a year-on-year decrease in online customer complaints for Proya brand. Additionally, the Huzhou production base and the Huzhou Market Supervising Administration collaborated on training, organized peer companies to verify equipment installation, commissioning, and operation, and validated the design, installation, and operation of the purified water system and clean air conditioning system. These initiatives aimed to empower industry development.

(5) During the Reporting Period, the Huzhou production base, as an industry benchmark for full-chain transparent factories, remained committed to its original mission of presenting consumers with fully

transparent production processes, quality control, and logistics operations. The base also frequently cooperated with our brand to conduct live-streaming activities.

Material changes in business operations of the Company during the Reporting Period and matters that occurred during the Reporting Period that had and are expected to have significant impacts on business operations of the Company

Applicable Not applicable

IV. Main Operations during the Reporting Period

(I) Analysis of primary business

1. Analysis of changes in items related to financial statements

Item	Unit: Yuan		Currency: RMB
	Amount for the current period	Amount for the same period last year	Change (%)
Operating revenue	5,001,465,470.72	3,626,991,878.22	37.90
Operating costs	1,509,530,495.30	1,069,489,813.93	41.14
Selling expenses	2,339,661,922.31	1,579,997,275.26	48.08
General and administrative expenses	176,927,741.63	192,127,158.56	-7.91
Financial expenses	-24,649,322.32	-30,353,566.91	Not applicable
R&D expenses	94,613,242.52	91,520,865.15	3.38
Net cash flows from operating activities	662,102,794.39	1,181,268,072.03	-43.95
Net cash flows from investing activities	193,194,272.98	-102,775,712.36	Not applicable
Net cash flows from financing activities	-508,846,622.56	-252,230,919.73	Not applicable

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

Reasons for changes in operating costs: The increase in operating costs was mainly due to increased operating revenue.

Reasons for changes in selling expenses: Selling expenses for January to June 2024 amounted to RMB2.34 billion, accounting for 46.78% of operating revenue (compared with 43.56% for the same period last year). Selling expenses increased by RMB760 million a YOY increase of 48.08%, mainly due to an increase of RMB688 million a YOY increase of 50.03% in the image promotion expenses in the current period.

Reasons for changes in general and administrative expenses: General and administrative expenses for January to June 2024 amounted to RMB177 million, accounting for 3.54% of operating revenue (compared with 5.30% for the same period last year). General and administrative expenses decreased by RMB15 million a YOY decrease of 7.91%, mainly due to the YOY decrease in restricted share equity incentive fees.

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

Reasons for changes in R&D expenses: R&D expenses for January to June 2024 amounted to RMB95 million, a YOY increase of RMB3.0924 million, accounting for 1.89% of operating revenue (compared with 2.52% for the same period last year). The parent company's R&D expense ratio for January to June 2024 was 3.82% (compared with 5.10% for the same period last year).

Reasons for changes in net cash flows 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.

Reasons for changes in net cash flows from investing activities: Mainly due to the recovery of time deposits of RMB300 million.

Reasons for changes in net cash flows from financing activities: 1. Cash paid for distribution of dividends, profits or repayment of interest increased by RMB103 million; 2. Cash paid for repurchase of the Company's shares increased by RMB157 million.

2. A detailed description on significant changes in the Company's activities, profit composition or sources of profit during the current period

Applicable Not applicable

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

Applicable Not applicable

(III) Analysis of assets and liabilities

Applicable Not applicable

1. Assets and liabilities

Unit: Yuan

Item	Closing amount of the current period	Proportion of the closing amount of the current period to total assets (%)	Closing amount of the previous period	Proportion of the closing amount of the previous period to total assets (%)	Change ratio of the closing amount of the current period compared with that of the previous year (%)	Explanation
Receivables financing	3,695,843.86	0.05	7,378,700.06	0.10	-49.91	Mainly due to the reduced balance of bank acceptance notes as of the end of the period.
Other receivables	13,836,491.18	0.19	81,966,213.90	1.12	-83.12	Mainly because the annual rebates receivable from e-commerce platforms for the previous year were recovered

Item	Closing amount of the current period	Proportion of the closing amount of the current period to total assets (%)	Closing amount of the previous period	Proportion of the closing amount of the previous period to total assets (%)	Change ratio of the closing amount of the current period compared with that of the previous year (%)	Explanation
						during the current period.
Other current assets	65,561,804.15	0.89	99,765,073.07	1.36	-34.28	Mainly due to the decreased input VAT to be deducted.
Construction in progress	72,172,878.34	0.98	52,038,642.94	0.71	38.69	Mainly due to the increased balance of Huzhou Production Base Expansion Project (Phase I).
Other non-current assets	25,267,082.68	0.34	16,974,946.99	0.23	48.85	Mainly due to the increase in prepayments for long-term asset purchase funds.
Notes payable	0.00	0.00	36,959,074.14	0.50	-100.00	Mainly due to the reduced balance of bank acceptance notes payable.
Receipts in advance	152,319.76	0.00	30,514.45	0.00	399.17	Mainly due to the increased rents receivable in advance.
Employee benefits payable	98,158,990.54	1.33	166,444,494.43	2.27	-41.03	Mainly due to the opening balance includes the unpaid year-end bonus payable for the year 2023.

Item	Closing amount of the current period	Proportion of the closing amount of the current period to total assets (%)	Closing amount of the previous period	Proportion of the closing amount of the previous period to total assets (%)	Change ratio of the closing amount of the current period compared with that of the previous year (%)	Explanation
Taxes payable	151,086,065.86	2.05	222,765,869.94	3.04	-32.18	Mainly due to the decrease in income tax payable and value-added tax (VAT) payable.
Treasury shares	298,659,030.87	4.06	146,966,735.61	2.01	103.22	Mainly due to the share repurchase by the Company through centralized bidding transactions with its own funds.
Minority interests	73,151,801.81	0.99	50,765,849.41	0.69	44.10	Mainly due to the increase in the profit of our subsidiary Ningbo Timage Cosmetics Co., Ltd. as well as gains or losses attributable to minority interests.

Other explanations

None

2. Overseas assets

Applicable Not applicable

(1) Scale of assets

Including overseas assets of RMB15,174.31 (Unit: RMB '0,000 Currency: RMB), accounting for 2.06% of the total assets.

(2) Description of a high percentage of overseas assets

Applicable Not applicable

Other explanations

None

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

Applicable Not applicable

Unit: Yuan

Item	Closing book balance	Closing book value	Type of restrictions	Cause for restrictions
Monetary capital	30,000,000.00	30,000,000.00	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
	5,540,922.50	5,540,922.50	Frozen	Pinduoduo deposit
	2,553,262.81	2,553,262.81	Frozen	Directly-operated store deposit
Total	47,214,185.31	47,214,185.31		

4. Other explanations

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan

Item	Closing amount	Opening amount
Other equity instrument investments	107,660,400.00	107,660,400.00
Investment in joint ventures	3,053,932.82	3,059,991.91
Investment in associates	108,366,561.93	110,514,166.58
Total	219,080,894.75	221,234,558.49

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

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

Unit: Yuan Currency: RMB

Asset category	Opening amount	Gains and losses 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	Closing amount
Others	107,660,400.00		-38,742,000.00					107,660,400.00
Total	107,660,400.00		-38,742,000.00					107,660,400.00

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

Investment in securities

□Applicable Not applicable

Description of investment in securities

□Applicable Not applicable

Investment in private equity fund

□Applicable Not applicable

Investment in derivatives

□Applicable Not applicable

(V) Sale of major assets and equity

□Applicable √Not applicable

(VI) Analysis of major controlled and invested companies

√Applicable □Not applicable

Unit: RMB '0,000

Major subsidiary	Nature of business	Major products and services	Registered capital	Total assets	Net assets	Net profit	Holding or shareholding
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Cosmetics sales	Cosmetics	1,000.00	147,458.38	48,450.26	12,835.52	Holding
Hangzhou Proya Trade Co., Ltd.	Cosmetics sales	Cosmetics	5,000.00	26,270.57	15,863.10	4,958.08	Holding

(VII) Structured entities controlled by the Company

□Applicable √Not applicable

V. Other Disclosures**(I) 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 heavy investment in marketing;

(2) New category cultivation risk: as the operation modes for different categories of products differ greatly, the team is unable to meet the requirements and performance fails to come up to expectations.

(II) Other disclosures

□Applicable √Not applicable

Section IV Corporate Governance

I. General Meetings of Shareholders

Session of meeting	Date of meeting	Query index of the designated website where the resolution is published	Resolution disclosure date	Meeting resolution
2023 Annual General Meeting of Shareholders	May 9, 2024	Announcement No. 2024-023 on SSE website (www.sse.com.cn)	May 10, 2024	The meeting approved proposals including the <i>Company's Annual Report 2023 and its Summary</i> , and the <i>Company's 2023 Annual Profit Distribution Plan</i> . For details, see the <i>Announcement on Resolutions of the 2023 Annual General Meeting of Shareholders</i> (Announcement No.: 2024-023) released by the Company on the SSE website (http://www.sse.com.cn) on May 10, 2024 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

II. Changes in the Company's directors, supervisors and senior management

Applicable Not applicable

Description of changes in directors, supervisors and senior management of the Company

Applicable Not applicable

III. Profit Distribution or Capital Reserve Conversion Plan

Profit distribution plan and plan for conversion of capital reserve into share capital proposed for the first half of 2024

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

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

(I) Relevant equity incentive matters disclosed in the interim announcement and with no progress or change in subsequent implementation

√Applicable □Not applicable

Matter	Reference
Announcement on Adjusting the Price and Quantity of Restricted Shares Repurchased under the 2022 Restricted Shares Incentive Plan	Announcement No. 2023-036 disclosed on 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	Announcement No. 2023-037 disclosed on 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	Announcement No. 2023-044 disclosed on 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	Announcement No. 2023-058 disclosed on 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	Announcement No. 2023-061 disclosed on 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	Announcement No. 2023-069 disclosed on 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	Announcement No. 2023-080 disclosed on 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
Announcement on Adjusting the Repurchase Price of the 2022 Restricted Shares Incentive Plan	Announcement No. 2024-037 disclosed on 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 August 28, 2024
Announcement on the Repurchase	Announcement No. 2024-038 disclosed on SSE website, <i>Shanghai</i>

and Cancellation of Some Equity Incentive Restricted Shares	<i>Securities News, Securities Times, China Securities Journal, Securities Daily, Economic Information Daily, and China Daily</i> on August 28, 2024
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(II) Incentives not disclosed in the interim announcement or with subsequent progress

Particulars of equity incentives

Applicable Not applicable

Other explanations

Applicable Not applicable

Particulars of employee stock ownership plans

Applicable Not applicable

Other incentives

Applicable Not applicable**Section V Environmental and Social Responsibility****I. Environmental Information****(I) Environmental issues of the Company and major subsidiaries included in the list of primary pollutant discharge entities announced by the environmental authority**Applicable Not applicable**(II) Statement on environmental protection of companies not included in the list of key pollutant discharging units**Applicable Not applicable**1. Administrative penalties due to environmental issues**Applicable Not applicable**2. Disclosure of other environmental information with reference to primary pollutant discharge entities**Applicable Not applicable

During the Reporting Period, the Huzhou production base made a ceaseless effort to develop eco-friendly green factories. It actively initiated the “Zero Direct Discharge of Rainwater” renovation project, including excavating and constructing surface channels for rainwater and sewage water, modifying rainwater discharge outlets for transparent supervision, expanding the initial rainwater collection pool, and building a smart platform for the emergency pool warning system.

3. Reasons for non-disclosure of other environmental informationApplicable Not applicable

(III) Statement on subsequent progress or change in environmental information disclosed during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

II. Poverty Alleviation and Rural Revitalization Progress

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 of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
IPO-related commitments	Restrictions on sales of shares	Directors, senior management HOU Juncheng, FANG Yuyou and CAO Lianguo	(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 6 months after leaving office, they shall not transfer their shares directly or indirectly held in the Company. (2) If their shares in the Company	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>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</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			resignation. (3) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.						
	Restrictions on sales of shares	Senior management JIN Yanhua	(1) Within 12 months from the date of the Company's IPO, they shall not transfer or authorize others 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	April 16, 2018	No	April 16, 2018 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			not transfer more than 25% of their total shares directly or indirectly held in the Company each year. Within 6 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						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			closing price as of the end of the 6-month period after the Company's IPO is lower than the offering price, the lock-up period for their shares in the Company will be automatically extended for 6 months. Their commitments above shall survive job change and resignation. (4) Should any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.						
	Restrictions on sales of	Senior management	(1) Within 12 months from the date of the	September 3, 2018	No	September 3, 2018 to	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
	shares	WANG Li	Company's IPO, they shall not transfer or authorize others 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 6 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			long-term			

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			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						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			any of them/their partnership violate the said share lock-up commitments, the lock-up period for their/their partnership's shares in the Company will be automatically extended for 6 months.						
	Restrictions on sales of shares	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 can only sell shares in the Company through methods including but not limited to collective trading through bidding	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>at the stock exchange, block trading, and transfer by agreement in line with applicable laws, regulations and rules. (3) Before selling the Company's shares, they shall announce the same three trading days in advance, discharge the obligation to disclose information in a timely and accurate manner as per the rules of the stock 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 at the Company's General</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			Meeting of Shareholders and the media designated by the CSRC and publicly apologize to the Company's shareholders and investors.						
	Restrictions on sales of shares	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, carry on business and conduct capital operation 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	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>can only sell shares in the Company through methods including but not limited to collective trading through bidding at the stock exchange, block trading, and transfer by agreement in line with applicable laws, regulations and rules. (3) Before selling the Company's shares, they shall announce the same three trading days in advance, discharge the obligation to disclose information in a timely and accurate manner as per the rules of the stock exchange, except to the extent that their shares in the Company are less than 5%. (4) Should they</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			fail to perform the said intent of share reduction, they must explain the cause for failing to do so at 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.						
	Others	The Company	When the preconditions for enabling the share price stabilization plan are met, if the Company fails to take specific measures to stabilize the share price, the Company must explain the cause for failing to do so at the Company's General Meeting of Shareholders and the media designated	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>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</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			protect the interests of the Company's investors as much as possible. Within three years from the date of the Company's IPO, if the Company appoints new directors and senior management, the Company will require such new directors and senior management to fulfill the commitments made by the directors and senior management at the time of the Company's IPO.						
	Others	The Company's controlling shareholders and actual controllers	When the preconditions for enabling the share price stabilization plan are met, if failing to take specific measures to stabilize the share price as per the plan, they must	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			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 have taken and carried out measures to stabilize the share price as per the said plan.						
	Others	The	When the preconditions	November	No	November	Yes	Not	Not

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
		Company's directors (excluding independent directors) and senior management	for enabling the share price stabilization plan are met, if failing to take specific measures to stabilize the share price as per the plan, 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	15, 2017		15, 2017 to long-term		applicable	applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			they will not be able to transfer their shares until they have taken and carried out measures to stabilize the share price as per the said plan.						
	Others	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 on which the Company is listed or the competent judicial authority, the	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>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</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			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 competent judicial authority.						
	Others	The issuer's controlling shareholders and actual controllers	If the issuer's prospectus contains false records, misleading statements or major omissions, which causes investors to suffer losses in securities transactions, they will compensate investors for such losses by law. After the illegal facts	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			mentioned above are identified by the CSRC or the stock exchange on which the Company is listed or the competent judicial authority, 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,						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			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 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						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			violated, and their shares in the issuer will not be transferred until they have taken and carried out compensation measures as per the said commitments.						
	Others	Directors, supervisors and senior management	If the issuer's prospectus contains 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 on which the Company is listed or the competent judicial authority, the	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>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</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			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 have taken and carried						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			out compensation measures as per the said commitments.						
	Others	The Company	In order to ensure the effective use of the proceeds from the IPO, effectively prevent the risk of diluting immediate returns and improve future returns, the Company intends to take measures including tightening operation management and internal control, accelerating the progress of fundraising projects, and strengthening the investor return mechanism, so as to improve asset quality, increase operation revenue, raise future earnings, and achieve	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>sustainable development to fill the diluted immediate returns. The Company promises to continuously improve various measures to fill the diluted immediate returns in accordance with the implementation rules subsequently 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</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			shareholders and public investors, make supplementary commitments or substitute commitments to investors to protect the interests of investors as much as possible, and implement such supplementary commitments or substitute commitments subject to the approval by the Company's General Meeting of Shareholders.						
	Others	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:	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			(1) Under no circumstances will they abuse their 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 the SSE have otherwise released opinions and implementation rules on measures to fill the diluted immediate returns and such commitments, if the Company's relevant provisions and his or her commitments contradict such rules, they will immediately make						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>supplementary commitments in line with such rules of the CSRC and the SSE, and actively work towards the Company's issuing of new commitments or measures to comply with the requirements of the CSRC and the SSE; (3) They will fully, completely and promptly perform the Company's measures regarding compensation for the diluted immediate returns and his or her commitments regarding the measures to compensate for the diluted immediate returns. If found to have violated such</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>commitments, which causes losses to the Company or shareholders, they are willing to: ① explain the cause and apologize at the General Meeting of Shareholders and the media designated by the CSRC; ② be held liable for compensation to the Company and/or shareholders by law; ③ unconditionally accept the penalties or regulatory measures taken by the CSRC and/or the SSE and other securities regulators as per relevant regulations and rules. The said measures to fill the diluted immediate returns</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			shall not be deemed to constitute a guarantee for the Company's future profits.						
	Others	Directors, senior management	In order to ensure that the Company's measures to fill for the diluted immediate returns can be effectively performed, they, as the Company's directors and senior management, promise that: (1) They will not offer benefits to other entities or individuals for free or on unfair terms, or otherwise harm the Company's interests; (2) They will strictly follow the Company's budget management by limiting his or her duty consumption to the extent	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>required, subject to the Company's supervision and management and free from waste or excessive consumption; (3) They will not use the Company's assets to engage in investment and consumption activities unrelated to his or her duties; (4) They will actively work towards the improvement of the Company's the compensation system, so as to be more in line with the requirements for filling the diluted immediate returns; support the Company's Board of Directors or Remuneration Committee in linking the</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>implementation of the Company's measures to fill the diluted immediate returns to developing, revising and supplementing the Company's compensation system; promise that the vesting conditions for the Company's equity incentives to be announced will be linked to the implementation of the Company's measures to fill the returns; (5) After the CSRC and the SSE otherwise release the opinions and implementation rules on the measures to fill the diluted immediate returns and their commitments, if the Company's relevant</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>provisions and his or her commitments contradict such rules, they will immediately make supplementary commitments in line with the rules of the CSRC and the SSE, and actively work towards the Company's making of new commitments or taking new measures to comply with the requirements of the CSRC and the SSE; (6) They will fully, completely and promptly perform the Company's measures regarding filling the diluted immediate returns and his or her commitments regarding the measures to</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			fill the diluted immediate returns. If found to have violated such commitments, which causes losses to the Company or shareholders, they are willing to: ① explain the cause and apologize at the General Meeting of Shareholders and the media designated by the CSRC; ② be held liable for compensation to the Company and/or shareholders by law; ③ unconditionally accept the penalties or regulatory measures taken by the CSRC and/or the SSE and other securities regulators as per relevant regulations						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			and rules. The said measures to fill the diluted immediate returns shall not be deemed to constitute a guarantee for the issuer's future profits.						
	Avoiding horizontal competition	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 that are the same as or similar to those of the Company and its holding subsidiaries. They shall be liable for economic	November 15, 2017	No	November 15, 2017 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>losses caused by violation of the above commitments to the Company. 2. For the enterprises under his or her control, they will perform their obligations under such commitments through the agencies and personnel (including but not limited to directors and managers), and they shall be liable for the economic losses caused by violation of the above commitments to the Company. 3. From the date of signing this letter of commitment, if the Company further expands the scope of its products and business, they or the enterprises under his or</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>her control shall not compete with the Company within the expanded product or business scope, or will, in case of any possible competition with the Company within the expanded product or business scope, withdraw from the competition by:</p> <p>(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.</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>Their shareholding companies, including Hangzhou Huazhuang Industrial Investment Co., Ltd. and Huzhou Mogan Wangshu Cosmetics Industry Phase I Venture Capital Partnership (Limited Partnership), and companies that they invest in engage in no cosmetics business or upstream and downstream business thereof. If these companies engage in such businesses in the future, they commit that they will withdraw their investment in the enterprises through equity transfer and other means,</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			and that the Company will be given priority to decide whether to invest in the said enterprises according to legal provisions and the consent of other shareholders of such enterprises.						
Commitments on refinancing	Others	Controlling shareholder and actual controller HOU Juncheng and FANG Aiqin	In order to ensure that the Company's measures to fill the immediate returns can be effectively performed, they commit that: 1. They will not interfere with the Company's operation and management activities beyond their authority or encroach on the Company's interests; 2. From the date of making these commitments to the	April 21, 2021	No	April 21, 2021 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>completion of the Company's public offering of A-share convertible corporate bonds, in the event that the CSRC makes other new regulatory requirements regarding the measures to fill returns and the commitments thereof, and if the above commitments cannot satisfy such requirements of the CSRC, they will make supplementary commitments as per the latest requirements of the CSRC at that time; 3. They will effectively implement the Company's measures to fill returns and their</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			<p>commitments in this regard, and if found to have violated such commitments, which results in losses to the Company or investors, they are willing to be liable for compensation to the Company or investors according to law. As one of the parties responsible for the measures to fill the 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</p>						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			SSE in accordance with the relevant regulations and rules.						
	Others	Directors, senior management	In order to ensure that the Company's measures to fill the immediate returns can be effectively performed, they commit that: 1. They will not offer benefits to other entities or individuals for free or on unfair terms, or otherwise harm the Company's interests; 2. They will restrict their post-related consumption behaviors; 3. They will not use the Company's assets to engage in investment and consumption activities unrelated to his or her duties; 4. They will link	April 21, 2021	No	April 21, 2021 to long-term	Yes	Not applicable	Not applicable

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			the remuneration system established by the Board of Directors or the Remuneration and Appraisal Committee to the implementation of the Company's measures for filling returns; 5. If the Company implements equity incentives in the future, the vesting conditions for the Company's equity incentives to be announced will be linked to the implementation of the Company's measures to fill the returns; 6. From the date of this commitment to the completion of the Company's public offering of A-share						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			convertible corporate bonds, if the CSRC makes other new regulatory requirements regarding the measures to fill returns and the commitments thereof, and if the above commitments cannot satisfy such requirements of the CSRC, they will make supplementary commitments as per the latest requirements of the CSRC. As one of the parties responsible for the measures to fill the returns, should they violate or refuse to fulfill the above commitments, they shall be subject to the punishment or relevant regulatory						

Background of commitment	Commitment type	Commitment party	Commitment content	Commitment date	Any deadline for performance	Duration	Whether the commitment is timely and strictly performed	Specific reasons for failure of on-time fulfillment	The next step in the event of failure of on-time fulfillment
			measures imposed on them by the securities regulatory authorities such as the CSRC and the SSE in accordance with the relevant regulations and rules.						

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. Audit of the Semi-Annual Report

Applicable Not applicable

V. Information on Changes and Handling of Matters Related to Non-Standard Audit Opinions in the Annual Report for the Previous Year

Applicable Not applicable

VI. Matters Related to Bankruptcy and Reorganization

Applicable Not applicable

VII. Material Litigations and Arbitrations

The Company had material litigations and arbitrations during the Reporting Period The Company had no material litigations and arbitrations during the Reporting Period

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

Applicable Not applicable

IX. Integrity of the Company and Its Controlling Shareholders and Actual Controllers during the Reporting Period

Applicable Not applicable

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

X. Significant Related-party Transactions

(I) Related-party transactions pertaining to daily operation

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

Applicable 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 relevant to asset acquisition or equity acquisition and disposal

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 significant related-party transactions

Applicable Not applicable

(VII) Others

Applicable Not applicable

XI. Significant Contracts and Their Performance

1. Trusteeship, contracting and leasing

Applicable Not applicable

2. Significant guarantees that have been performed or remained outstanding during the Reporting Period

Applicable Not applicable

3. Other material contracts

Applicable Not applicable

XII. 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	Total amount of raised funds	Net amount of raised funds after deduction of issuance expenses (1)	Total committed investment of raised funds in the prospectus (2)	Total amount of over-raised funds (3)=(1)-(2)	Total amount of raised funds invested as of the end of the Reporting Period (4)	Including: Total amount of over-raised funds invested as of the end of the Reporting Period (5)	Proportion of raised funds invested as of the end of the Reporting Period (%) (6)=(4)/(1)	Proportion of over-raised funds invested as of the end of the Reporting Period (%) (7)=(5)/(3)	Amount invested in the current year (8)	Proportion of amount invested in the current year (%) (9) =(8)/(1)	Total amount of raised funds whose purpose is changed
Issuance of convertible bonds	December 14, 2021	75,171.30	74,450.87	74,450.87		65,827.32		88.42	0.00	7,661.58	10.29	0.00
Total	/	75,171.30	74,450.87	74,450.87		65,827.32		/	/	7,661.58	/	0.00

(II) Details of fund-raising investment projects

√Applicable □Not applicable

1. Details of the use of raised funds

√Applicable □Not applicable

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Unit: RMB '0,000

Source of raised funds	Project name	Project nature	Whether it is a committed investment project in the prospectus	Whether investment subject is changed	Total planned investment amount of raised funds (1)	Amount invested in the current year	Total amount of raised funds invested as of the end of the Reporting Period (2)	Proportion of amount invested as of the end of the Reporting Period (%) (3)=(2)/(1)	Date when the project reaches their intended use	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
Issuance of convertible bonds	Huzhou Production Base Expansion Project (Phase I)	Production and construction	Yes	No	33,850.00	5,571.46	29,007.15	85.69	December 2024	No	Yes	Not applicable	12,813.60	35,069.00	No	4,842.85
Issuance of convertible bonds	Longwu R&D Center Construction Project [Note 1]	Research and development	Yes	No	19,450.00	647.35	19,700.80	101.29	June 2024	Yes	Yes	Not applicable		Not applicable	No	0.00
Issuance of convertible bonds	Information System Upgrade Project	Operation management	Yes	No	8,801.27	1,408.62	4,552.07	51.72	December 2025 [Note 2]	No	No	The rapid growth of the Company's business has led to an increased demand for a robust IT support platform. Meanwhile, system debugging and implementation optimization are also required to align with this growth.		Not applicable	No	4,249.20
Issuance of convertible bonds	Replenishment of Working Capital [Note 1]	Supplementing working capital and repaying debts	Yes	No	12,349.60	34.15	12,567.30	101.76		Yes		Not applicable		Not applicable	No	0.00
Total	/	/	/	/	74,450.87	7,661.58	65,827.32	/	/	/	/	/	12,813.60	/	/	9,092.05

[Note 1] The investment amount for the Longwu R&D Center Construction Project and the Replenishment of Working Capital as of the end of the Reporting Period exceeded the adjusted total investment, with the progress exceeding 100.00%. This was due to the interest income generated from idle funds in the raised funds account.

[Note 2] According to the resolutions passed at the 19th meeting of the third session of Board of Directors and the 17th meeting of the third session of Board of Supervisors held on August 26, 2024, the Company decided to postpone the expected date for the Information System Upgrade Project to reach its intended use

from December 2024 to December 2025, in light of the current actual construction progress of the raised funds investment projects. The Company has decided to extend the construction period of the Information System Upgrade Project for the following reason: With the rapid growth of the Company's businesses and continuous advancements in information technology, the Company has higher requirements for the IT support platform, including the need for iterative software and hardware upgrades, as well as system debugging and optimization. To ensure the high-quality implementation of the investment projects and the effective use of the raised funds, the Company, adhering to the principles of prudence and maximizing efficiency, has planned to extend the construction period of the Information System Upgrade Project.

2. Details of the use of over-raised funds

Applicable Not applicable

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

Applicable Not applicable

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

1. Advance investment and replacement in the project invested with the raised funds

Applicable Not applicable

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

2. Use of idle raised funds to temporarily replenish working capital

Applicable Not applicable

3. Management of idled raised funds through investment

Applicable Not applicable

4. Others

Applicable Not applicable

XIII. Explanations on Other Significant Matters

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	195.7060	0.4933						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	195.7060	0.4933						195.7060	0.4933
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons	195.7060	0.4933						195.7060	0.4933
4. Shares held by foreign funds									
Including: Shares held by foreign legal persons									
Shares held by foreign natural persons									
II. Unrestricted circulating shares	39,480.0124	99.5067				0.0231	0.0231	39,480.0355	99.5067
1. RMB ordinary shares	39,480.0124	99.5067				0.0231	0.0231	39,480.0355	99.5067
2. Foreign-funded shares listed domestically									
3. Foreign-funded shares listed overseas									
4. Others									
III. Total shares	39,675.7184	100.00				0.0231	0.0231	39,675.7415	100.00

2. Explanation on changes in shares

Applicable Not applicable

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

value of RMB751,713,000, with a term of 6 years. With the approval of the SSE's Self-Regulatory Supervision Decision Letter [2021] No. 503, the convertible corporate bonds issued by the Company amounting to RMB751,713,000 would be listed and traded on the Shanghai Stock Exchange from January 4, 2022, with the short name of “Proya Convertible Bond” and the bond code of “113634”. Proya Convertible Bonds began to be converted into shares on June 14, 2022. During the Reporting Period, RMB23,000 of Proya Convertible Bond had been converted to 231 A shares of the Company. The number of the unrestricted circulating shares of the Company increased by 231.

3. Impact of share changes on earnings per share, net assets per share and other financial indicators from the end of the Reporting Period to the disclosure date of the interim report (if any)

Applicable Not applicable

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

II. Shareholders

(I) Total number of shareholders:

Total number of shareholders of ordinary shares as of the end of the Reporting Period(account)	19,292
Total number of shareholders of preference shares whose voting rights have been restored as of the end of the Reporting Period(account)	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	0	136,739,037	34.46	0	None	0	Domestic natural person
Hong Kong Securities Clearing Company Limited	2,061,839	81,371,736	20.51	0	None	0	Others
FANG Yuyou	0	59,625,258	15.03	0	Frozen	17,041,269	Domestic natural person

GIC PRIVATE LIMITED	6,211,086	9,101,355	2.29	0	None	0	Other
National Social Security Fund Portfolio 109	2,335,782	5,346,756	1.35	0	None	0	Others
China Construction Bank Co., Ltd. - CUAM Consumer Industry Hybrid Securities Investment Fund	-399,937	3,950,121	1.00	0	None	0	Others
Abrdn Asia Limited - Abrdn Fund - China A-share Sustainable Equity Fund	-1,456,300	3,610,113	0.91	0	None	0	Others
Industrial and Commercial Bank of China Limited - Invesco Great Wall Emerging Growth Hybrid Securities Investment Fund	0	3,332,000	0.84	0	None	0	Others
China Life Insurance Company Limited - Traditional - General insurance products - 005L - CT001 Hu	208,962	2,513,291	0.63	0	None	0	Others
Schroder Investment Management (Hong Kong) Limited - Schroder International Selection Fund China A-share (stock exchange)	2,160,723	2,160,723	0.54	0	None	0	Others
Shareholdings of the top ten unrestricted shareholders (excluding securities lending and refinancing, and shares reserved for executives)							
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	81,371,736	RMB ordinary shares	81,371,736				
FANG Yuyou	59,625,258	RMB ordinary shares	59,625,258				
GIC PRIVATE LIMITED	9,101,355	RMB ordinary shares	9,101,355				
National Social Security Fund Portfolio 109	5,346,756	RMB ordinary shares	5,346,756				

China Construction Bank Co., Ltd. - CUAM Consumer Industry Hybrid Securities Investment Fund	3,950,121	RMB ordinary shares	3,950,121
Abrdn Asia Limited - Abrdn Fund - China A-share Sustainable Equity Fund	3,610,113	RMB ordinary shares	3,610,113
Industrial and Commercial Bank of China Limited - Invesco Great Wall Emerging Growth Hybrid Securities Investment Fund	3,332,000	RMB ordinary shares	3,332,000
China Life Insurance Company Limited - Traditional - General insurance products - 005L - CT001 Hu	2,513,291	RMB ordinary shares	2,513,291
Schroder Investment Management (Hong Kong) Limited - Schroder International Selection Fund China A-share (stock exchange)	2,160,723	RMB ordinary shares	2,160,723
Explanation on the special account for repurchase among the top ten shareholders	As of the end of the Reporting Period, 2,210,825 shares of the Company were held in the Company's special securities account for repurchase, representing 0.56% of the total share capital of the Company.		
Explanation on the above-mentioned shareholders' entrusting voting rights, entrusted voting rights and abstention from voting rights	None		
Explanation on the association or concerted action among the shareholders mentioned above	FANG Yuyou is the younger brother of HOU Juncheng's spouse FANG Aiqin, so HOU Juncheng and FANG Yuyou are associated.		
Explanation on the shareholders of preference shares with voting rights restored and their shareholdings	None		

Note: Shareholdings in regular and credit accounts of Schroder Investment Management (Hong Kong) Limited - Schroder International Selection Fund China A-share (stock exchange) at the beginning of the period are not included in the top 200 shareholders of the Company.

Securities lending and refinancing involved by shareholders holding more than 5% shares, the top ten shareholders and the top ten shareholders of unrestricted circulating shares

Applicable Not applicable

Unit: Share

Securities lending and refinancing involved by shareholders holding more than 5% shares, the top ten shareholders and the top ten shareholders of unrestricted circulating shares								
Name of shareholder (full name)	Shareholdings in regular and credit accounts at the beginning of the period		Securities lending and refinancing at the beginning of the period but not yet returned		Shareholdings in regular and credit accounts at the end of the period		Securities lending and refinancing at the end of the period but not yet returned	
	Total	Percentage	Total	Percentage	Total	Percentage	Total	Percentage

	amount	(%)	amount	(%)	amount	(%)	amount	(%)
National Social Security Fund Portfolio 109	3,010,974	0.759	88,800	0.022	5,346,756	1.348	3,700	0.001

Change in the top ten shareholders and the top ten shareholders of unrestricted circulating shares over the previous period due to securities lending and refinancing/their returning

Applicable Not applicable

Shareholdings and sales restrictions of the top ten restricted shareholders

Applicable Not applicable

Unit: Share

Number	Name of shareholder of restricted shares	Number of restricted shares held	Availability of restricted shares for circulation and trading		Sales restrictions
			Time of availability for circulation and trading	Number of new shares available for circulation and trading	
1	Equity incentive object	1,957,060			See the note below for details
Explanation on the association or concerted action among the shareholders mentioned above		None			

Note: The restricted shares held by equity incentive objects 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 through placement of new shares

Applicable Not applicable

III. Information on Directors, Supervisors and Senior Management

(I) Changes in shareholdings of current directors, supervisors, and senior management and those who resigned during the Reporting Period

Applicable Not applicable

Unit: Share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Change in shares during the Reporting Period	Cause for change
JIN Yanhua	Deputy General	303,762	227,862	-75,900	Shares reduced

	Manager				for personal capital need
WANG Li	Deputy General Manager, Secretary of the Board of Directors, CFO	315,491	236,651	-78,840	Shares reduced for personal capital need

Other explanations

Applicable Not applicable

(II) Equity incentives granted to directors, supervisors and senior management during the Reporting Period

Applicable Not applicable

(III) Other explanations

Applicable Not applicable

IV. Changes in Controlling Shareholders and Actual Controllers

Applicable Not applicable

Section VIII Information on Preference Shares

Applicable Not applicable

Section IX Information on Bonds

I. Corporate Bonds (including Enterprise Bonds) and Debt Financing Instruments of Non-Financial Enterprises

Applicable Not applicable

II. Information on Convertible Corporate Bonds

Applicable Not applicable

(I) Information on issuance of convertible bonds

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 corporate 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 were listed and traded on the Shanghai Stock Exchange from January 4, 2022. The bond is referred to as "Proya Convertible Bond", with the bond code of "113634". 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 the 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 into the Company's shares from June 14, 2022. The conversion period is from June 14, 2022 to December 7, 2027. The initial conversion price is RMB195.98/share, and the latest conversion price is RMB97.35/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 Proya Convertible Bond has been adjusted to RMB139.37/share since May 30, 2022. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price of Convertible Bonds due to 2021 Equity Distribution Plan* (Announcement No.: 2022-029) released by the Company on the SSE website (www.sse.com.cn) on May 24, 2022.
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 of "Proya Convertible Bond" due to Additional Issuance from Granting of Restricted Shares* (Announcement No.: 2022-052) released by the Company on the SSE website (www.sse.com.cn) on September 8, 2022.
3. Since the 2022 Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond has been adjusted to RMB98.61/share since May 29, 2023. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price of Convertible Bonds due to 2022 Equity Distribution Plan* (Announcement No.: 2023-030) released by the Company on the SSE website (www.sse.com.cn) on May 23, 2023.
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 has

been adjusted to RMB98.62/share since 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 of “Proya Convertible Bond”* (Announcement No.: 2023-045) released by the Company on the SSE website (www.sse.com.cn) on August 28, 2023.

5. Since the 2023 Semi-Annual Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond has been adjusted to RMB98.24/share since October 23, 2023. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price of Convertible Bonds due to 2023 Semi-Annual Equity Distribution Plan* (Announcement No.: 2023-065) released by the Company on the SSE website (www.sse.com.cn) on October 17, 2023.

6. 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 has been adjusted to RMB98.25/share since December 18, 2023. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price of “Proya Convertible Bond” and Trading Suspension for Conversion* (Announcement No.: 2023-086) released by the Company on the SSE website (www.sse.com.cn) on December 15, 2023.

7. Since the 2023 Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond has been adjusted to RMB97.35/share since June 25, 2024. For details, see the *Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price due to 2023 Equity Distribution Plan* (Announcement No.: 2024-028) released by the Company on the SSE website (www.sse.com.cn) on June 19, 2024.

(II) Information on holders and guarantors of convertible bonds during the Reporting Period

Name of the convertible corporate bond	Proya Convertible Bond	
Number of holders of the convertible corporate bond at the end of the Reporting Period	7,303	
Guarantors of the convertible bond of the Company	None	
Material changes in the profitability, asset conditions and credit conditions of the guarantors	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 (%)
China Life Pension Hongyi Fixed-benefit Pension Products - Industrial and Commercial Bank of China Limited	32,790,000	4.37
Bank of China Limited - China Southern Changyuan Convertible Bond Securities Investment Fund	25,786,000	3.43
Industrial and Commercial Bank of China Limited - China Southern Guangli Return Bond Securities Investment Fund	24,664,000	3.29
Agricultural Bank of China Limited - China Southern Xiyuan Convertible Bond Securities Investment Fund	24,579,000	3.27
China Galaxy Securities Co., Ltd.	23,600,000	3.14
China Southern Asset Management Ningkang	20,699,000	2.76

Name of the convertible corporate bond	Proya Convertible Bond	
Convertible Bond Fixed-benefit Pension Products - Bank of China Limited		
Industrial and Commercial Bank of China Limited - Guangfa Convertible Bond Sponsored Securities Investment Fund	20,000,000	2.66
China Merchants Bank Co., Ltd. - Hwabao WP Convertible Bond Securities Investment Fund	18,942,000	2.52
China Life Pension Anxiangxinqi Mixed Pension Products - Industrial and Commercial Bank of China Limited	17,949,000	2.39
National Social Security Fund Portfolio 201	17,298,000	2.30

(III) Changes in convertible bonds during the Reporting Period

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	750,789,000	23,000			750,766,000

(IV) Cumulative conversion of convertible bonds into shares during the Reporting Period

Name of the convertible corporate bond	Proya Convertible Bond
Amount of shares converted from bonds in the Reporting Period (RMB)	23,000
Number of shares converted from bonds in the Reporting Period (share)	231
Accumulated number of shares converted from bonds (share)	6,869
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)	750,766,000
Proportion of unconverted convertible bonds in the total amount of convertible bonds issued (%)	99.8740

(V) Historical adjustments to the conversion price

Unit: Yuan Currency: RMB

Name of the convertible corporate bond		Proya Convertible Bond		
Date of adjustments to the conversion price	Adjusted conversion price	Time of disclosure	Media of disclosure	Explanation on adjustments to the conversion price
May 30, 2022	RMB139.37/share	May 24, 2022	SSE website, Shanghai Securities	Since the 2021 Equity Distribution Plan was implemented by the Company, the conversion price of

			<i>News, Securities Times</i>	Proya Convertible Bond has been adjusted to RMB139.37/share since May 30, 2022. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price of Convertible Bonds due to 2021 Equity Distribution Plan</i> (Announcement No.: 2022-029) released by the Company on the SSE website (www.sse.com.cn) on May 24, 2022.
September 9, 2022	RMB138.92/share	September 8, 2022	SSE website, <i>Shanghai Securities News, Securities Times</i>	Since the registration of restricted shares involved in the grant under the 2022 Restricted 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 Cosmetics Co., Ltd. on Adjustment of Conversion Price of “Proya Convertible Bond” due to Additional Issuance from Granting of Restricted Shares</i> (Announcement No.: 2022-052) released by the Company on the SSE website (www.sse.com.cn) on September 8, 2022.
May 29, 2023	RMB98.61/share	May 23, 2023	SSE website, <i>Shanghai Securities News, Securities Times</i>	Since the 2022 Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond has been adjusted to RMB98.61/share since May 29, 2023. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price of Convertible Bonds due to 2022 Equity Distribution Plan</i> (Announcement No.: 2023-030) released by the Company on the SSE website (www.sse.com.cn) on May 23, 2023.

August 29, 2023	RMB98.62/share	August 28, 2023	SSE website, <i>Shanghai Securities News, Securities Times</i>	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 has been adjusted to RMB98.62/share since 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 of "Proya Convertible Bond"</i> (Announcement No.: 2023-045) released by the Company on the SSE website (www.sse.com.cn) on August 28, 2023.
October 23, 2023	RMB98.24/share	October 17, 2023	SSE website, <i>Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily, Economic Information Daily, China Daily</i>	Since the 2023 Semi-Annual Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond has been adjusted to RMB98.24/share since October 23, 2023. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price of Convertible Bonds due to 2023 Semi-Annual Equity Distribution Plan</i> (Announcement No.: 2023-065) released by the Company on the SSE website (www.sse.com.cn) on October 17, 2023.
December 18, 2023	RMB98.25/share	December 15, 2023	SSE website, <i>Shanghai Securities News, Securities Times, China Securities Journal, Securities</i>	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 has been adjusted to RMB98.25/share since December 18, 2023. For details, see the

			<i>Daily, Economic Information Daily, China Daily</i>	<i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price of “Proya Convertible Bond” and Trading Suspension for Conversion</i> (Announcement No.: 2023-086) released by the Company on the SSE website (www.sse.com.cn) on December 15, 2023.
June 25, 2024	RMB97.35/share	June 19, 2024	<i>SSE website, Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily, Economic Information Daily, China Daily</i>	Since the 2023 Equity Distribution Plan was implemented by the Company, the conversion price of the Proya Convertible Bond has been adjusted to RMB97.35/share since June 25, 2024. For details, see the <i>Announcement of Proya Cosmetics Co., Ltd. on Adjustment of Conversion Price of Convertible Bonds due to 2023 Equity Distribution Plan</i> (Announcement No.: 2024-028) released by the Company on the SSE website (www.sse.com.cn) on June 19, 2024.
Latest conversion price as of the end of the Reporting Period			RMB97.35/share	

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

As of June 30, 2024, the Company's total assets were RMB7,362,862,729.83, and its liabilities totaled RMB2,748,031,045.60, with a gearing ratio of 37.32%. On June 13, 2024, the rating agency China Lianhe Credit Rating Co., Ltd. issued the *2024 Tracking Rating Report of Proya Cosmetics Co., Ltd.* The main long-term credit rating of the Company is “AA”, the credit rating of Proya Convertible Bond is “AA”, and the rating outlook is “stable”. The results of this rating remain consistent with the previous rating.

The Company's future repayment of the principal and interest of convertible bonds mainly comes from the cash flow generated from the Company's business activities. With stable primary business operations and a strong financial position, the Company's cash flows from operating activities are abundant, demonstrating robust debt repayment capability.

(VII) Other explanations on convertible bonds

None

Section X Financial Report

I. Audit Report

Applicable Not applicable

II. Financial Statements

Consolidated Balance Sheet

June 30, 2024

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	June 30, 2024	December 31, 2023
Current assets:			
Monetary capital	VII. 1	4,052,800,790.90	4,011,085,558.07
Provision for settlement			
Placements with banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	VII. 5	383,322,337.03	344,570,196.54
Receivables financing	VII. 7	3,695,843.86	7,378,700.06
Prepayments	VII. 8	255,919,184.09	202,870,195.58
Premiums receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivables			
Other receivables	VII. 9	13,836,491.18	81,966,213.90
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventory	VII. 10	797,541,148.23	797,215,155.68
Including: Data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VII. 13	65,561,804.15	99,765,073.07
Total current assets		5,572,677,599.44	5,544,851,092.90
Non-current assets:			
Loans and advances to customers			

Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	VII. 17	111,420,494.75	113,574,158.49
Other equity instrument investments	VII. 18	107,660,400.00	107,660,400.00
Other non-current financial assets			
Investment property	VII. 20	65,239,912.91	66,156,471.91
Fixed assets	VII. 21	825,874,380.92	827,350,985.29
Construction in progress	VII. 22	72,172,878.34	52,038,642.94
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VII. 25	16,995,953.78	14,104,821.34
Intangible assets	VII. 26	397,608,786.61	404,688,009.16
Including: Data resources			
Development expenditure			
Including: Data resources			
Goodwill			
Long-term deferred expenses	VII. 28	67,163,449.93	67,184,328.83
Deferred income tax assets	VII. 29	100,781,790.47	108,494,364.60
Other non-current assets	VII. 30	25,267,082.68	16,974,946.99
Total non-current assets		1,790,185,130.39	1,778,227,129.55
Total assets		7,362,862,729.83	7,323,078,222.45
Current liabilities:			
Short-term borrowings	VII. 32	200,155,555.56	200,155,555.56
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	VII. 35		36,959,074.14
Accounts payable	VII. 36	1,061,672,558.10	1,018,522,358.60
Receipts in advance	VII. 37	152,319.76	30,514.45
Contract liabilities	VII. 38	242,809,306.75	301,014,873.58
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 benefits payable	VII. 39	98,158,990.54	166,444,494.43
Taxes payable	VII. 40	151,086,065.86	222,765,869.94
Other payables	VII. 41	151,600,173.08	155,345,148.68
Including: Interest payable			
Dividends payable			
Fees and commissions payable			
Reinsurance accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	VII. 43	4,561,267.98	3,970,060.11
Other current liabilities	VII. 44	18,495,292.07	15,022,173.42
Total current liabilities		1,928,691,529.70	2,120,230,122.91
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable	VII. 46	770,198,904.64	753,119,902.88
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VII. 47	11,733,319.90	9,970,306.87
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities	VII. 50	30,541,670.83	33,063,299.45
Deferred income	VII. 51	6,865,620.53	6,383,359.33
Deferred income tax liabilities	VII. 29		
Other non-current liabilities			
Total non-current liabilities		819,339,515.90	802,536,868.53
Total liabilities		2,748,031,045.60	2,922,766,991.44
Owner's equity (or shareholders' equity):			
Paid-in capital (or share capital)	VII. 53	396,757,415.00	396,757,184.00
Other equity instruments	VII. 54	50,892,427.49	50,893,986.60
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 55	865,040,403.32	864,150,974.43
Less: Treasury shares	VII. 56	298,659,030.87	146,966,735.61
Other comprehensive income	VII. 57	-53,978,652.16	-53,847,100.91

Special reserve			
Surplus reserve	VII. 59	198,411,582.50	198,411,582.50
General risk reserve			
Undistributed profits	VII. 60	3,383,215,737.14	3,040,145,490.59
Total owner's equity (or shareholders' equity) attributable to the parent company		4,541,679,882.42	4,349,545,381.60
Minority interests		73,151,801.81	50,765,849.41
Total owner's equity (or shareholders' equity)		4,614,831,684.23	4,400,311,231.01
Total liabilities and owners' equity (or shareholders' equity)		7,362,862,729.83	7,323,078,222.45

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Head of Accounting Department: WANG Li

Parent Company's Balance Sheet

June 30, 2024

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	June 30, 2024	December 31, 2023
Current assets:			
Monetary capital		2,524,381,945.57	2,816,366,399.45
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XIX. 1	746,406,908.34	586,728,691.35
Receivables financing		3,317,243.57	4,732,700.06
Prepayments		96,713,926.20	66,223,228.82
Other receivables	XIX. 2	63,315,069.88	80,702,024.60
Including: Interest receivable			
Dividends receivable			
Inventory		395,965,581.76	516,042,533.80
Including: Data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		45,712,806.65	38,762,926.06
Total current assets		3,875,813,481.97	4,109,558,504.14
Non-current assets:			
Debt investments			

Other debt investments			
Long-term receivables			
Long-term equity investments	XIX. 3	403,021,885.90	418,748,241.23
Other equity instrument investments		71,838,000.00	71,838,000.00
Other non-current financial assets			
Investment property		94,112,640.62	95,815,110.34
Fixed assets		784,560,134.87	783,893,280.52
Construction in progress		71,578,501.14	51,841,256.80
Productive biological assets			
Oil and gas assets			
Right-of-use assets		11,935,650.36	13,640,458.38
Intangible assets		366,012,612.46	371,083,311.38
Including: Data resources			
Development expenditure			
Including: Data resources			
Goodwill			
Long-term deferred expenses		62,419,419.54	62,969,904.19
Deferred income tax assets		10,339,068.57	8,256,631.70
Other non-current assets		25,490,102.07	17,197,966.38
Total non-current assets		1,901,308,015.53	1,895,284,160.92
Total assets		5,777,121,497.50	6,004,842,665.06
Current liabilities:			
Short-term borrowings		200,155,555.56	200,155,555.56
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			36,959,074.14
Accounts payable		618,393,931.98	603,314,221.56
Receipts in advance			
Contract liabilities		88,026,178.65	220,349,629.19
Employee benefits payable		55,646,984.10	88,243,004.64
Taxes payable		87,718,715.94	161,141,517.93
Other payables		109,785,052.96	113,223,667.48
Including: Interest payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		3,557,401.05	3,488,575.66
Other current liabilities			28,645,451.80
Total current liabilities		1,163,283,820.24	1,455,520,697.96

Non-current liabilities:			
Long-term borrowings			
Bonds payable		770,198,904.64	753,119,902.88
Including: Preference shares			
Perpetual bonds			
Lease liabilities		7,806,471.97	9,970,306.87
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		6,865,620.53	6,383,359.33
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		784,870,997.14	769,473,569.08
Total liabilities		1,948,154,817.38	2,224,994,267.04
Owner's equity (or shareholders' equity):			
Paid-in capital (or share capital)		396,757,415.00	396,757,184.00
Other equity instruments		50,892,427.49	50,893,986.60
Including: Preference shares			
Perpetual bonds			
Capital reserve		918,413,962.09	917,524,533.21
Less: Treasury shares		298,659,030.87	146,966,735.61
Other comprehensive income		-53,180,700.00	-53,180,700.00
Special reserve			
Surplus reserve		198,411,582.50	198,411,582.50
Undistributed profits		2,616,331,023.91	2,416,408,547.32
Total owner's equity (or shareholders' equity)		3,828,966,680.12	3,779,848,398.02
Total liabilities and owners' equity (or shareholders' equity)		5,777,121,497.50	6,004,842,665.06

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

CFO of the Company: WANG Li

Consolidated Income Statement

January to June 2024

Unit: Yuan Currency: RMB

Item	Notes	H1 2024	H1 2023
I. Total operating revenue	VII. 61	5,001,465,470.72	3,626,991,878.22
Including: Operating revenue		5,001,465,470.72	3,626,991,878.22
Interest income			

Premiums earned			
Fees and commission income			
II. Total operating costs		4,137,984,289.63	2,941,251,103.74
Including: Operating costs	VII. 61	1,509,530,495.30	1,069,489,813.93
Interest expenses			
Fees and commissions expenses			
Surrenders			
Net compensation expenses			
Net provision for insurance liability reserves			
Insurance policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	VII. 62	41,900,210.19	38,469,557.75
Selling expenses	VII. 63	2,339,661,922.31	1,579,997,275.26
General and administrative expenses	VII. 64	176,927,741.63	192,127,158.56
R&D expenses	VII. 65	94,613,242.52	91,520,865.15
Financial expenses	VII. 66	-24,649,322.32	-30,353,566.91
Including: Interest expenses		10,601,806.58	5,817,515.18
Interest income		37,663,413.80	34,019,097.62
Add: Other income	VII. 67	66,048,236.39	35,532,621.58
Investment income (“-” for losses)	VII. 68	-2,153,663.74	-1,164,626.88
Including: Investment income from associates and joint ventures		-2,153,663.74	-1,831,700.47
Gains from derecognition of financial assets measured at amortized cost (“-” for losses)			
Foreign exchange gains (“-” for losses)			
Net gain on exposure hedging (“-” for losses)			
Gains on changes in fair value (“-” for losses)			
Credit impairment losses (“-” for losses)	VII. 71	2,297,873.84	6,753,856.82
Asset impairment losses (“-” for losses)	VII. 72	-32,417,516.03	-52,178,199.75
Gains from disposal of assets	VII. 73	-712,859.58	-217,694.21

(“-” for losses)			
III. Operating profit (“-” for losses)		896,543,251.97	674,466,732.04
Add: Non-operating revenue	VII. 74	956,198.43	1,359,664.17
Less: Non-operating expenses	VII. 75	1,430,755.68	2,913,343.62
IV. Total profit (“-” for total losses)		896,068,694.72	672,913,052.59
Less: Income tax expenses	VII. 76	172,136,418.43	144,644,731.37
V. Net profit (“-” for net losses)		723,932,276.29	528,268,321.22
(I) Classified by operation continuity			
1. Net profit from continuing operations (“-” for net losses)		723,932,276.29	528,268,321.22
2. Net profit from discontinued operations (“-” for net losses)			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company (“-” for net losses)		701,671,374.89	499,493,997.71
2. Profits or losses attributable to minority interests (“-” for net losses)		22,260,901.40	28,774,323.51
VI. Other comprehensive income, net of tax	VII. 77	-131,551.25	1,269,633.36
(I) Other comprehensive income attributable to owners of the parent company, net of tax		-131,551.25	1,269,633.36
1. Other comprehensive income that cannot be reclassified into profit or loss			
(1) Changes arising from re-measurement of defined benefit plans			
(2) Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
(3) Changes in the fair value of other equity instrument investments			
(4) Changes in the fair value of the Company's own credit risks			
2. Other comprehensive income that will be reclassified into profit or loss		-131,551.25	1,269,633.36
(1) Other comprehensive income that can be reclassified into profit or loss under the equity method			
(2) Changes in the fair value of other debt investments			

(3) Amount of financial assets reclassified into other comprehensive income			
(4) Credit impairment provisions of other debt investments			
(5) Cash flow hedging reserve			
(6) Conversion differences of financial statements denominated in foreign currencies		-131,551.25	1,269,633.36
(7) Others			
(II) Other comprehensive income attributable to minority interests, net of tax			
VII. Total comprehensive income		723,800,725.04	529,537,954.58
(I) Total comprehensive income attributable to owners of the parent company		701,539,823.64	500,763,631.07
(II) Total comprehensive income attributable to minority interests		22,260,901.40	28,774,323.51
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		1.78	1.25
(II) Diluted earnings per share (RMB/share)		1.72	1.24

For business combinations involving enterprises under common control in the current period, the net profit realized by the acquirees before the combination is RMB0.00, and the net profit realized thereby in the prior period was RMB0.00.

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

CFO of the Company: WANG Li

Parent Company's Income Statement

January to June 2024

Unit: Yuan Currency: RMB

Item	Notes	H1 2024	H1 2023
I. Operating revenue	XIX. 4	2,475,390,588.58	1,730,545,125.09
Less: Operating costs	XIX. 4	1,157,388,181.64	823,776,575.95
Taxes and surcharges		11,550,127.35	15,808,311.59
Selling expenses		430,271,487.56	265,242,258.63
General and administrative expenses		155,479,110.03	137,869,495.89
R&D expenses		94,436,533.40	88,272,258.48
Financial expenses		-17,929,131.62	-29,081,987.57
Including: Interest expenses		10,394,771.26	79,333.44
Interest income		29,144,053.33	1,254.56
Add: Other income		26,613,066.79	4,808,666.20
Investment income (“-” for losses)	XIX. 5	1,838,583.82	-4,145,129.34
Including: Investment income from associates and joint ventures		-2,153,663.74	-1,600,000.00
Gains from derecognition of financial assets measured at amortized cost (“-” for losses)			
Net gain on exposure hedging (“-” for losses)			
Gains on changes in fair value (“-” for losses)			
Credit impairment losses (“-” for losses)		-14,432,000.29	10,624,149.77
Asset impairment losses (“-” for losses)		-1,841,545.51	-50,071,970.30
Gains from disposal of assets (“-” for losses)		-535,789.27	30,842.94
II. Operating profit (“-” for losses)		655,836,595.76	389,904,771.39
Add: Non-operating revenue		514,727.31	189,623.01
Less: Non-operating expenses		1,270,771.69	1,904,339.55
III. Total profit (“-” for total losses)		655,080,551.38	388,190,054.85
Less: Income tax expenses		96,556,946.45	60,740,291.78
IV. Net profit (“-” for net losses)		558,523,604.93	327,449,763.07
(I) Net profit from continuing operations (“-” for net losses)		558,523,604.93	327,449,763.07
(II) Net profit from discontinuing			

operations (“-” for net losses)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit and loss			
1. Changes arising from the re-measurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in the fair value of other investments in equity instrument			
4. Changes in the fair value of the Company's own credit risks			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in the fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Credit impairment provisions of other debt investments			
5. Cash flow hedging reserve			
6. Conversion differences of financial statements denominated in foreign currencies			
7. Others			
VI. Total comprehensive income		558,523,604.93	327,449,763.07
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
Head of Accounting Department: WANG Li

CFO of the Company: WANG Li

Consolidated Cash Flow Statement

January to June 2024

Unit: Yuan Currency: RMB

Item	Notes	H1 2024	H1 2023
I. Cash flows from operating activities:			
Cash receipts from sales of goods and rendering of services		5,188,493,822.96	4,012,341,644.34
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in borrowings from the central bank			
Net increase in placements from other financial institutions			
Cash receipts from premiums under original insurance contracts			
Net cash receipts from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash receipts from interest, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase of returned business capital			
Net cash receipts from securities trading agency services			
Receipts of tax refunds		706,235.61	
Other cash receipts relating to operating activities	VII. 78	95,696,427.87	139,316,229.94
Subtotal of cash inflows from operating activities		5,284,896,486.44	4,151,657,874.28
Cash payments for goods purchased and services received		1,428,665,826.98	799,703,317.01
Net increase in loans and advances to customers			
Net increase in deposits with the central bank and other financial institutions			
Cash paid for compensation			

payments under original insurance contract			
Net increase in placements with banks and other financial institutions			
Cash payments for interest, fees and commissions			
Cash payments for policy dividends			
Cash payments to and on behalf of employees		435,062,730.66	338,318,620.54
Taxes and fees paid		578,999,517.56	462,196,371.81
Other cash payments relating to operating activities	VII. 78	2,180,065,616.85	1,370,171,492.89
Subtotal of cash outflows from operating activities		4,622,793,692.05	2,970,389,802.25
Net cash flows from operating activities		662,102,794.39	1,181,268,072.03
II. Cash flows from investing activities:			
Cash receipts from returns on investments			
Cash receipts from investments income		5,570,000.01	
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		1,831,479.00	338,439.51
Net cash receipts from the disposal of subsidiaries and other operating entities			3,018,142.61
Other cash receipts relating to investing activities	VII. 78	300,000,000.00	
Subtotal of cash inflows from investing activities		307,401,479.01	3,356,582.12
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets		114,207,206.03	99,314,112.66
Cash payments for investments			6,818,181.82
Net increase in pledged loans			
Net cash payments for acquisition of subsidiaries and other operating entities			
Other cash payments relating to investing activities			
Subtotal of cash outflows		114,207,206.03	106,132,294.48

from investing activities			
Net cash flows from investing activities		193,194,272.98	-102,775,712.36
III. Cash flows from financing activities:			
Cash receipts from capital contributions		125,051.00	
Including: Cash receipts by subsidiaries from minority shareholders' investment		125,051.00	
Cash receipts from borrowings			100,000,000.00
Other cash receipts relating to financing activities			
Subtotal of cash inflows from financing activities		125,051.00	100,000,000.00
Cash payments for debt repayment			100,000,000.00
Cash payments for distribution of dividends, profits or payment of interest expenses		352,238,406.92	249,213,328.27
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities	VII. 78	156,733,266.64	3,017,591.46
Subtotal of cash outflows from financing activities		508,971,673.56	352,230,919.73
Net cash flows from financing activities		-508,846,622.56	-252,230,919.73
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		-131,551.25	1,269,633.36
V. Net increase in cash and cash equivalents		346,318,893.56	827,531,073.30
Add: Opening balance of cash and cash equivalents		3,659,267,712.03	3,125,333,085.05
VI. Closing balance of cash and cash equivalents		4,005,586,605.59	3,952,864,158.35

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

CFO of the Company: WANG Li

Parent Company's Cash Flow Statement

January to June 2024

Unit: Yuan Currency: RMB

Item	Notes	H1 2024	H1 2023
I. Cash flows from operating activities:			
Cash receipts from sales of goods and rendering of services		2,462,318,871.31	2,184,341,066.74
Receipts of tax refunds			
Other cash receipts relating to operating activities		41,149,587.80	103,874,829.15
Subtotal of cash inflows from operating activities		2,503,468,459.11	2,288,215,895.89
Cash payments for goods purchased and services received		1,120,239,457.41	559,795,926.80
Cash payments to and on behalf of employees		221,756,428.15	153,659,418.21
Taxes and fees paid		320,479,322.60	200,776,457.67
Other cash payments relating to operating activities		534,201,388.16	338,218,749.52
Subtotal of cash outflows from operating activities		2,196,676,596.32	1,252,450,552.20
Net cash flows from operating activities		306,791,862.79	1,035,765,343.69
II. Cash flows from investing activities:			
Cash receipts from returns on investments		25,686,259.80	2,540,410.44
Cash receipts from investments income		5,570,000.01	
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		1,119,759.00	
Net cash receipts from the disposal of subsidiaries and other operating entities			
Other cash receipts relating to investing activities		300,000,000.00	
Subtotal of cash inflows from investing activities		332,376,018.81	2,540,410.44
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets		112,494,647.56	96,289,876.84

Cash payments for investments		5,550,640.00	11,318,181.82
Net cash payments for acquisition of subsidiaries and other operating entities			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		118,045,287.56	107,608,058.66
Net cash flows from investing activities		214,330,731.25	-105,067,648.22
III. Cash flows from financing activities:			
Cash receipts from capital contributions			
Cash receipts from borrowings			100,000,000.00
Other cash receipts relating to financing activities			
Subtotal of cash inflows from financing activities			100,000,000.00
Cash payments for debt repayment			100,000,000.00
Cash payments for distribution of dividends, profits or payment of interest expenses		352,238,406.92	249,213,328.27
Other cash payments relating to financing activities		155,580,389.64	2,500,055.46
Subtotal of cash outflows from financing activities		507,818,796.56	351,713,383.73
Net cash flows from financing activities		-507,818,796.56	-251,713,383.73
IV. Effect of changes in foreign exchange rates on cash and cash equivalents			
V. Net increase in cash and cash equivalents			
		13,303,797.48	678,984,311.74
Add: Opening balance of cash and cash equivalents		2,472,028,148.09	2,138,929,716.12
VI. Closing balance of cash and cash equivalents			
		2,485,331,945.57	2,817,914,027.86

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

CFO of the Company: WANG Li

Consolidated Statements of Changes in Owners' Equity

January to June 2024

Unit: Yuan Currency: RMB

Item	H1 2024														
	Equity attributable to owners of the parent company												Minority interests	Total equity attributable to owners	
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others			Subtotal
Preference shares		Perpetual bonds	Others												
I. Closing balance of the previous year	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
Add: Changes in accounting policies															
Correction for previous errors															
Others															
II. Opening balance of the current year	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
III. Increase or decrease in the current period ("+" for increase, "-" for decrease)	231.00			-1,559.11	889,428.89	151,692,295.26	-131,551.25				343,070,246.55		192,134,500.82	22,385,952.40	214,520,453.22
(I) Total comprehensive income							-131,551.25				701,671,374.89		701,539,823.64	22,260,901.40	723,800,725.04
(II) Owner's contribution and capital reduction	231.00			-1,559.11	889,428.89	153,062,220.18							-152,174,119.40	125,051.00	-152,049,068.40
1. Ordinary shares contributed by owners														125,051.00	125,051.00
2. Capital contributions by other equity instrument holders															
3. Amount of					886,255.50								886,255.50		886,255.50

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Item	H1 2024														Minority interests	Total equity attributable to owners
	Equity attributable to owners of the parent company												Subtotal			
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others				
	Preference shares	Perpetual bonds	Others													
share-based payments credited to owners' equity																
4. Others	231.00			-1,559.11	3,173.39	153,062,220.18							-153,060,374.90	-153,060,374.90		
(III) Profit distribution						-1,369,924.92					-358,601,128.34		-357,231,203.42	-357,231,203.42		
1. Withdrawal of surplus reserve																
2. Withdrawal of general risk reserve																
3. Distribution to owners (or shareholders)						-1,369,924.92					-358,601,128.34		-357,231,203.42	-357,231,203.42		
4. Others																
(IV) Internal carry-forward of owners' equity																
1. Transfer of capital reserve to capital (or share capital)																
2. Transfer of surplus reserve to capital (or share capital)																
3. Surplus reserve to cover loss																
4. Changes in defined benefit scheme carried forward to retained earnings																
5. Other comprehensive income carried																

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Item	H1 2024														Minority interests	Total equity attributable to owners	
	Equity attributable to owners of the parent company																
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal				
Preference shares		Perpetual bonds	Others														
forward to retained earnings																	
6. Others																	
(V) Special reserve																	
1. Withdrawal for the period																	
2. Utilization for the period																	
(VI) Others																	
IV. Closing balance for the current period	396,757,415.00			50,892,427.49	865,040,403.32	298,659,030.87	-53,978,652.16		198,411,582.50		3,383,215,737.14		4,541,679,882.42	73,151,801.81	4,614,831,684.23		

Item	H1 2023														Minority interests	Total equity attributable to owners
	Equity attributable to owners of the parent company															
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal			
Preference shares		Perpetual bonds	Others													
I. Closing balance of the previous year	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																
Others																
II. Opening balance 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 or decrease in the current period ("-" for decrease)	113,409,046.00			-8,099.98	-63,364,387.97	-1,827,000.00	1,269,633.36				252,831,302.78		305,964,494.19	26,667,100.99	332,631,595.18	
(I) Total comprehensive							1,269,633.36				499,493,997.71		500,763,631.07	28,774,323.51	529,537,954.58	

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Item	H1 2023														Minority interests	Total equity attributable to owners
	Equity attributable to owners of the parent company												Subtotal			
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others				
	Preference shares	Perpetual bonds	Others													
income																
(II) Owner's contribution and capital reduction	910.00			-8,099.98	50,088,937.85	-1,827,000.00							51,908,747.87		51,908,747.87	
1. Ordinary shares contributed by owners						-1,827,000.00							1,827,000.00		1,827,000.00	
2. Capital contributions by other equity instrument holders																
3. Amount of share-based payments credited to owners' equity					49,961,246.32								49,961,246.32		49,961,246.32	
4. Others	910.00			-8,099.98	127,691.53								120,501.55		120,501.55	
(III) Profit distribution													-246,662,694.93		-246,662,694.93	
1. Withdrawal of surplus reserve																
2. Withdrawal of general risk reserve																
3. Distribution to owners (or shareholders)													-246,662,694.93		-246,662,694.93	
4. Others																
(IV) Internal carry-forward of owners' equity	113,408,136.00				-113,408,136.00											
1. Transfer of capital reserve to capital (or share capital)	113,408,136.00				-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. Other comprehensive income carried forward to retained earnings																

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Item	H1 2023														Minority interests	Total equity attributable to owners	
	Equity attributable to owners of the parent company																
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal				
Preference shares		Perpetual bonds	Others														
6. Others																	
(V) Special reserve																	
1. Withdrawal for the period																	
2. Utilization for the period																	
(VI) Others					-45,189.82								-45,189.82	-2,107,222.52			-2,152,412.34
IV. Closing balance for the current period	396,928,515.00			50,895,410.14	851,451,398.25	163,149,000.00	-648,969.71		141,759,734.50			2,553,216,065.97		3,830,453,154.15	39,401,771.32		3,869,854,925.47

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Head of Accounting Department: WANG Li

Statement of Changes in Owners' Equity of the Parent Company

January to June 2024

Unit: Yuan Currency: RMB

Item	H1 2024											Total equity attributable to owners
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the previous year	396,757,184.00			50,893,986.60	917,524,533.21	146,966,735.61	-53,180,700.00		198,411,582.50	2,416,408,547.32		3,779,848,398.02
Add: Changes in accounting policies												
Correction for previous errors												
Others												
II. Opening balance of the current year	396,757,184.00			50,893,986.60	917,524,533.21	146,966,735.61	-53,180,700.00		198,411,582.50	2,416,408,547.32		3,779,848,398.02
III. Increase or decrease in the current period ("-" for decrease)	231.00			-1,559.11	889,428.88	151,692,295.26				199,922,476.59		49,118,282.10

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Item	H1 2024										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
(I) Total comprehensive income										558,523,604.93	558,523,604.93
(II) Owner's contribution and capital reduction	231.00			-1,559.11	889,428.88	153,062,220.18					-152,174,119.41
1. Ordinary shares contributed by owners											
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					886,255.49						886,255.49
4. Others	231.00			-1,559.11	3,173.39	153,062,220.18					-153,060,374.90
(III) Profit distribution						-1,369,924.92				-358,601,128.34	-357,231,203.42
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)						-1,369,924.92				-358,601,128.34	-357,231,203.42
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover loss											
4. Changes in defined benefit scheme carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											

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Item	H1 2024										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others											
IV. Closing balance for the current period	396,757,415.00			50,892,427.49	918,413,962.09	298,659,030.87	-53,180,700.00		198,411,582.50	2,616,331,023. 91	3,828,966,680. 12

Item	H1 2023										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
I. Closing balance 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											
Others											
II. Opening balance 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 or decrease in the current period ("-" for decrease)	113,409,046.00			-8,099.98	-63,340,763.87	-1,827,000.00				80,787,068.14	132,674,250.29
(I) Total comprehensive income										327,449,763.07	327,449,763.07
(II) Owner's contribution and capital reduction	910.00			-8,099.98	50,088,937.85	-1,827,000.00					51,908,747.87
1. Ordinary shares contributed by owners						-1,827,000.00					1,827,000.00
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					49,961,246.32						49,961,246.32
4. Others	910.00			-8,099.98	127,691.53						120,501.55
(III) Profit distribution										-246,662,694.93	-246,662,694.93

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Item	H1 2023										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)									-246,662,694.93	-246,662,694.93	
3. Others											
(IV) Internal carry-forward of owners' equity	113,408,136.00				-113,408,136.00						
1. Transfer of capital reserve to capital (or share capital)	113,408,136.00				-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. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others					-21,565.72						-21,565.72
IV. Closing balance for the current period	396,928,515.00			50,895,410.14	901,272,578.97	163,149,000.00			141,759,734.50	2,081,885,217.20	3,409,592,455.81

The chairman of the Company: HOU Juncheng

CFO of the Company: WANG Li

Head of Accounting Department: WANG Li

III. General Information about the Company

1. Company profile

Applicable Not applicable

Proya Cosmetics Co., Ltd. (hereinafter referred to as “Company” or the “Company”), formerly known as Proya (Huzhou) Cosmetics Co., Ltd., was registered in Huzhou Municipal Administration for Industry and Commerce on May 24, 2006. The Company is headquartered in Hangzhou, Zhejiang Province. The Company currently holds a business license with unified social credit code of 91330100789665033F, with a registered capital of RMB396,756,973.00 and paid-in capital of RMB396,757,415.00 (an increase of RMB442.00 due to pending industrial and commercial changes related to the conversion of convertible bonds). Among these, there are 1,957,060 A shares with restrictions in circulation, and 394,800,355 A shares that are not subject to restrictions in circulation. The shares of the Company were listed for trading on SSE on November 15, 2017.

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

The financial statements were approved for external disclosure by the 19th meeting of the third session of the Board of Directors on August 26, 2024.

IV. Preparation Basis of Financial Statements

1. Preparation basis

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

2. Going concern

Applicable Not applicable

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

V. Significant Accounting Policies and Accounting Estimates

Notes to specific accounting policies and accounting estimates:

Applicable Not applicable

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

3. Operating cycle√Applicable Not applicable

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

4. 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.
Receivables financing	The Company recognizes receivables financing that individually exceed 0.3% of the total assets as important receivables financing.
Other receivables	The Company recognizes other receivables that individually exceed 0.3% of the total assets as important other receivables.
Important prepayments aged over 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 aged over one year	The Company recognizes accounts payable that individually exceed 0.3% of the total assets as important accounts payable.
Important receipts in advance aged over one year or overdue	The Company recognizes receipts in advance that individually exceed 0.3% of the total assets as important receipts in advance.
Important contract liabilities aged over one year	The Company recognizes contract liabilities that individually exceed 0.3% of the total assets as important contract liabilities.
Important other payables aged over 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.

Item	Importance criteria
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 overseas operating entities	The Company recognizes overseas operating entities with absolute value of contribution to total profit that exceeds 5% of the absolute value of consolidated total profits as important overseas operating entities.
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 total profits as important subsidiaries or important non-wholly-owned subsidiaries.
Significant joint ventures, associates and joint operation	The Company recognizes joint ventures, associates and joint operations with absolute value of contribution to total profits that exceeds 5% of the absolute value of consolidated total profits as important joint ventures, associates 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

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

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 acquisition and disposal of or disposal and acquisition of equity of the same subsidiary in two consecutive accounting years

The acquisition of the equity of the acquiree is 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 for joint operation

Applicable Not applicable

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

2. When the Company is involved in a joint operation, the following items related to the share of interest in joint operation are recognized:

(1) The solely-held assets, and jointly owned assets according to the shareholding;

(2) The solely-assumed liabilities, and jointly undertaken liabilities according to the shareholding;

(3) Income incurred from disposing of the Company's share of output under the joint operation;

(4) Income incurred from disposing of assets of joint operation according to the Company's share;

(5) The solely-incurred expenses, and expenses incurred from joint operation according to the Company's share.

9. Standards for determination of cash and cash equivalents

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

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 the spot rate on the transaction date during initial recognition. On the balance sheet date, the foreign currency monetary items are translated based on the spot rate on the balance sheet date. The exchange difference arising from the different exchange rate is included in 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 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 financial liabilities

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

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

2. Recognition basis, measurement method and derecognition conditions for financial assets and financial liabilities**(1) Recognition basis and initial measurement method for financial assets and financial liabilities**

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

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

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

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

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

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

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

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

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

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

(3) Subsequent measurement of financial liabilities

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

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

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

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

3) Financial guarantee contracts not belonging to 1) or 2) above, and loan commitments that are given at a rate lower than the market interest rate, and not in the case described in 1) above

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

4) Financial liabilities measured at amortized cost

Such financial liabilities 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 current profit or loss during derecognition or amortization in accordance with the effective interest method.

(4) Derecognition of financial assets and financial liabilities

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

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

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

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

If the Company has transferred almost all the risks and rewards related to the ownership of financial assets, the financial assets are derecognized, and the rights and obligations resulting from or retained in the transfer are separately recognized as assets or liabilities. In case that almost all the risks and rewards related to the ownership of the financial assets are retained, the recognition of the transferred financial assets is continued. In the case that almost all the risks and rewards related to the ownership of the financial assets are neither transferred nor retained, it shall be treated as follows: (1) if control over the financial assets is not retained, the financial assets shall be derecognized, and the rights and obligations resulting from or retained in the transfer are separately recognized as the assets or liabilities; (2) if control over the financial assets is retained, the relevant financial assets are recognized according to the degree of continued involvement in the transferred financial assets, and the relevant liabilities are recognized accordingly.

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

other comprehensive income (in cases where the transferred financial assets are debt instrument investments measured at fair value with changes included in other comprehensive income).

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

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

- (1) The input of the first level is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market;
- (2) The input of the second level is the directly or indirectly observable input of related assets or liabilities except the input of the first level, including: the quotation of similar assets or liabilities in an active market; the quotation of the same or similar assets or liabilities in an inactive market; other observable inputs other than quotation, such as the interest rate and yield curves that can be observed during the normal quotation intervals; and the inputs for market validation;
- (3) The input of the third level is the unobservable input of related assets or liabilities, including interest rates that cannot be observed directly or cannot be verified according to observable market data, stock volatility, future cash flows of retirement obligations borne during the business combination, and financial forecasts based on its own 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 with changes included in other comprehensive income, contract assets, lease receivables, loan commitment other than financial liabilities measured at fair value with changes included in current profit or loss, and the financial guarantee contracts of financial liabilities not measured at fair value with changes included in current profit or loss or financial liabilities not from failure of transfer of financial assets to meet the derecognition conditions or continued involvement in transferred financial assets.

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

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

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

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

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

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

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

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

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

Recognition criteria and accrual methods for expected credit losses on receivables and contract assets:

1) Receivables and contract assets with expected credit losses accrued based on the portfolio of credit risk characteristics

Portfolio category	Basis for determining the portfolio	Method for measurement of expected credit loss
Bank acceptance notes receivable	Note type	Calculating the expected credit loss by the default risk exposure and the expected credit loss rate in the whole duration by referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions
Accounts receivable - aging portfolio	Account age	Calculating the expected credit loss by preparing a comparison table between age of accounts receivable and expected credit loss rate in referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions
Other receivables - aging portfolio	Account age	Calculating the expected credit loss by preparing a comparison table between age of

Portfolio category	Basis for determining the portfolio	Method for measurement of expected credit loss
		other receivables and expected credit loss rate in referring to historical experience in credit loss and according to the current situation and the forecast on future economic conditions

2) Comparison table between age of aging portfolio and expected credit loss rate

Account age	Expected credit loss rate of accounts receivable (%)	Expected credit loss rate of other receivables (%)
Within 1 year (inclusive, same for below)	5.00	5.00
1-2 years	30.00	30.00
2-3 years	50.00	50.00
Above 3 years	100.00	100.00

The aging of accounts receivable/other receivables is calculated from the month in which the amounts are actually incurred.

3) Criteria for identifying receivables and contract assets for which expected credit losses are accrued on an individual basis

For receivables and contract assets with significantly different credit risk and credit risk portfolio, the Company accrues expected credit losses on an individual basis.

6. Offset of financial assets and financial liabilities

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

When the financial assets that do not meet 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

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 Accounting Estimates” of “Section X Financial Report” of this report for details.

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 Accounting Estimates” of “Section X Financial Report” of this report for details.

Criteria for judgment of provision for bad debts accrued individually

Applicable Not applicable

Refer to “11. Financial instruments” in “V. Significant Accounting Policies and Accounting Estimates” of “Section X Financial Report” of this report for details.

14. Receivables financing

Applicable Not applicable

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 Accounting Estimates” of “Section X Financial Report” of this report for details.

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 Accounting Estimates” of “Section X Financial Report” of this report for details.

Criteria for judgment of provision for bad debts accrued individually

Applicable Not applicable

Refer to “11. Financial instruments” in “V. Significant Accounting Policies and Accounting Estimates” of “Section X Financial Report” of this report for details.

15. Other receivables

Applicable Not applicable

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 Accounting Estimates” of “Section X Financial Report” of this report for details.

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 Accounting Estimates” of “Section X Financial Report” of this report for details.

Criteria for judgment of provision for bad debts accrued individually

Applicable Not applicable

Refer to “11. Financial instruments” in “V. Significant Accounting Policies and Accounting Estimates” of “Section X Financial Report” of this report for details.

16. Inventory

Applicable Not applicable

Inventory category, issue valuation method, inventory system, amortization of low-value consumables and packaging materials

Applicable Not applicable

1. Classification of inventories

Inventories include finished goods or commodities held for sale in the ordinary course of business, goods in process during the production, materials and supplies consumed in the course of production and rendering of labor services.

2. Valuation method of delivered inventories

The moving weighted average method is adopted for delivered inventories.

3. Inventory system

The Company adopts a perpetual inventory system.

4. Amortization of low-value consumables and packaging materials

(1) Low-value consumables

Amortization is performed by the immediate write-off method.

(2) Packaging materials

Amortization is performed by the immediate write-off method.

Recognition criteria and accrual methods of inventory depreciation reserves

Applicable Not applicable

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, and provision for inventory depreciation is made based on the difference between a cost and its net realizable value. The net realizable value of inventories directly for sale is determined by the amount of the estimated selling price after deducting the estimated selling expenses and relevant taxes during the ordinary course of production and business; the net realizable value of inventories required to be processed is determined by the amount of the estimated selling price of the finished products after deducting the estimated cost to be incurred to completion, the estimated selling expenses and relevant taxes during the ordinary course of production and business. On the balance sheet date, the net realizable value is determined separately for the two parts of the same inventory with or without contract price, and is compared with the relevant costs to separately determine the amount withdrawn or reversed for provision for inventory depreciation.

Portfolio category and determination basis for accruing inventory depreciation reserves according to portfolios, and determination basis for the net realizable value of different categories of inventories

Applicable Not applicable

Calculation method and determination basis for the net realizable value of each inventory age portfolio based on the inventory 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 (depending on other factors than time) to collect consideration for transferring goods to the customer are presented as contract assets.

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 Accounting Estimates” of “Section X Financial Report” of this report for details.

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 Accounting Estimates” of “Section X Financial Report” of this report for details.

Criteria for judgment of provision for bad debts accrued individually

Applicable Not applicable

Refer to “11. Financial instruments” in “V. Significant Accounting Policies and Accounting Estimates” of “Section X Financial Report” of this report for details.

18. Non-current assets or disposal groups held for sale

Applicable Not applicable

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

Applicable Not applicable

Identification criteria and presentation methods for discontinued operations

Applicable Not applicable

19. Long-term equity investments

Applicable Not applicable

1. Joint control and significant influence criterion

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

2. Determination of investment cost

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

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

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

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

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

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

(3) For cases other than business combination: if it is acquired with cash, the initial investment cost shall be the actual payment. If it is acquired through issuing equity securities, the initial investment cost is the fair value of the equity securities in issue. If it is acquired through debt restructuring, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring*. If it is acquired through the exchange of non-monetary assets, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets*.

3. Subsequent measurement and recognition of profit or loss

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

4. Treatment of step-by-step disposal through several transactions until the loss of control of investment in subsidiaries

(1) Principles for determining whether a transaction is a “package deal”

In the event of a step-by-step disposal of equity investments in subsidiaries through several transactions until the loss of control, the Company determines whether the step-by-step transaction is a “package deal” by taking into account the terms of the transaction agreement for each step of the step-by-step transaction, the disposal consideration obtained, the object of the disposal, the method of disposal, and the point of time of the disposal, among other information. The terms, conditions and economic effects of individual transactions generally indicate that multiple transactions are a “package deal” when one or more of the following conditions are met:

- 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 together with other transactions.

(2) Accounting treatment that is 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 current profit or loss. The accounting of remaining equity is completed by the equity method in case of significant influence on the investee or implementation of joint control with other parties. However, in case of no control, joint control or significant influence on the investee, the accounting of remaining equity must comply with the relevant provisions of the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*.

2) Consolidated financial statements

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

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

(3) Accounting treatment belonging to “package deal”

1) Individual financial statements

Accounting treatment is made by taking each transaction as one transaction disposing the subsidiary and losing the control right. However, the difference between the amount received each time for disposal before the control is lost and the carrying value of the long-term equity investment 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

Accounting treatment is made by taking each transaction as one transaction disposing the subsidiary and losing the control right. However, the difference between the amount received each time for disposal

before the control is lost and the net assets of said subsidiary corresponding to the disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and is transferred to profit or loss of the period during which the control is lost upon loss of control.

20. Investment property

(1). In case of cost measurement model:

Depreciation or amortization method

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

21. Fixed assets

(1). Conditions for recognition

Applicable Not applicable

Fixed assets are tangible assets that are held for the sake of production of goods, rendering of services, lease or business management, with a service life of more than one accounting year. A fixed asset is recognized when related economic benefits are likely to flow into the Company and the cost of this fixed asset can be measured reliably.

(2). Method for depreciation

Applicable Not applicable

Category	Method for depreciation	Useful lives of depreciation (year)	Residual value	Annual depreciation rate
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%	31.67%-9.50%
Transportation vehicles	Straight-line method	5	5%	19.00%

22. Construction in progress

Applicable Not applicable

- Construction in progress is recognized when the following conditions are satisfied at the same time: economic benefits are likely to flow into the Company; and the costs of such construction in progress can be measured reliably. Construction in progress is measured at the actual cost incurred to make the assets ready for their intended use.
- Construction in progress is transferred to fixed assets at the actual cost when it meets the expected condition for service. When construction in progress has achieved serviceable conditions but final

settlement has not been finished yet, it is first transferred to fixed assets as per estimated value. After final settlement is finished, the estimated value is adjusted based on actual cost, but the depreciated amount will not be adjusted.

Category	Standards and timings for converting construction in progress to fixed assets
Dedicated equipment	Meet the design requirements or the standards stipulated in the contract after installation and commissioning
Houses and buildings	When the physical construction has been fully completed or substantially completed and can be put into use

23. Borrowing costs

Applicable Not applicable

1. Criteria for recognition of capitalized borrowing costs

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

2. Capitalization period of borrowing costs

(1) Capitalization of borrowing costs begins when the following three conditions are fully satisfied: 1) expenditures for the assets have been incurred; 2) borrowing costs have been incurred; 3) acquisition and construction or production that are necessary to make the assets ready for the intended use or sale have begun.

(2) Where abnormal interruption of the assets eligible for capitalization occurs during the acquisition and construction or production process and such interruption has lasted for more than 3 consecutive months, the capitalization of borrowing costs is suspended; the borrowing costs during the interruption are recognized as expenses of the current period till resumption of acquisition and construction or production of the assets.

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

3. Capitalization rate and amount of borrowing costs

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

24. Biological assets

Applicable Not applicable

25. Oil and gas assets

Applicable Not applicable

26. Intangible assets**(1). Useful life and the basis for its determination, estimation, amortization methods or review procedures**

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 useful life are amortized systematically and reasonably over their useful 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	Useful life (year)	Determination basis of useful life	Amortization method
Land use rights	40 or 50	Estimated useful life	Straight-line method
Non-patented technologies	5	Estimated useful life	Straight-line method
Office software	3-10	Estimated useful life	Straight-line method
Patent right	5	Estimated useful life	Straight-line method
Customer resources	3	Estimated income life	Straight-line method
Trademark rights	10	Estimated useful life	Straight-line method

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

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 cost

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 repair of instruments and equipment used for R&D activities.

(3) Depreciation expenses and long-term deferred 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 deferred expenses refer to the long-term deferred 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. Expenses incurred during the research phase of internal R&D projects are included in current profit or loss when actually incurred. Expenses incurred during the development phase of internal R&D projects are recognized as intangible assets when all of the following conditions are satisfied: (1) it is technically feasible to complete the intangible assets so that it will be available for use or sale; (2) there is an intention to complete the intangible assets for use or sale; (3) the intangible assets can produce economic benefits, including that there is evidence that the products produced using the intangible assets has a market or the intangible assets itself has a market; if the intangible assets is for internal use, there is evidence that there exists usage for the intangible assets; (4) there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible assets, and there is capability to use or sell the intangible assets; (5) the expenses attributable to the development phase of the intangible assets can be measured reliably.

27. Impairment of long-term assets

Applicable Not applicable

For such long-term assets as long-term equity investment, investment properties measured by the cost model, fixed assets, construction in progress, right-of-use assets and intangible assets with limited useful

life, in case that there are signs indicating impairment on the balance sheet date, the recoverable amount shall be estimated. Whether there is a sign of impairment or not, the goodwill acquired in the business combination and intangible assets with indefinite useful life is tested for impairment each year. The impairment test on goodwill is carried out in combination with its related asset group or asset group portfolio.

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

28. Long-term deferred expenses

Applicable Not applicable

The long-term deferred expenses involve all expenses already paid with amortization period of more than 1 year (excluding 1 year). Long-term deferred expenses are recorded at the actual amount incurred and are amortized equally over the period of benefit or over a specified period. If the long-term deferred expenses cannot provide benefit to future accounting periods, then all of the amortized value of the unamortized long-term deferred expenses are transferred into 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 remuneration

(1). Accounting treatment for short-term remuneration

Applicable Not applicable

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

(2). Accounting treatment for post-employment benefits

Applicable Not applicable

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

(1) During the accounting period when employees provide service for the Company, the amount to be deposited as calculated according to the defined contribution plan shall be recognized as liabilities, and will be included in current profit or loss or the costs of the related assets.

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

1) According to the expected cumulative benefit unit method, the demographic variables, financial variables, etc. shall be estimated through unbiased and mutually consistent actuarial assumption, so as to measure the obligations arising from the defined benefit plan and determine the period of relevant obligations. In addition, the obligations generated from the defined benefit plan shall be discounted, so as to determine the present value of defined benefit plan obligations and current service cost;

2) In case of assets in the defined benefit plan, the deficit or surplus generated from the present value of obligations of the defined benefit plan minus the fair value of the assets of defined benefit plan is recognized as net liabilities or net assets in the defined benefit plan. When the defined benefit plan has a

surplus, the net assets of the defined benefit plan are measured at the lower of the surplus of the defined benefit plan and the asset caps;

3) At the end of the period, the employee remuneration costs generated by the defined benefit plan are recognized as three parts, i.e., service costs, net interest of the net liabilities or net assets of the defined benefit plan, and the changes generated by re-measurement of the net liabilities or net assets of the defined benefit plan, in which the service costs and the net interest of the net liabilities or net assets of the defined benefit plan are included in current profit or loss or the costs of the related assets, and the changes generated by re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income, and cannot be reversed to profit or loss in the subsequent accounting period. However, the amount recognized in other comprehensive income can be transferred within the equity scope.

(3). Accounting treatment for termination benefits

Applicable Not applicable

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

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

Applicable Not applicable

Other long-term employee benefits satisfying the conditions in the defined contribution plan are treated in accounting as stipulated in the defined contribution plan; and other long-term benefits beyond that are treated in accounting as stipulated in the defined contribution plan. In order to simplify related accounting treatment, the generated employee remuneration costs are recognized as the service cost. The total net amount of item composed of the net interest of net liabilities or net assets of other long-term employee benefits and the changes generated from re-measuring net liabilities or net assets of other long-term employee benefits is included in 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 guarantee, lawsuits, product quality assurance and onerous contracts, become the current obligations assumed by the Company, which are determined by the Company as estimated liabilities when their performance is very likely to result in economic benefit outflow from the Company and their amount can be measured reliably.
2. The estimated liabilities are initially measured by the Company based on the optimal estimate to be paid for performing relevant current obligations and their carrying value are reviewed on the balance sheet date.

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 scheme

(1) Equity-settled share-based payments

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

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

(2) Cash-settled share-based payments

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

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

If the modification increases the fair value of the granted equity instruments, the Company recognizes the increase of the acquired services according to the increase of the fair value of the equity instruments. If the modification increases the number of the granted equity instruments, 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 modification decreases the fair value of the granted equity instruments, 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 modification decreases the number of the granted equity instruments, 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. Preference shares, perpetual bonds and other financial instruments

Applicable Not applicable

According to the relevant standards for financial instruments, for financial instruments such as convertible corporate bonds issued, the Company shall classify these financial instruments or their components as financial assets, financial liabilities or equity instruments during initial recognition, based on the contractual terms of the financial instruments issued and the economic substance they reflect, not only in legal form, but in combination with the definitions of financial assets, financial liabilities or equity instruments.

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

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

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

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

2. Revenue measurement principle

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

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

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

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

(2). Different business models for similar businesses involve different revenue recognition and measurement methods

Applicable Not applicable

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

(1) Distribution

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

(2) Direct selling

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

(3) Sales on commission

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

35. Contract cost

Applicable Not applicable

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

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

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

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

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

36. Government grants

Applicable Not applicable

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

2. Basis of determination and accounting treatment for government grants related to assets

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

3. Basis of determination and accounting treatment for government grants related to income

The government grants other than those related to assets are classified as government grants related to income. If it is difficult to distinguish whether the government grants containing both the part related to

assets and the part related to income are related to assets or income, they shall be entirely classified as the government grants related to income. The government grants related to income that are used for compensation for relevant costs or losses in subsequent periods shall be recognized as deferred income, and included in current profit or loss or offset relevant costs in the period in which relevant costs or losses are recognized; those used for compensation for relevant costs or losses that have incurred shall be directly included in current profit or loss or offset relevant costs.

4. The government grants related to daily business activities of the Company shall be included in other income or offset relevant costs according to the nature of the economic business. The government grants unrelated to the daily activities of the Company shall be included in non-operating income and expenses.

37. Deferred income tax assets/liabilities

Applicable Not applicable

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

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

3. If the carrying value of the deferred income tax assets is reviewed on the balance sheet date and it is very likely to not obtain sufficient taxable income in future periods to deduct their benefits, the carrying value of the deferred income tax assets shall be written down. When it is very likely to obtain sufficient taxable income, the amount written down shall be reversed.

4. The current income tax and deferred income tax of the Company are included in current profit or loss as the income tax expense or income, except for the income tax arising from the following circumstances: (1) business combination; (2) transaction or matters recognized directly in the owner's 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 on a net basis; (2) the deferred income 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 income tax assets and liabilities on a net basis, or to acquire the assets and settle the liabilities simultaneously.

38. Lease

Applicable Not applicable

Basis of 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 commencement date of the lease term, the Company recognizes leases with a lease term not exceeding 12 months and no purchase option as short-term leases; leases with low value when individual

leased assets are brand-new assets are recognized as leases of low-value assets. If the Company subleases or is expected to sublease the leased assets, the original lease is not recognized as a lease of low-value assets.

For all short-term leases and leases of low-value assets, the Company records the lease payments in the cost of related assets or the current profit or loss by straight-line method over each period of the lease term.

Except for the above-mentioned short-term leases and leases of low-value assets that adopt simplified treatment, the Company recognizes leases as right-of-use assets and lease liabilities, on the commencement 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 commencement date of the lease term, deducting the amounts related to the lease incentive given if there is a lease incentive; 3) the initial direct costs incurred by the lessee; 4) the estimated costs to be incurred by the lessee to dismantle and remove leased assets, restore the site where the leased assets are located, or restore the leased assets to the condition agreed upon in the lease terms.

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

(2) Lease liabilities

On the commencement 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 current profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are included in current profit or loss when actually incurred.

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

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

Applicable Not applicable

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

(1) Operating lease

During each period of the lease term, the Company recognizes the lease receipts as rental income by the straight-line method, capitalizes the initial direct expenses incurred and amortizes the expenses on the same basis as for rental income recognition, to be included in 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 current profit or loss when actually incurred.

(2) Financial lease

On the commencement 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 commencement date of the lease term discounted at the interest rate implicit in the lease), and derecognizes financial lease assets. During each period of the lease term, the Company calculates and recognizes interest income based on the interest rate implicit in the lease.

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

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Contents and reasons for changes in accounting policies	Name of statement item affected significantly	Affected amount
Since January 1, 2024, the Company has implemented the provisions on "Classification of Current and Non-current Liabilities" in the <i>Interpretation No. 17 of the Accounting Standards for Business Enterprise</i> issued by the Ministry of Finance.	The change of accounting policy has no impact on the Company's financial statements	0.00
Since January 1, 2024, the Company has implemented the provisions on "Disclosure of	The change of accounting policy has no impact on the Company's	0.00

Supplier Financing Arrangements” in the <i>Interpretation No. 17 of the Accounting Standards for Business Enterprise</i> issued by the Ministry of Finance.	financial statements	
Since January 1, 2024, the Company has implemented the provisions on “Accounting Treatment of Sale and Leaseback Transactions” in the <i>Interpretation No. 17 of the Accounting Standards for Business Enterprise</i> issued by the Ministry of Finance.	The change of accounting policy has no impact on the Company's financial statements	0.00

Other explanations

None

(2). Changes in significant accounting estimates

Applicable Not applicable

(3). Adjustments to financial report at the beginning of the year relating to the initial adoption of the new accounting standards or interpretation of standards since 2024

Applicable Not applicable

41. Others

Applicable Not applicable

VI. Taxes

1. Major tax types and tax rates

Particulars on major tax types and tax rates

Applicable Not applicable

Tax type	Taxing basis	Tax rate
Value-added tax (VAT)	The output tax is calculated on the basis of the income from sales of products and taxable income from rendering of services calculated according to the provisions of 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	Actual turnover tax paid	7%, 5%

tax		
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
Hangzhou Proya Trade Co., Ltd.	25
Anya (Huzhou) Cosmetics Co., Ltd.	25
Yueqing Laiya Trading Co., Ltd.	25
Mijing Siyu (Hangzhou) Cosmetics Co., Ltd.	25
Zhejiang Meiligu Electronic Commerce Co., Ltd.	25
Huzhou Chuangdai E-commerce Co., Ltd.	25
Hangzhou CORRECTORS Trade Co., Ltd.	25
Hapsode (Hangzhou) Cosmetics Co., Ltd.	25
Huzhou Hapsode Trading Co., Ltd.	25
Ningbo TIMAGE Cosmetics Co., Ltd.	25
Zhejiang Beauty Cosmetics Co., Ltd.	25
Ningbo Tangyu Trading Co., Ltd.	25
Proya (Zhejiang) Cosmetics Co., Ltd.	25
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
OR Off&Relax	Relevant taxes are calculated and paid according to

	local tax regulations in Japan
PROYA PTE. LTD	Relevant taxes are calculated and paid according to local tax regulations in Singapore
PROYA BEAUTY MALAYSIA SDH. BHD.	Relevant taxes are calculated and paid according to local tax regulations in Malaysia
Proya EUROPE SAS	Relevant taxes are calculated and paid according to local tax regulations in France
Tax payers other than the above	20

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 enterprise 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 Micro and Small Enterprises (Announcement No. 13 [2022] of the Ministry of Finance and the State Taxation Administration) and the Announcement on Preferential Policies of Income Tax for Micro and Small Enterprises and Individual Industrial and Commercial Households (Announcement No. 6 [2023] of the Ministry of Finance and the State Taxation Administration), the subsidiaries Huzhou Niuke Technology Co., Ltd., Xuzhou Laibo Information Technology Co., Ltd., Ningbo Jingzhe Cosmetics Co., Ltd., and Hangzhou Weiluke 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 on Further Implementing the “Six Taxes and Two Fees” Reduction and Exemption Policies for Micro and Small Enterprises (Announcement No. 10 [2022] of the Ministry of Finance and the State Taxation Administration), the subsidiaries Huzhou UZERO Trading Co., Ltd., Huzhou Keyan Trading Co., Ltd., Hangzhou Proya Commercial Management Co., Ltd., and Hangzhou TIMAGE Cosmetics Co., Ltd. meet the tax standards for small and low-profit enterprises or small-scale VAT taxpayers. Thus, urban maintenance and construction tax, property tax, urban land use tax, stamp tax (excluding securities trading stamp tax), farmland occupation tax, education surcharges, or surcharges for local education shall be subject to the reduced tax rate of 50% or less.

According to the Announcement on Exempting Small-Scale Value-Added Tax Taxpayers from Value-Added Tax (Announcement No. 19 [2023] of the Ministry of Finance and the State Taxation Administration), the subsidiaries Hangzhou Tielexin Aini Catering Management Co., Ltd. and Hangzhou Luxiaotie Fitness Co., Ltd. meet the tax conditions of small-scale VAT taxpayers. Thus, small-scale VAT taxpayers are exempted from VAT if their monthly sales are less than RMB100,000 (inclusive), and taxable sales income subject to a 3% levy rate is reduced by 1% levy rate to levy VAT.

According to the Circular of the Ministry of Finance, and the State Taxation Administration on the Taxation Policy for Cross-border E-commerce Retail Exports (Cai Shui (2013) No. 96), the subsidiaries Hangzhou TIMAGE Cosmetics Co., Ltd. and Hangzhou Oumisi Trading Co., Ltd. meet the

policy conditions for VAT and consumption tax refund (exemption) on export goods for e-commerce exporters, and are eligible to enjoy VAT and consumption tax refund (exemption).

3. Others

Applicable Not applicable

VII. Notes to the Items in Consolidated Financial Statements**1. Monetary capital**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	27,735.67	29,332.00
Cash at bank	3,996,134,295.71	3,783,575,412.37
Other monetary capital	56,638,759.52	227,480,813.70
Deposits with finance companies		
Total	4,052,800,790.90	4,011,085,558.07
Of which: Total cash deposited outside China	90,724,146.54	79,895,831.50

Other explanations

At the end of the period, bank deposits subject to restricted use included the fixed-term deposit of RMB30,000,000.00, the transformer fixed-term deposit of RMB250,000.00, and the L/C deposit of RMB8,800,000.00, the ETC vehicle deposit of RMB70,000.00, the Pinduoduo deposit of RMB5,540,922.50, and the Tmall and Alipay deposits of RMB2,553,262.81 in other monetary capital.

At the beginning 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, the 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.

2. Financial assets held for tradingApplicable 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 classification of bad debt provisions

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 provision 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 provision 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). Information on notes receivable actually written off in the current period

Applicable Not applicable

Wherein, information on 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	Closing book balance	Opening book balance
Within 1 year		
Including: Sub-items within 1 year		
Within 1 year	402,151,155.98	361,290,118.83
Subtotal within 1 year	402,151,155.98	361,290,118.83
1-2 years	1,096,907.60	1,358,203.20
2-3 years	1,033,446.15	787,682.79
Above 3 years	10,222,217.42	12,055,855.34
3-4 years		
4-5 years		
Above 5 years		
Total	414,503,727.15	375,491,860.16

(2). Disclosed by classification of bad debt provisions

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued individually	6,674,759.71	1.61	6,674,759.71	100.00		8,401,266.23	2.24	8,401,266.23	100.00	
Including:										
Provision for bad debts accrued individually	6,674,759.71	1.61	6,674,759.71	100.00		8,401,266.23	2.24	8,401,266.23	100.00	
Provision for bad debts accrued by portfolio	407,828,967.44	98.39	24,506,630.41	6.01	383,322,337.03	367,090,593.93	97.76	22,520,397.39	6.13	344,570,196.54
Including:										
Aging portfolio	407,828,967.44	98.39	24,506,630.41	6.01	383,322,337.03	367,090,593.93	97.76	22,520,397.39	6.13	344,570,196.54
Total	414,503,727.15	/	31,181,390.12	/	383,322,337.03	375,491,860.16	/	30,921,663.62	/	344,570,196.54

Provision for bad debts accrued individually:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Closing balance			
	Book balance	Provision for bad debts	Provision ratio (%)	Reason for provision
Provision for bad debts accrued individually	6,674,759.71	6,674,759.71	100.00	Expected to be unrecoverable
Total	6,674,759.71	6,674,759.71	100.00	/

Explanation on provision for bad debts by item:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

Provision by portfolio: aging portfolio

Unit: Yuan Currency: RMB

Name	Closing balance		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Account age portfolio	407,828,967.44	24,506,630.41	6.01
Total	407,828,967.44	24,506,630.41	6.01

Explanation on provision for bad debts accrued by portfolio:

Applicable Not applicable

Account age	Closing amount		
	Book balance	Provision for bad debts	Provision ratio (%)
Within 1 year	402,151,155.98	20,107,557.80	5.00
1-2 years	1,094,341.19	328,302.36	30.00
2-3 years	1,025,400.05	512,700.03	50.00
Above 3 years	3,558,070.22	3,558,070.22	100.00
Subtotal	407,828,967.44	24,506,630.41	6.01

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

Applicable Not applicable

Classification basis and provision 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 provision for bad debts√Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of changes in the current period				Closing balance
		Provision	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued individually	8,401,266.23	-43,206.74		1,683,299.78		6,674,759.71
Provision for bad debts accrued by portfolio	22,520,397.39	2,503,334.91		517,101.89		24,506,630.41
Total	30,921,663.62	2,460,128.17		2,200,401.67		31,181,390.12

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

Applicable Not applicable

Other explanations:

None

(4). Information on 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	2,200,401.67

Among them, significant accounts receivable that are written off

Applicable Not applicable

Explanation on the write-off of the accounts receivable:

Applicable Not applicable

(5). Information on accounts receivable and contract assets of the top five closing balances collected by debtor

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Company name	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion of total closing balance of accounts receivable and contract assets (%)	Closing balance of provision for bad debts
Beijing Jingdong Century Trading Co., Ltd.	325,159,144.36		325,159,144.36	78.45	16,257,957.22
Vipshop (China) Co., Ltd.	43,362,762.04		43,362,762.04	10.46	2,168,138.10
Zhejiang Haochao Network Technology Co., Ltd.	8,868,799.73		8,868,799.73	2.14	443,439.99
BOTANIERA (Hangzhou) Health Technology Co., Ltd.	4,226,414.46		4,226,414.46	1.02	211,320.72
Hangzhou Zhishang Technology Co., Ltd.	4,211,104.29		4,211,104.29	1.02	305,432.53
Total	385,828,224.88		385,828,224.88	93.09	19,386,288.56

Other explanations

None

Other explanations:

□Applicable √Not applicable

6. Contract assets**(1). Information on 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 classification of bad debt provisions

□Applicable √Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts by item:

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 provision 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). Information on 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). Information on contract assets actually written off in the current period

Applicable Not applicable

Wherein, information on 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. Receivables financing**(1). Presentation of receivable financing by category**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	3,695,843.86	7,378,700.06
Total	3,695,843.86	7,378,700.06

(2). Receivable financing pledged by the Company at the end of the periodApplicable 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	Recognized amount terminated at the end of the period	Recognized amount not terminated at the end of the period
Bank acceptance bills	3,317,243.57	
Total	3,317,243.57	

(4). Disclosed by classification of bad debt provisions√Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued individually										
Including:										
Provision for bad debts accrued by portfolio	3,695,843.86	100.00			3,695,843.86	7,378,700.06	100.00			7,378,700.06
Including:										
Bank acceptance bills	3,695,843.86	100.00			3,695,843.86	7,378,700.06	100.00			7,378,700.06
Total	3,695,843.86	/		/	3,695,843.86	7,378,700.06	/		/	7,378,700.06

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts by item:

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 provision 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 provision 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). Information on 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:

Applicable Not applicable

(7). Information on 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	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	252,004,694.35	98.47	200,521,100.41	98.84
1-2 years	3,445,144.45	1.35	1,427,668.59	0.70
2-3 years	307,256.02	0.12	383,035.66	0.19
Above 3 years	162,089.27	0.06	538,390.92	0.27
Total	255,919,184.09	100.00	202,870,195.58	100.00

Explanation on reasons why prepayments aged over one year and a significant amount are not settled in time:

None

(2). Information on prepayments of the top five closing balances collected by prepaid objects√Applicable Not applicable

Company name	Book balance	Ratio of balance of prepayment (%)
Wuhan Juliang Xingtou Technology Co., Ltd.	33,179,473.96	12.96
Hangzhou Alimama Software Service Co., Ltd.	30,343,105.11	11.86
Shanghai Vision Star Co., Ltd.	29,641,409.97	11.58
Shanghai Zhuiji Information Technology Co., Ltd.	25,566,592.57	9.99
Guangxi Jingdong Qingchuan E-commerce Co., Ltd.	21,467,458.49	8.39
Total	140,198,040.10	54.78

Other explanations

Applicable Not applicable

9. Other receivables**Presentation by item**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	13,836,491.18	81,966,213.90
Total	13,836,491.18	81,966,213.90

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 classification of bad debt provisions**Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts by item:

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**(5). Information on provision 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). Information on interest receivable actually written off in the current period

Applicable Not applicable

Among them, information on interest receivable significantly written off

Applicable Not applicable

Explanation on write-off:

Applicable Not applicable

Other explanations:

Applicable Not applicable

Dividends receivable

(1). Dividends receivable

Applicable Not applicable

(2). Important dividends receivable aged over one year

Applicable Not applicable

(3). Disclosed by classification of bad debt provisions

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts by item:

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

(5). Information on provision 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). Information on dividends receivable actually written off in the current period

Applicable Not applicable

Among them, information on dividends receivable significantly written off

Applicable Not applicable

Explanation on write-off:

Applicable Not applicable

Other explanations:

Applicable Not applicable

Other receivables**(1). Disclosed by account age**

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Closing book balance	Opening book balance
Within 1 year		
Including: Sub-items within 1 year		
Within 1 year	14,006,095.31	83,104,304.36
Subtotal within 1 year	14,006,095.31	83,104,304.36
1-2 years	658,726.31	3,463,981.21
2-3 years	139,184.44	5,143,264.28
Above 3 years	32,179,244.59	28,159,425.53
3-4 years		
4-5 years		
Above 5 years		
Total	46,983,250.65	119,870,975.38

(2). Information on classification by nature of payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Closing book balance	Opening book balance
Security deposits	9,410,169.46	10,750,199.61
Suspense payment receivables	34,955,576.08	105,147,206.95
Reserve funds	754,889.89	620,596.53
Temporary loans		3,000,000.00
Others	1,862,615.22	352,972.29
Total	46,983,250.65	119,870,975.38

(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 occurred)	
Balance as of January 1, 2024	4,155,215.19	1,039,194.36	32,710,351.93	37,904,761.48
Balance as of January 1, 2024 in the current period				
– Transferred into the second stage	-32,446.96	32,446.96		
– Transferred into the third stage		-244,112.68	244,112.68	
– Transferred back to the second stage				
– Transferred back to the first stage				
Amount accrued in the current period	-3,422,463.46	-560,318.53	-775,220.02	-4,758,002.01
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 June 30, 2024	700,304.77	267,210.11	32,179,244.59	33,146,759.47

Classification basis and provision 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 provision for bad debts

Applicable Not applicable

Unit: Yuan

Currency: RMB

Category	Opening balance	Amount of changes in the current period				Closing balance
		Provision	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued individually	26,204,225.55	-287,151.76				25,917,073.79
Provision for bad debts accrued by portfolio	11,700,535.93	-4,470,850.25				7,229,685.68
Total	37,904,761.48	-4,758,002.01				33,146,759.47

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

Applicable Not applicable

Other explanations

None

(5). Information on other receivables actually written-off in the current period

Applicable Not applicable

Among them, information on write-off of other important receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

(6). Information on other receivables of the top five closing balances collected by debtor

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Company name	Closing balance	As a proportion of total closing balance in other receivables (%)	Nature of payment	Account age	Closing balance of provision for bad debts
EURL PHARMATICA	18,084,211.41	38.49	Suspense payment receivables	Above 3 years	18,084,211.41
SIKEROM EURPOE GMBH	7,832,862.38	16.67	Suspense payment receivables	Above 3 years	7,832,862.38
Beijing Youzhuju Network Technology Co., Ltd.	6,749,586.04	14.37	Suspense payment receivables	Within 1 year	337,479.30
Hangzhou Property Maintenance Fund Management Center	4,708,614.72	10.02	Security deposits	Above 3 years	4,708,614.72
Vipshop (China) Co., Ltd.	2,000,000.00	4.26	Security deposits	Within 1 year	100,000.00
Total	39,375,274.55	83.81	/	/	31,063,167.81

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

□Applicable √Not applicable

Other explanations:

□Applicable √Not applicable

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

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for devaluation of inventories/Impairment provision of contract performance cost	Carrying value	Book balance	Provision for devaluation of inventories/Impairment provision of contract performance cost	Carrying value
Raw materials	69,791,806.37	10,759,173.61	59,032,632.76	64,320,795.95	10,411,607.57	53,909,188.38
Packaging	40,751,775.87	2,776,330.68	37,975,445.19	54,811,928.32	4,460,418.42	50,351,509.90
Goods in process	19,500,750.41	1,862,020.25	17,638,730.16	22,883,723.89	252,167.47	22,631,556.42
Outsourcing gifts	29,734,356.70	1,311,338.01	28,423,018.69	22,364,071.52	171,660.98	22,192,410.54
Inventory commodities	719,991,150.75	84,589,691.02	635,401,459.73	725,768,386.69	88,209,742.39	637,558,644.30
Turnover materials						
Consumable biological assets						
Contract performance cost						
Low-value consumables	19,748,155.93	678,294.23	19,069,861.70	10,957,787.46	385,941.32	10,571,846.14
Total	899,517,996.03	101,976,847.80	797,541,148.23	901,106,693.83	103,891,538.15	797,215,155.68

(2). Data resources recognized as inventory

□Applicable √Not applicable

(3). 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		Closing balance
		Provision	Others	Write-back or charge-off	Others	
Raw materials	10,411,607.57	844,086.27		496,520.23		10,759,173.61
Packaging	4,460,418.42	536,823.37		2,220,911.11		2,776,330.68
Goods in process	252,167.47	1,767,777.30		157,924.52		1,862,020.25
Outsourcing gifts	171,660.98	1,610,053.81		470,376.78		1,311,338.01
Inventory commodities	88,209,742.39	27,200,269.01		30,820,320.38		84,589,691.02
Turnover materials						
Consumable biological assets						
Contract performance cost						
Low-value consumables	385,941.32	458,506.27		166,153.36		678,294.23
Total	103,891,538.15	32,417,516.03		34,332,206.38		101,976,847.80

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

(4). Capitalized amount of borrowing expenses included in closing balance of inventories and its calculation standard and basis

Applicable Not applicable

(5). Explanation on current amortization amount of contract performance cost

Applicable Not applicable

Other explanations:

Applicable Not applicable

11. Assets held for sale

Applicable Not applicable

12. Non-current assets due within one year

Applicable Not applicable

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	Closing balance	Opening balance
Contract acquisition cost		
Return cost receivable	9,831,666.11	9,190,580.83
Input VAT to be deducted	54,842,290.06	90,306,570.44
Advance payment of taxes	887,847.98	267,921.80
Total	65,561,804.15	99,765,073.07

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 provision 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:

None

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

(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 classification of bad debt provisions

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts by item:

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

(3) Information on provision 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

(4) 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 write-off:

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	Changes in the current period								Closing balance	Closing balance of provision for impairment
		Additional investment	Investment decrease	Recognized investment gain and loss under the equity method	Other comprehensive income adjustments	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Others		
I. Joint Venture											
Huzhou Panrui Industry Investment Partnership (Limited Partnership)	3,059,991.91			-6,059.09						3,053,932.82	
Subtotal	3,059,991.91			-6,059.09						3,053,932.82	
II. Associates											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,617,834.89			-13,338.97						2,604,495.92	
Jiaxing Woyong Investment Partnership (Limited Partnership)	100,964.443.84			-784,658.16						100,179,785.68	
Zhuhai Haishilong Biotechnology Co., Ltd.	2,401,207.78			-1,179,976.41						1,221,231.37	81,442,213.22
Beijing Xiushi Cultural Development Co., Ltd.	4,530,680.07			-169,631.11						4,361,048.96	
Subtotal	110,514,166.58			-2,147,604.65						108,366,561.93	81,442,213.22
Total	113,574,158.49			-2,153,663.74						111,420,494.75	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	Changes in the current period					Closing balance	Dividend income recognized in the current period	Accumulated gains recognized in other comprehensive income	Accumulated losses recognized in other comprehensive income	Reason for designation 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	Others					
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.	51,258,000.00						51,258,000.00			-38,742,000.00	Refer to “Other explanations”
Total	107,660,400.00						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

20. Investment property

Measurement mode of investment property

(1). Investment property 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. Opening balance	78,781,143.26			78,781,143.26
2. Amount increased in the current period				
(1) Outsourcing				
(2) Transfer-in of inventories, fixed assets, or construction in process				
(3) Increase due to business combination				
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	78,781,143.26			78,781,143.26
II. Accumulated depreciation and amortization				
1. Opening balance	12,624,671.35			12,624,671.35
2. Amount increased in the current period	916,559.00			916,559.00
(1) Provision or amortization	916,559.00			916,559.00
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	13,541,230.35			13,541,230.35
III. Impairment provision				
1. Opening balance				
2. Amount increased in the current period				
(1) Provision				
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Carrying value				
1. Closing book value	65,239,912.91			65,239,912.91

2. Opening carrying value	66,156,471.91			66,156,471.91
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(2). Information on investment property with pending property right certificate:

Applicable Not applicable

(3). Information on impairment testing of investment property 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	Closing balance	Opening balance
Fixed assets	825,874,380.92	827,350,985.29
Disposal of fixed assets		
Total	825,874,380.92	827,350,985.29

Other explanations:

None

Fixed assets**(1). Information on fixed assets**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Houses and buildings	General equipment	Dedicated equipment	Transportation vehicles	Total
I. Original carrying value:					
1. Opening balance	741,705,056.99	87,185,816.55	341,968,417.89	26,111,311.37	1,196,970,602.80
2. Amount increased in the current period	2,232,250.01	2,722,565.38	27,516,911.39	2,892,852.97	35,364,579.75
(1) Purchase	692,037.22	1,586,682.25	2,671,342.81	2,234,065.36	7,184,127.64
(2) Transfer-in of construction in process	1,540,212.79	1,135,883.13	24,845,568.58	658,787.61	28,180,452.11
(3) Increase due to business combination					
3. Amount decreased in the current period	262,000.00	875,044.44	6,482,441.86	2,366,008.87	9,985,495.17

(1) Disposal or scrapping	262,000.00	875,044.44	6,482,441.86	2,366,008.87	9,985,495.17
4. Closing balance	743,675,307.00	89,033,337.49	363,002,887.42	26,638,155.47	1,222,349,687.38
II. Accumulated depreciation					
1. Opening balance	149,100,164.07	51,823,325.01	148,111,236.39	19,247,359.78	368,282,085.25
2. Amount increased in the current period	14,182,369.94	3,792,921.00	14,690,175.13	1,847,851.15	34,513,317.22
(1) Provision	14,182,369.94	3,792,921.00	14,690,175.13	1,847,851.15	34,513,317.22
3. Amount decreased in the current period	248,900.00	825,684.71	5,944,342.01	638,701.55	7,657,628.27
(1) Disposal or scrapping	248,900.00	825,684.71	5,944,342.01	638,701.55	7,657,628.27
4. Closing balance	163,033,634.01	54,790,561.30	156,857,069.51	20,456,509.38	395,137,774.20
III. Impairment provision					
1. Opening balance			1,337,532.26		1,337,532.26
2. Amount increased in the current period					
(1) Provision					
3. Amount decreased in the current period					
(1) Disposal or scrapping					
4. Closing balance			1,337,532.26		1,337,532.26
IV. Carrying value					
1. Closing book value	580,641,672.99	34,242,776.19	204,808,285.65	6,181,646.09	825,874,380.92
2. Opening carrying value	592,604,892.92	35,362,491.54	192,519,649.24	6,863,951.59	827,350,985.29

(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 with pending 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	118,431,660.33	The property right certificate is still being processed
Longwu R&D Center	78,066,904.37	The property right certificate is still being processed
Total	196,498,564.70	

(5). Information on impairment testing of fixed assetsApplicable √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	Closing balance	Opening balance
Construction in progress	72,172,878.34	52,038,642.94
Engineering materials		
Total	72,172,878.34	52,038,642.94

Other explanations:

None

Construction in progress**(1). Information on construction in progress**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying value	Book balance	Impairment provision	Carrying value
Huzhou Production Base Expansion Project (Phase I)	45,604,574.07		45,604,574.07	24,853,830.82		24,853,830.82

Longwu R&D Center Construction Project	4,627,838.83		4,627,838.83	8,377,199.03		8,377,199.03
Decoration engineering	5,890,607.33		5,890,607.33	4,759,533.93		4,759,533.93
Information System Upgrade Project	10,029,833.75		10,029,833.75	8,545,628.83		8,545,628.83
Other sporadic projects	6,020,024.36		6,020,024.36	5,502,450.33		5,502,450.33
Total	72,172,878.34		72,172,878.34	52,038,642.94		52,038,642.94

(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	Closing balance	Proportion of accumulated project investment to budget (%)	Progress of project	Accumulated amount of interest capitalization	Including: Amount of interest capitalization in the current period	Interest capitalization rate in the current period (%)	Source of funds
Huzhou Production Base Expansion Project (Phase I)	RMB416.78 million	24,853,830.82	40,601,886.97	15,208,973.30	4,642,170.42	45,604,574.07	70.89	70.89	22,835,277.15	7,223,424.01	4.57	Raised funds and self-owned funds
Longwu R&D Center Construction Project	RMB128.61 million	8,377,199.03	1,386,496.50	5,034,232.82	101,623.88	4,627,838.83	97.45	100.00	14,857,625.44			Raised funds and self-owned funds
Information System Upgrade Project	RMB112.40 million	8,545,628.83	3,382,261.74	254,715.05	1,643,341.77	10,029,833.75	16.55	16.55	7,042,186.20	1,704,052.18	4.57	Raised funds and self-owned funds
Total	RMB657.79 million	41,776,658.68	45,370,645.21	20,497,921.17	6,387,136.07	60,262,246.65	/	/	44,735,088.79	8,927,476.19	/	/

(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

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 measurement 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. Opening balance	19,640,777.98	19,640,777.98
2. Amount increased in the current period	6,207,585.50	6,207,585.50
1) Lease-in	6,207,585.50	6,207,585.50
3. Amount decreased in the current period		
4. Closing balance	25,848,363.48	25,848,363.48
II. Accumulated depreciation		
1. Opening balance	5,535,956.64	5,535,956.64
2. Amount increased in the current period	3,316,453.06	3,316,453.06
(1) Provision	3,316,453.06	3,316,453.06

3. Amount decreased in the current period		
(1) Disposal		
4. Closing balance	8,852,409.70	8,852,409.70
III. Impairment provision		
1. Opening balance		
2. Amount increased in the current period		
(1) Provision		
3. Amount decreased in the current period		
(1) Disposal		
4. Closing balance		
IV. Carrying value		
1. Closing book value	16,995,953.78	16,995,953.78
2. Opening carrying value	14,104,821.34	14,104,821.34

(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. Opening balance	472,400.13 0.10	27,171,790.13	471,089.70	563,293.07	12,833,684.00	39,897,000.00	553,336,987.00
2. Amount increased in the current period		1,888,140.42					1,888,140.42
(1) Purchase		441,686.87					441,686.87
(2) Transfer from construction in process		1,446,453.55					1,446,453.55
(3) Increase due to business combination							
3. Amount							

decreased in the current period							
(1) Disposal							
4. Closing balance	472,400,13 0.10	29,059,93 0.55	471,089.7 0	563,293.07	12,833,684. 00	39,897,000. 00	555,225,127 .42
II. Accumulated amortization							
1. Opening balance	104,228,44 9.37	24,273,98 1.82	436,627.4 4	545,786.51	12,833,684. 00	6,330,448.7 0	148,648,977 .84
2. Amount increased in the current period	5,914,333. 18	1,051,889. 39	6,290.40			1,994,850.0 0	8,967,362.9 7
(1) Provision	5,914,333. 18	1,051,889. 39	6,290.40			1,994,850.0 0	8,967,362.9 7
3. Amount decreased in the current period							
(1) Disposal							
4. Closing balance	110,142,78 2.55	25,325,87 1.21	442,917.8 4	545,786.51	12,833,684. 00	8,325,298.7 0	157,616,340 .81
III. Impairment provision							
1. Opening balance							
2. Amount increased in the current period							
(1) Provision							
3. Amount decreased in the current period							
(1) Disposal							
4. Closing balance							
IV. Carrying value							
1. Closing book value	362,257,34 7.55	3,734,059. 34	28,171.86	17,506.56		31,571,701. 30	397,608,786 .61
2. Opening carrying value	368,171,68 0.73	2,897,808. 31	34,462.26	17,506.56		33,566,551. 30	404,688,009 .16

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). Data resources recognized as intangible assets

Applicable Not applicable

(3). Information on land use rights without the property right certificate

Applicable Not applicable

(4). 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 deferred expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increased amount in the current period	Amortized amount in the current period	Other decreased amount	Closing balance
Renovation costs	65,851,266.83	9,157,367.36	8,844,980.76		66,163,653.43
Software service fees	1,333,062.00		333,265.50		999,796.50
Total	67,184,328.83	9,157,367.36	9,178,246.26		67,163,449.93

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	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for bad debts of accounts receivable	13,107,583.86	2,888,336.47	22,142,965.55	5,533,579.62
Provision for devaluation of inventories	77,086,572.32	15,257,404.90	82,737,837.07	15,220,065.94
Impact of share-based payments	39,301,124.41	7,506,279.60	31,715,129.69	5,935,847.80
Unrealized profit from internal transactions	269,742,266.66	54,209,602.46	159,567,947.59	39,891,986.91
Unused membership points	92,713,129.39	23,178,282.35	127,713,129.39	31,928,282.35

Government grants pertinent to assets	6,865,620.53	1,029,843.08	6,383,359.33	957,503.90
Anticipated return losses	17,393,403.14	3,653,342.09	6,686,117.43	1,671,529.37
Estimated unused gifts for sold products			50,074,244.87	12,518,561.21
Interest expenses on convertible bonds	8,654,179.67	1,298,126.95	1,321,312.76	198,196.91
Lease expenses	16,294,587.89	2,537,259.67	13,940,366.98	2,139,203.47
Advertising and business promotion expenses	12,000,000.00	3,000,000.00	10,339,382.64	2,584,845.66
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	38,742,000.00	5,811,300.00
Total	591,900,467.87	120,369,777.57	565,815,715.45	127,305,749.23

(2). Deferred income tax liabilities without offset

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Asset assessment appreciation in businesses consolidation not 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	110,300,243.62	16,649,225.12
Deferred income tax recognized on right-of-use assets	16,269,471.17	2,938,761.98	14,104,821.34	2,162,159.51
Total	126,569,714.79	19,587,987.10	124,405,064.96	18,811,384.63

(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	Closing 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	19,587,987.10	100,781,790.47	18,811,384.63	
Deferred income tax liabilities	19,587,987.10		18,811,384.63	

(4). Details of unrecognized deferred income tax assets

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	248,027,591.67	200,424,961.81
Deductible losses	408,161,924.03	414,387,984.35
Total	656,189,515.70	614,812,946.16

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

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Year	Closing balance	Opening balance	Remarks
2024	59,874,593.56	71,058,103.62	
2025	61,988,298.67	61,988,728.89	
2026	52,929,357.54	53,623,347.32	
2027	118,228,015.33	127,093,665.49	
2028	100,624,139.03	100,624,139.03	
January - June 2029	14,517,519.90		
Total	408,161,924.03	414,387,984.35	/

Other explanations:

□Applicable √Not applicable

30. Other non-current assets

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment	Carrying	Book balance	Impairment	Carrying

		provision	value		provision	value
Contract acquisition cost						
Contract performance cost						
Return cost receivable						
Contract assets						
Funds prepaid for purchase of long-term assets	16,574,578.53		16,574,578.53	8,775,522.84		8,775,522.84
Other long-term assets	8,692,504.15		8,692,504.15	8,199,424.15		8,199,424.15
Total	25,267,082.68		25,267,082.68	16,974,946.99		16,974,946.99

Other explanations:

None

31. Assets with limited ownership or use rights

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing				Opening			
	Book balance	Carrying value	Type of restrictions	Description of restrictions	Book balance	Carrying value	Type of restrictions	Description of restrictions
Monetary capital	47,214,185.31	47,214,185.31	Others	Note 1	351,817,846.04	351,817,846.04	Others	Note 2
Notes receivable								
Inventory								
Including: Data resources								
Fixed assets								
Intangible assets								
Including: Data resources								
Total	47,214,185.31	47,214,185.31	/	/	351,817,846.04	351,817,846.04	/	/

Note 1: It includes fixed-term deposits of RMB30,000,000.00 that cannot be withdrawn at any time, and frozen monetary capital of RMB17,214,185.31, 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 RMB5,540,922.50, and the direct-sales store deposit of RMB2,553,262.81.

Note 2: It includes fixed-term deposits of RMB335,288,251.36 that cannot be withdrawn at any time, and frozen monetary capital 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.

Other explanations:

None

32. Short-term borrowings

(1). Classification of short-term borrowings

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Pledged borrowings		
Mortgaged borrowings		
Guaranteed borrowings		
Credit loans	200,155,555.56	200,155,555.56
Total	200,155,555.56	200,155,555.56

Explanation on classification of short-term borrowings:

None

(2). Information on overdue but yet unrepaid short-term borrowings

Applicable Not applicable

Other explanations:

Applicable Not applicable

33. Financial liabilities held for trading

Applicable Not applicable

Other explanations:

Applicable Not applicable

34. Derivative financial liabilities

Applicable Not applicable

35. Notes payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Closing balance	Opening balance
Commercial acceptance bills		
Bank acceptance bills		36,959,074.14
Total		36,959,074.14

The amount of notes payable due and unpaid at the end of the 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	Closing balance	Opening balance
Payment for goods	603,767,792.09	524,325,866.69
Expenses	419,159,565.79	422,130,510.68
Payment for acquisition of long-term assets	38,745,200.22	72,065,981.23
Total	1,061,672,558.10	1,018,522,358.60

(2). Important accounts payable aged over 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	Closing balance	Opening balance
Rents receivable in advance	152,319.76	30,514.45
Total	152,319.76	30,514.45

(2). Important receipts in advance aged over 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	Closing balance	Opening balance
Advance receipt of payment for goods	142,044,740.50	116,005,079.06
Unused membership points	100,764,566.25	134,935,549.65
Unused gifts for sold products		50,074,244.87
Total	242,809,306.75	301,014,873.58

(2). Important contract liabilities aged over one yearApplicable √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 benefits payable****(1). Presentation of employee benefits payable**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term compensation	164,821,126.73	352,420,473.70	421,243,404.50	95,998,195.93
II. Post-employment benefits – Defined contribution plans	984,404.74	14,377,449.66	13,285,239.85	2,076,614.55
III. Dismissal benefits	638,962.96		554,782.90	84,180.06
IV. Other benefits due within one year				
Total	166,444,494.43	366,797,923.36	435,083,427.25	98,158,990.54

(2). Presentation of short-term compensation√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Salaries, bonuses, allowances and subsidies	162,178,043.80	318,523,164.31	386,019,856.74	94,681,351.37

II. Welfare expense of employees		15,069,347.76	15,062,656.20	6,691.56
III. Social insurance premium	2,174,614.64	8,360,886.02	9,327,891.66	1,207,609.00
Including: Medical insurance premium	2,138,801.17	7,853,821.14	8,858,251.49	1,134,370.82
Work-related injury insurance premium	32,622.55	493,421.88	454,776.78	71,267.65
Maternity insurance premium	3,190.92	13,643.00	14,863.39	1,970.53
IV. Housing provident fund	468,468.29	8,117,855.00	8,483,779.29	102,544.00
V. Trade union fund and staff education fund		2,349,220.61	2,349,220.61	
VI. Short-term paid leave				
VII. Short-term profit sharing plan				
Total	164,821,126.73	352,420,473.70	421,243,404.50	95,998,195.93

(3). Presentation by defined contribution plan

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	950,995.64	13,827,181.94	12,781,041.24	1,997,136.34
2. Unemployment insurance	33,409.10	550,267.72	504,198.61	79,478.21
3. Enterprise annuity payment				
Total	984,404.74	14,377,449.66	13,285,239.85	2,076,614.55

Other explanations:

□Applicable √Not applicable

40. Taxes payable

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Enterprise income tax	69,154,206.36	127,005,079.31
Value-added tax (VAT)	51,885,239.65	71,556,095.69
Consumption tax		
Income tax		
Urban maintenance and construction tax	8,077,475.10	7,644,618.17

Item	Closing balance	Opening balance
Property tax	2,359,902.73	6,734,175.81
Education surcharge	4,051,808.62	4,287,830.76
Surcharge for local education	2,709,393.93	2,866,440.40
Withholding of personal income tax	12,109,797.82	1,867,193.08
Stamp duties	738,241.65	804,436.72
Total	151,086,065.86	222,765,869.94

Other explanations:

None

41. Other payables

(1). Presentation by item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		
Dividends payable		
Other payables	151,600,173.08	155,345,148.68
Total	151,600,173.08	155,345,148.68

(2). Interest payable

Applicable Not applicable

Dividends payable

Applicable Not applicable

Other payables

(1). Other payables presented by nature of payment

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Security deposits	39,553,436.39	41,092,318.36
Restricted share repurchase obligations	106,078,103.18	107,884,296.66
Others	5,968,633.51	6,368,533.66
Total	151,600,173.08	155,345,148.68

(2). Important other payables aged over one year or overdue

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Reason for failure to repay or carry forward
Restricted share repurchase obligations	106,078,103.18	Restricted share repurchase obligations have not been fulfilled yet
Total	106,078,103.18	/

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	Closing 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	4,561,267.98	3,970,060.11
Total	4,561,267.98	3,970,060.11

Other explanations:

None

44. Other current liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Short-term bonds payable		
Return payment payable		
Tax on items to be resold	18,495,292.07	15,022,173.42
Total	18,495,292.07	15,022,173.42

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	Closing balance	Opening balance
Convertible corporate bonds	770,198,904.64	753,119,902.88
Total	770,198,904.64	753,119,902.88

(2). Specific information on bonds payable: (excluding other financial instruments such as preference shares and perpetual bonds classified as financial liabilities)

Applicable Not applicable

Unit: Yuan Currency: RMB

Bond name	Face value (Yuan)	Coupon rate (%)	Issuance date	Bond period	Issuance amount	Opening balance	Current issuance	Interest accrued by face value	Premium or discount amortization	Current repayment	Closing balance	Default or not
Proya convertible bond	100.00	1.00	December 8, 2021	6 years	751,713,000.00	753,119,902.88		3,734,167.59	13,367,834.17	23,000.00	770,198,904.64	No
Total	/	/	/	/	751,713,000.00	753,119,902.88		3,734,167.59	13,367,834.17	23,000.00	770,198,904.64	/

(3). Explanation on convertible corporate bonds

Applicable Not applicable

Item	Share conversion conditions	Share conversion time
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Proya convertible bond	<p>With the approval of the CSRC, namely, <i>the 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 RMB100.00. The total amount of issuance is RMB751,713,000.00.</p> <p>The coupon rate of the aforesaid convertible corporate bonds is 0.30% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. Annual interest payment dates are anniversaries of the date of initial offering of convertible bonds. The Company will, no later than five trading days after the interest payment 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 face value of the convertible bonds issued that time (including the annual interests of the last tranche).</p> <p>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-rights 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-rights 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.</p> <p>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 <i>Prospectus of Proya Cosmetics Co., Ltd. for Public Issuance of A-share Convertible Corporate Bonds</i> 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 RMB97.35/share, and the adjusted price took effect on June 25, 2024.</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 230 convertible corporate bonds were converted, with an increase of RMB231.00 in capital stock, an increase of RMB3,173.39 in capital reserve (capital stock premium), and a decrease of RMB1,559.11 in other equity instruments.

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

Basic information on other financial instruments such as preference shares and perpetual bonds that are outstanding at the end of the period

Applicable Not applicable

Statement of changes in financial instruments such as preference shares and perpetual bonds that are outstanding at the end of the period

Applicable Not applicable

Explanation on the basis of classifying other financial instruments into financial liabilities

Applicable Not applicable

Other explanations:

Applicable Not applicable

47. Lease liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Payable operating lease payment	13,043,408.26	11,172,403.17
Unrecognized financing expenses	-1,310,088.36	-1,202,096.30
Total	11,733,319.90	9,970,306.87

Other explanations:

None

48. Long-term payables

Presentation by item

Applicable Not applicable

Long-term payables

Applicable Not applicable

Special accounts payable

Applicable Not applicable

49. Long-term employee benefits payable

Applicable Not applicable

50. Estimated liabilities

Applicable Not applicable

Unit: Yuan

Currency: RMB

Item	Opening balance	Closing balance	Cause of formation
Provide external guarantees			
Pending litigations			
Product quality assurance			
Restructuring obligation			
Loss-making contract to be performed			
Return payment payable	33,063,299.45	30,541,670.83	Estimated future potential return losses
Others			
Total	33,063,299.45	30,541,670.83	/

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	Increase in the current period	Decrease in the current period	Closing balance	Cause of formation
Government grants	6,383,359.33	1,000,000.00	517,738.80	6,865,620.53	Government grants
Total	6,383,359.33	1,000,000.00	517,738.80	6,865,620.53	/

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 (+, -)					Closing balance
		Issuance of new shares	Bonus shares	Shares converted from provident fund	Others	Subtotal	
Total shares	396,757,184.00				231.00	231.00	396,757,415.00

Other explanations:

In the current period, a total of 230 convertible corporate bonds were converted, with an increase of RMB231.00 in capital stock, an increase of RMB3,173.39 in capital reserve (capital stock premium), and a decrease of RMB1,559.11 in other equity instruments.

54. Other equity instruments**(1) Basic information on other financial instruments such as preference shares and perpetual bonds that are outstanding at the end of the period**Applicable Not applicable**(2) Statement of changes in financial instruments such as preference shares and perpetual bonds that are outstanding at the end of the period**√Applicable Not applicable

Unit: Yuan Currency: RMB

Outstanding financial instruments	Opening		Increase in the current period		Decrease in the current period		Closing	
	Number	Carrying value	Number	Carrying value	Number	Carrying value	Number	Carrying value
Proya convertible bond	7,507,890	50,893,986.60			230	1,559.11	7,507,660	50,892,427.49
Total	7,507,890	50,893,986.60			230	1,559.11	7,507,660	50,892,427.49

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 RMB1,559.11 due to the current conversion of 230 convertible corporate bonds into shares, with an increase of RMB231.00 in capital stock, an increase of RMB3,173.39 in capital reserve (capital stock premium), and a decrease of RMB1,559.11 in other equity instruments.

55. Capital reserve√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (Equity premium)	783,045,205.98	3,173.39		783,048,379.37
Other capital reserve	81,105,768.45	886,255.50		81,992,023.95
Total	864,150,974.43	889,428.89		865,040,403.32

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

1) Changes in capital premium

The capital premium (equity premium) of the current period increased by RMB3,173.39, which was due to the conversion of convertible corporate bonds in the current period. For details, refer to the particulars contained in “46. Bonds payable”, “VII. Notes to the Items in Consolidated Financial Statements”, “Section X Financial Report” of this Report.

2) Changes in other capital reserves

Other capital reserves of the current period increased by RMB886,255.50, which was due to the restricted stock incentives of RMB886,255.50 recognized under the Equity Incentive Plan and calculated into other capital reserves.

56. Treasury shares√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Restricted shares with repurchase obligation	107,884,296.66		1,369,924.92	106,514,371.74
Share repurchase	39,082,438.95	153,062,220.18		192,144,659.13
Total	146,966,735.61	153,062,220.18	1,369,924.92	298,659,030.87

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

RMB153,062,220.18 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 third session of Board of Directors in December 13, 2023. As of June 30, 2024, the Company had completed the share repurchase. The Company had cumulatively repurchased 2,210,825 shares of the Company through centralized bidding trading, with a total payment of RMB192,115,703.57 (excluding the transaction costs) and the transaction costs of RMB28,955.56.

The treasury stock of the current period decreased by RMB1,369,924.92, which was due to treasury shares offset by cash dividends distributed on restricted shares that were expected to be released from sales restrictions in the future and the corresponding adjustment of other accounts payable.

57. Other comprehensive income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount incurred in the current period						Closing balance
		Amount incurred before income tax in the current period	Less: Included in other comprehensive income for the previous period and transferred in profit or loss for the current period	Less: Included in other comprehensive income for the previous period and transferred in retained earnings for the current period	Less: Income tax expenses	Attributed to parent company after tax	Attributed to minority shareholders after tax	
I. Other comprehensive income that will not be subsequently reclassified into profit and loss	-53,180,700.00							-53,180,700.00
Including: Changes arising from the re-measurement of defined benefit plans								
Other comprehensive income that can't be reversed through profit or loss under the equity method	-20,250,000.00							-20,250,000.00
Changes in the fair value of other equity instrument investments	-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	-666,400.91	-131,551.25				-131,551.25		-797,952.16
Including: Other comprehensive income that can be converted into 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	-666,400.91	-131,551.25				-131,551.25		-797,952.16
Total other comprehensive income	-53,847,100.91	-131,551.25				-131,551.25		-53,978,652.16

Other explanations, including the adjustment of the effective part of cash flow hedging gains and losses into the initially recognized amount of the hedged item:

None

58. Special reserve

Applicable Not applicable

59. Surplus reserve

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Legal surplus reserve	198,411,582.50			198,411,582.50
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Total	198,411,582.50			198,411,582.50

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

None

60. Undistributed profits

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Previous year
Undistributed profits at the end of previous period before adjustment	3,040,145,490.59	2,300,384,763.19
Total undistributed profits at the beginning of the adjustment period (+ for increase, - for decrease)		
Unappropriated earnings at the beginning of the period after adjustment	3,040,145,490.59	2,300,384,763.19
Plus: Net profit attributable to the owner of the parent company in the current period	701,671,374.89	1,193,868,141.81
Less: Withdrawal of statutory surplus reserve		56,651,848.00
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk reserve		
Dividends payable on common stock	358,601,128.34	397,455,566.41
Common stock dividends converted to share capital		
Undistributed profits at the end of the period	3,383,215,737.14	3,040,145,490.59

According to the Resolution of the 2023 Annual General Meeting of Shareholders of the Company, the Company distributed cash dividends of RMB0.91 (tax inclusive) per share to all shareholders based on the total share capital of 394,546,590 after deducting 2,210,825 shares in the Company's special securities account for repurchase from the total share capital of 396,757,415 shares registered on the registration date of dividend-paying equity, totaling RMB359,037,396.90 (tax inclusive).

The difference between common stock dividends payable and actual cash dividends distributed was RMB436,268.56, which was due to other payables offset by cash dividends of RMB436,268.56 distributed on restricted shares that were not expected to be released from sales restrictions in the future.

Details of the adjustment of the undistributed profits at the beginning of the period:

1. The undistributed profits 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 profits affected by the change of accounting policy at the beginning of the period is RMB0.00.
3. The undistributed profits affected by the correction of major accounting errors at the beginning of the period is RMB0.00.

4. The undistributed profits affected by the change of combination scope caused by common control at the beginning of the period is RMB0.00.

5. The undistributed profits affected by other adjustments at the beginning of the period is RMB0.00.

61. Operating revenue and operating costs

(1). Information on operating revenue and operating costs

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	4,994,448,428.25	1,505,899,972.32	3,619,374,788.36	1,061,937,769.29
Other business	7,017,042.47	3,630,522.98	7,617,089.86	7,552,044.64
Total	5,001,465,470.72	1,509,530,495.30	3,626,991,878.22	1,069,489,813.93

(2). Breakdown of operating revenue and operating 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	4,994,448,428.25	1,505,899,972.32	3,619,374,788.36	1,061,937,769.29
Others	4,448,351.74	2,845,660.77	7,617,089.86	7,552,044.64
Subtotal	4,998,896,779.99	1,508,745,633.09	3,626,991,878.22	1,069,489,813.93

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	4,998,208,843.92	3,619,396,232.21
Income recognized in a certain period	687,936.07	7,595,646.01
Subtotal	4,998,896,779.99	3,626,991,878.22

3) Revenue recognized in the current period and included in the opening book value of contract liabilities is RMB301,014,873.58.

62. Taxes and surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	17,943,891.92	18,641,207.09
Education surcharge	9,071,363.17	8,646,048.99
Surcharge for local education	6,047,575.39	5,764,032.69
Stamp duties	3,465,294.13	1,427,080.88
Property tax	3,609,939.77	3,793,909.73
Land use tax	1,621,149.00	
Consumption tax	59.75	184,238.97
Vehicle and vessel use tax	31,445.52	13,039.40
Cultural undertaking construction tax	109,491.54	
Income tax		
Resource tax		
Total	41,900,210.19	38,469,557.75

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	2,063,265,280.58	1,375,271,382.64
Employee compensation and service fees	220,539,736.18	160,955,637.56
Office allowances	23,824,926.89	18,803,085.77
Travel expenses	6,990,788.80	6,410,208.59

Item	Amount incurred in the current period	Amount incurred in the previous period
Meeting affair charges	6,203,280.37	4,299,563.82
Equity incentive expenses for restricted shares	1,409,139.57	2,582,590.71
Survey consulting fees	12,183,721.55	6,319,252.31
Others	5,245,048.37	5,355,553.86
Total	2,339,661,922.31	1,579,997,275.26

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	93,348,489.89	78,175,887.74
Office allowance and business entertainment expenses	49,824,234.51	34,943,670.30
Equity incentive expenses for restricted shares	-2,220,910.90	42,040,845.63
Expenses for depreciation, amortization and lease	23,848,662.05	21,646,521.25
Travel expense and conference fees	3,536,158.74	4,740,467.63
Consultation and intermediary fees	7,581,867.14	6,340,974.78
Others	1,009,240.20	4,238,791.23
Total	176,927,741.63	192,127,158.56

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	47,707,793.99	36,691,200.82
Outsourced R&D expenses	27,339,439.25	31,341,477.15
Expenses for depreciation, amortization and lease	9,073,764.54	4,277,735.35
Direct input costs	7,027,978.71	8,855,671.21
Equity incentive expenses for restricted shares	1,698,026.83	5,337,809.98
Others	1,766,239.20	5,016,970.64
Total	94,613,242.52	91,520,865.15

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 income	-37,663,413.80	-34,019,097.62
Interest expenses	10,601,806.58	5,817,515.18
Handling fees	398,294.82	317,082.93
Exchange gains and losses	2,013,990.08	-2,469,067.40
Total	-24,649,322.32	-30,353,566.91

Other explanations:

None

67. Other incomes√Applicable Not applicable

Unit: Yuan Currency: RMB

Classification by nature	Amount incurred in the current period	Amount incurred in the previous period
Government grants pertinent to assets	517,738.80	1,039,545.00
Government grants related to income	41,996,899.59	33,599,531.23
Refund of service charges for withholding personal income tax	1,004,204.26	680,352.10
Relief and additional deduction for VAT	22,529,393.74	213,193.25
Total	66,048,236.39	35,532,621.58

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 equity method	-2,153,663.74	-1,831,700.47
Investment income from disposal of long-term equity investment		667,073.59
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		

Item	Amount incurred in the current period	Amount incurred in the previous 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 from debt restructuring		
Total	-2,153,663.74	-1,164,626.88

Other explanations:

None

69. Net exposure hedging income

Applicable Not applicable

70. Gains on changes in fair value

Applicable Not applicable

71. Credit impairment loss

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt loss on notes receivable		
Bad debt loss on accounts receivable	-2,460,128.17	-372,328.93
Bad debt loss on other receivables	4,758,002.01	7,126,185.75
Impairment losses on debt investment		
Impairment losses on other debt investments		
Bad debt loss on long-term receivables		
Impairment losses related to financial guarantees		
Total	2,297,873.84	6,753,856.82

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 on contract assets		
II. Loss on devaluation of inventories and impairment loss on contract performance cost	-32,417,516.03	-41,601,901.08
III. Impairment loss on long-term equity investment		-10,576,298.67
IV. Impairment loss on investment property		
V. Impairment loss on fixed assets		
VI. Impairment loss on engineering materials		
VII. Impairment loss on construction in progress		
VIII. Impairment loss on productive biological assets		
IX. Impairment loss on oil and gas assets		
X. Impairment loss on intangible assets		
XI. Impairment loss on goodwill		
XII. Others		
Total	-32,417,516.03	-52,178,199.75

Other explanations:

None

73. Gains from disposal of assets√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Gains from disposal of fixed assets	-712,859.58	-217,694.21
Total	-712,859.58	-217,694.21

Other explanations:

Applicable √Not applicable

74. Non-operating revenue√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring gains and losses
Total profit from disposal of non-current assets			
Including: Gains from disposal of fixed assets			
Gains from disposal of intangible assets			
Revenue from debt restructuring			
Gains from non-monetary asset exchange			
Receipt of donation			
Government grants			
Revenue from fines and liquidated damages	34,990.95	80,499.36	34,990.95
Amount not required to be paid	132,267.59	819,297.29	132,267.59
Income from right protection funds	509,800.00		509,800.00
Others	279,139.89	459,867.52	279,139.89
Total	956,198.43	1,359,664.17	956,198.43

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: Loss from			

disposal of fixed assets			
Loss from disposal of intangible assets			
Loss from debt restructuring			
Loss from non-monetary asset exchange			
External donation	1,259,344.27	459,615.00	1,259,344.27
Late payment fee	132,634.13	2,347,897.07	132,634.13
Loss from damage and scrapping of non-current assets	648.90	100,854.99	648.90
Others	38,128.38	4,976.56	38,128.38
Total	1,430,755.68	2,913,343.62	1,430,755.68

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	170,235,144.31	158,636,450.28
Deferred income tax expense	1,901,274.12	-13,991,718.91
Total	172,136,418.43	144,644,731.37

(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	896,068,694.72
Income tax expense calculated at statutory/applicable tax rate	224,017,173.68
Impact of different tax rates applicable to subsidiaries	-65,508,055.14
Impact of adjusting income tax in previous periods	3,316,978.00
Impact of non-taxable income	
Impact of non-deductible costs, expenses and losses	1,938,798.01
Impact of using deductible losses of deferred	-5,185,895.06

Item	Amount incurred in the current period
income tax assets unrecognized in the previous period	
Impact of deductible temporary differences or deductible losses of deferred income tax assets unrecognized in the current period	24,686,039.73
Additional deductions for R&D expenditures	-11,128,620.79
Income tax expenses	172,136,418.43

Other explanations:

Applicable Not applicable

77. Other comprehensive income

Applicable Not applicable

For details, refer to the particulars contained in “57. Other comprehensive income” in “VII. Notes to the Items in 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	37,087,699.04	34,019,097.62
Government grants	43,030,869.59	33,499,531.23
Receivables and payables and others	15,577,859.24	71,797,601.09
Total	95,696,427.87	139,316,229.94

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	2,144,901,217.47	1,352,917,250.79
Receivables and payables	35,164,399.38	17,254,242.10
Total	2,180,065,616.85	1,370,171,492.89

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

Important cash paid related to investing activities

Applicable Not applicable

Other 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
Redemption of fixed-term deposits	300,000,000.00	
Total	300,000,000.00	

Explanation on other cash received related to investing activities:

None

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 operating lease rent	3,671,046.46	3,017,591.46
Repurchase of the Company's shares	153,062,220.18	
Total	156,733,266.64	3,017,591.46

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	Increase in the current period		Decrease in the current period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	200,155,555.56					200,155,555.56
Bonds payable	753,119,902.88		17,079,001.76			770,198,904.64

(including bonds payable due within one year)						
Lease liabilities (including lease liabilities due within one year)	13,940,366.98		6,025,267.36	3,671,046.46		16,294,587.88
Total	967,215,825.42		23,104,269.12	3,671,046.46		986,649,048.08

(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
Transfer amounts endorsed by commercial bills	4,643,243.57	1,950,000.00
Including: Payment for goods	4,643,243.57	1,950,000.00

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	723,932,276.29	528,268,321.22
Add: Provision for impairment of assets	32,417,516.03	52,178,199.75
Credit impairment loss	-2,297,873.84	-6,753,856.82
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	35,429,876.22	17,248,552.10
Amortization of right-to-use assets	3,316,453.06	1,734,279.12
Amortization of intangible assets	8,967,362.97	9,008,229.23
Amortization of long-term deferred expenses	9,178,246.26	6,398,143.87

Losses on disposal of fixed assets, intangible assets and other long-term assets (“-” for income)	712,859.58	217,694.21
Losses from scrapping of fixed assets (“-” for income)	648.90	100,854.99
Losses on changes in fair value (“-” for income)		
Financial expenses (“-” for income)	10,320,057.93	5,817,515.18
Investment loss (“-” for income)	2,153,663.74	1,164,626.88
Decrease in deferred income tax assets (“-” for increase)	1,124,671.65	-18,921,309.65
Increase in deferred income tax liabilities (“-” for decrease)	776,602.47	4,929,590.74
Decrease in inventory (“-” for increase)	-32,743,508.58	-102,571,881.18
Decrease in operating receivables (“-” for increase)	19,731,991.89	69,128,299.79
Increase in operating payables (“-” for decrease)	-151,804,305.68	563,359,566.28
Others	886,255.50	49,961,246.32
Net cash flows from operating activities	662,102,794.39	1,181,268,072.03
2. Major investment and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	4,005,586,605.59	3,952,864,158.35
Less: Opening balance of cash	3,659,267,712.03	3,125,333,085.05
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	346,318,893.56	827,531,073.30

(2) Net cash paid to acquire subsidiaries in the current period

Applicable Not applicable

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

Applicable Not applicable

(4) Composition of cash and cash equivalents

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash	4,005,586,605.59	3,659,267,712.03
Including: Cash on hand	27,735.67	29,332.00
Bank deposits that can be used for payment at any time	3,965,884,295.71	3,448,037,161.01
Other monetary capital that can be used for payment at any time	39,674,574.21	211,201,219.02
Funds deposited with the central bank for payment		
Deposits in other banks		
Funds for interbank lending		
II. Cash equivalents		
Including: Bond investment due within three months		
III. Closing balance of cash and cash equivalents	4,005,586,605.59	3,659,267,712.03
Including: Cash and cash equivalents with restricted use by the parent company or a subsidiary of the group	191,530,012.35	257,906,850.60

(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	102,220,796.38	Special account of raised funds
Cash subject to foreign exchange control of overseas operating subsidiaries	89,309,215.97	Subject to foreign exchange control
Total	191,530,012.35	/

(6) Monetary capital 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	30,000,000.00	335,288,251.36	Cannot be withdrawn at any time
L/C deposit	8,800,000.00	8,800,000.00	Cannot be withdrawn at any time
Transformer deposit	250,000.00	250,000.00	Cannot be withdrawn at any time
Vehicle ETC deposit	70,000.00	70,000.00	Cannot be withdrawn at any time
Pinduoduo deposit	5,540,922.50	5,298,890.00	Cannot be withdrawn at any time
Directly-operated store deposit	2,553,262.81	2,110,704.68	Cannot be withdrawn at any time
Total	47,214,185.31	351,817,846.04	/

Other explanations:

Applicable Not applicable**80. Notes on items in the statement of changes in owners' equity**

Explanation on the names of "others" items for adjusting the closing 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 balance at the end of period
Monetary capital	-	-	84,214,058.26
Including: USD	2,717,188.18	7.1268	19,364,856.72
HKD	16,764,366.38	0.91268	15,300,501.91
EUR	5,322,957.74	7.6617	40,782,905.32
JPY	135,182,395.00	0.044738	6,047,789.99
KRW	59,304,853.00	0.0052	308,385.24
SGD	121,319.75	5.2790	640,446.96
MYR	1,027,456.29	1.5095	1,550,945.27
SF	22,953.86	7.9471	182,416.62
VND	4,805,159.00	0.0003	1,441.55
TWD	150,740.00	0.2234	33,675.32
THB	3,552.05	0.1952	693.36
Accounts receivable	-	-	4,573,351.94

Including: EUR	218,942.52	7.6617	1,677,471.91
JPY	64,725,983.00	0.044738	2,895,711.03
KRW	32,500.00	0.0052	169.00
Other receivables	-	-	22,346,251.32
Including: USD	17,955.43	7.1268	127,964.76
EUR	2,832,778.86	7.6617	21,703,901.79
JPY	11,052,626.00	0.044738	494,472.38
SGD	3,772.00	5.2790	19,912.39
Accounts payable	-	-	11,840,505.24
Including: USD	3,375.09	7.1268	24,053.59
HKD	22,500.00	0.91268	20,535.30
EUR	1,085,276.03	7.6617	8,315,059.36
JPY	73,989,473.00	0.044738	3,310,141.04
MYR	113,094.37	1.5095	170,715.95
Other payables	-	-	11,792,856.63
Including: EUR	1,377,166.74	7.6617	10,551,438.41
HKD	437,972.65	0.91268	399,728.88
JPY	1,023,581.00	0.044738	45,792.97
KRW	153,056,995.00	0.0052	795,896.37

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, 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 RMB 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 MALAYSIA 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 in Consolidated Financial Statements”, “Section X Financial Report” of this Report.

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 Accounting Estimates”, “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	1,263,050.54	
Low-value asset lease expenses (except for short-term lease expenses)	105,249.31	238,389.59
Total	1,368,299.85	238,389.59

Sale and leaseback transactions and judgment basis

Applicable Not applicable

Total cash outflows related to leases is 5,697,457.87 (Unit: Yuan Currency: RMB)

(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 property	3,308,644.06	
Total	3,308,644.06	

For the details of fixed assets leased out through operating lease, refer to the particulars contained in “20. Investment property” in “VII. Notes to the Items in Consolidated Financial Statements”, “Section X Financial Report” of this Report.

Financing lease where the Company is the lessor

Applicable Not applicable

Reconciliation Statement 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. Data resources

Applicable Not applicable

84. Others

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	47,707,793.99	36,691,200.82
Outsourced R&D expenses	27,339,439.25	31,341,477.15
Expenses for depreciation, amortization and lease	9,073,764.54	4,277,735.35
Direct input costs	7,027,978.71	8,855,671.21
Equity incentive expenses for restricted shares	1,698,026.83	5,337,809.98
Others	1,766,239.20	5,016,970.64
Total	94,613,242.52	91,520,865.15
Including: Expensed R&D expenditures	94,613,242.52	91,520,865.15
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

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

Explanation of 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. Increase of consolidation scope

Company name	Equity acquisition method	Time point of equity acquisition	Contribution amount	Contribution ratio
Ningbo Jingzhe Cosmetics Co., Ltd.	Newly established subsidiary	January 2024	1,000,000.00	100.00%
Hangzhou Gloris Trading Co., Ltd.	Newly established subsidiary	March 2024		100.00%
PROYA EUROPE SAS	Newly established subsidiary	June 2024		100.00%

2. Decrease in consolidation scope

Company name	Equity disposal method	Time point of equity disposal	Net assets as at the disposal date	Net profits from the beginning of the period to the disposal date
Huzhou Younimi Cosmetics Co., Ltd.	Cancel	January 2024	25,563,529.57	2,599.62
Guangzhou Qianxi Network Technology Co., Ltd.	Cancel	April 2024	-1,350,735.34	72.90

6. Others

Applicable Not applicable

X. Equity in Other Entities**1. Equity in subsidiaries****(1). Composition of enterprise group**

√Applicable □Not applicable

Unit: RMB'0,000 Currency: RMB

Subsidiary name	Main place of business	Registered capital	Registration place	Nature of business	Shareholding ratio (%)		Mode of acquisition
					Direct	Indirect	
Hangzhou Proya Trade Co., Ltd.	Hangzhou	5,000.00	Hangzhou	Wholesale and retail	100.00		Establishment
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Hangzhou	1,000.00	Hangzhou	Wholesale and retail	100.00		Establishment
Ningbo TIMAGE Cosmetics Co., Ltd.	Ningbo	100.00	Ningbo	Wholesale and retail	71.36		Establishment
Proya (Zhejiang) Cosmetics Co., Ltd.	Huzhou	1,000.00	Huzhou	Manufacturing	100.00		Establishment

Explanation on the shareholding ratio in subsidiaries different from the voting ratio:

None

Basis for holding half or less voting rights but still controlling the investee, and holding more than half voting rights but not controlling the investee:

None

Basis for controlling the important structured entities included in the consolidation scope:

None

Basis for determining whether a company is an agent or a principal:

None

Other explanations:

None

(2). Important non-wholly owned subsidiaries√Applicable Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Shareholding ratio of the minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividends declared and distributed to minority shareholders in the current period	Balance of minority interests at the end of the period
Ningbo TIMAGE Cosmetics Co., Ltd.	28.64	22,485,442.67		77,934,781.78

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	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo TIMAGE Cosmetics Co., Ltd.	388,400.063.74	9,182,378.98	397,582,442.72	123,174,878.70		123,174,878.70	297,733,820.74	11,052,026.21	308,785,846.95	111,987,809.76	1,079,017.49	113,066,827.25

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.	583,568,251.38	78,510,623.85	78,510,623.85	80,370,846.40	429,841,111.95	98,618,452.96	98,618,452.96	77,958,227.70

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 or associates

Applicable Not applicable

(1). Important joint ventures or associates

Applicable Not applicable

(2). Major financial information of important joint ventures

Applicable Not applicable

(3). Major financial information of important associates

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

	Closing balance/amount incurred in the current period	Opening balance/amount incurred in the previous period
Joint ventures:		
Total carrying value of investment	3,053,932.83	3,066,898.78
Total of the following items calculated according to the shareholding ratio		
– Net profit	-6,059.09	-2,049.38
– Other comprehensive income		
– Total comprehensive income	-6,059.09	-2,049.38
Associates:		
Total carrying value of investment	109,520,225.67	129,876,661.36
Total of the following items calculated according to the shareholding ratio		
– Net profit	-993,940.92	-1,829,651.09
– Other comprehensive income		
– Total comprehensive income	-993,940.92	-1,829,651.09

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 associates

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. Others

Applicable Not applicable

XI. Government grants**1. Government grants recognized by amount receivable at the end of the Reporting Period**

Applicable Not applicable

Reasons for failure to receive the expected amount of government grants at the expected time point

Applicable Not applicable

2. Liability items involving government grants

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	Closing balance	Related to assets or income
Deferred income	6,383,359.33	1,000,000.00		517,738.80		6,865,620.53	Related to assets
Total	6,383,359.33	1,000,000.00		517,738.80		6,865,620.53	/

3. Government grants included in 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	41,996,899.59	33,599,531.23
Related to assets	517,738.80	1,039,545.00
Total	42,514,638.39	34,639,076.23

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, mainly including credit risk, liquidity risk and market risk. The management has considered and approved the policies governing these risks as outlined below.

(I) Credit risk

Credit risk refers to the risk that one party of a financial instrument fails 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 or qualitative standards are reached:

1) The quantitative standard is mainly 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 qualitative standard is mainly 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 on the reconciliation statement of opening balance and closing balance of financial instrument loss reserve, refer to the particulars contained in "5. Accounts receivable", "7. Receivables financing" and "9. Other receivables" in "VII. Notes to the Items in Consolidated Financial Statements", "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 third parties. Credit risk concentration is managed on a per-customer basis. As of June 30, 2024, the Company had a certain credit concentration risk of 93.09% (as of December 31, 2023: 93.36%) 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 carrying 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, or the counterparty's inability to pay off its contractual debts, or early maturity of debt, or the inability to generate expected cash flows.

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 balance 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	Closing amount				
	Carrying value	Undiscounted contract amount	Within 1 year	1-3 years	Above 3 years
Short-term borrowings	200,155,555.56	201,344,596.66	201,344,596.66		
Notes payable					
Accounts payable	1,061,672,558.10	1,061,672,558.10	1,061,672,558.10		
Other payables	151,600,173.08	151,600,173.08	151,600,173.08		
Bonds payable	770,198,904.64	895,663,838.00	7,507,660.00	24,775,278.00	863,380,900.00
Lease liabilities	11,733,319.90	13,043,408.26		5,524,298.17	7,519,110.09
Non-current liabilities due within one year	4,561,267.98	5,055,572.39	5,055,572.39		
Subtotal	2,199,921,779.26	2,328,380,146.49	1,427,180,560.23	30,299,576.17	870,900,010.09

(Continued)

Item	Balance at the end of the previous year				
	Carrying value	Undiscounted contract amount	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

(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 mainly include interest rate risk and foreign exchange risk.

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 expose the Company to the interest rate risk of fair value, and those with a floating interest rate expose the Company to the interest rate risk of cash flow. The Company determines the proportion of financial instruments with a fixed interest rate and 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 in Consolidated Financial Statements”, “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, and 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. Closing fair value of assets and liabilities measured at fair value

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing fair value			
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	Total
I. Continuous fair value measurement				
(I) Financial assets held for trading				
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 property				
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				

Item	Closing fair value			
	The first level of fair value measurement	The second level of fair value measurement	The third level of fair value measurement	Total
assets				
Receivables financing			3,695,843.86	3,695,843.86
Total assets continuously measured at fair value			111,356,243.86	111,356,243.86
(VI) Financial liabilities held for trading				
1. Financial liabilities measured at fair value through profit or loss				
Including: Trading bonds issued				
Derivative financial liabilities				
Others				
2. Financial liabilities designated as measured at fair value through profit or loss				
Total liabilities continuously measured at fair value				
II. Non-continuous fair value measurement				
(I) Assets held for sale				
Total assets not continuously measured at fair value				
Total liabilities not continuously measured at fair value				

2. Determination basis for the market price of continuous and non-continuous first-level fair value measurement items

Applicable Not applicable

3. Qualitative and quantitative information on the valuation techniques and important parameters used in continuous and non-continuous second-level fair value measurement items

Applicable Not applicable

4. Qualitative and quantitative information on the valuation techniques and important parameters used in continuous and non-continuous third-level fair value measurement items

Applicable Not applicable

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 the fact that there were no important changes in business environment, operating conditions, financial conditions and external valuation of the investees, including Hangzhou Regenovo Biotechnology 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 condition of the investee Golong Holdings Co., Ltd. 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 the market method, and the important parameters adopted include the investee EBITDA, and the EV/EBITDA value ratio of listed companies in the same industry.

5. Adjustment information and sensitivity analysis of non-observable parameters between opening and closing book value for continuous third-level fair value measurement items

Applicable Not applicable

6. For continuous fair value measurement items, if the conversion occurs among different levels within the current period, the reasons for the conversion and the policy for determining the conversion time point

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

9. Others

Applicable Not applicable

XIV. Related Parties and Related Party 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 associates of the Company

Refer to the notes for details of the important joint ventures or associates of the Company

Applicable Not applicable

For the details on the important joint ventures or associates of the Company, refer to the particulars contained in “X. Equity in Other Entities”, “Section X Financial Report” of this Report.

Information on other joint ventures or associates that have related party transactions with the Company in the current period, or have balance resulting from related party transactions with the Company in the previous period is as follows

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.	Others
Ningbo Weiman Cosmetics Co., Ltd.	Others
Beijing Xiushi Cultural Development Co., Ltd.	Others
Hangzhou Slow Coral Cultural Tourism Planning and Design Co., Ltd.	Others
Zhejiang Proya Public Welfare Foundation	Others
PARISEZHAN HK LIMITED	Others
EURL PHARMATICA	Others
SARL ORTUS	Others
S.A.S AREDIS	Others
Beauty Hi-tech Innovation Co., Ltd.	Others

Other explanations

None

5. Information on related party transactions**(1). Related party transactions in purchasing and selling goods, and rendering and receiving labor services**

Statement of purchasing goods/receiving labor services

Applicable Not applicable

Unit: Yuan Currency: RMB

Related parties	Details of related party transactions	Amount incurred in the current period	Approved transaction limit (if applicable)	Exceeding the transaction limit or not (if applicable)	Amount incurred in the previous period
Beauty Hi-tech Innovation Co., Ltd.	Agent operation service fee	152,982.54			2,504,700.00

Related parties	Details of related party transactions	Amount incurred in the current period	Approved transaction limit (if applicable)	Exceeding the transaction limit or not (if applicable)	Amount incurred in the previous period
Beijing Xiushi Cultural Development Co., Ltd.	Promotion expense	4,716,981.14			
Hangzhou Slow Coral Cultural Tourism Planning and Design Co., Ltd.	Design fee	107,639.89			
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Water and electricity fee	157,873.57			

Statements of sales of goods/rendering of services

Applicable Not applicable

Unit: Yuan Currency: RMB

Related parties	Details of related party transactions	Amount incurred in the current period	Amount incurred in the previous period
Ningbo Weiman Cosmetics Co., Ltd.	Sales of goods	464.60	

Explanation on related party transactions in purchasing and selling goods, and rendering and receiving labor services

Applicable Not applicable

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

Statement of entrusted management/contracting of the Company:

Applicable Not applicable

Explanation on related trusteeship/contracting

Applicable Not applicable

Statement of entrusted management/outsourcing of the Company:

Applicable Not applicable

Explanation on related management/outsourcing

Applicable Not applicable

(3). Information of related lease

The Company as the lessor:

Applicable Not applicable

The Company as the lessee:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of lessor	Types of leased assets	Rent expenses of short-term leases and low-value asset leases subject to simplified treatment (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expenses on lease liabilities assumed		Right-of-use assets increased	
		Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Huzhou Beauty Town Technology Incubation Park Co., Ltd.	Site			495,928.96	517,536.00			7,222.26	13,976.20		

Explanation on related lease

Applicable Not applicable

(4). Information on related guarantees

The Company as the guarantor

Applicable Not applicable

The Company as the guarantee

Applicable Not applicable

Explanation on related guarantees

Applicable Not applicable**(5). Borrowing of related party funds**Applicable Not applicable**(6). Information on asset transfer and debt restructuring of related parties**Applicable Not applicable**(7). Remuneration of key management personnel**Applicable Not applicable

Unit: RMB'0,000 Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key management personnel	974.06	654.49

Note: The above remuneration excludes the relevant remuneration recognized by share-based payment

(8). Other related party transactionsApplicable Not applicable

During the current period, the Company donated cash totaling RMB1,000,000.00 to the Zhejiang Proya Public Welfare Foundation.

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	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Ningbo Weiman Cosmetics Co., Ltd.	13,902.00	695.10	15,052.00	752.60
	Beauty Hi-tech	165,724.00	8,286.20		

	Innovation Co., Ltd.				
Subtotal		179,626.00	8,981.30	15,052.00	752.60
Prepayments	Beauty Hi-tech Innovation Co., Ltd.			21,021.52	
Subtotal				21,021.52	
Other receivables					
	EURL PHARMATICA [Note]	18,084,211.41	18,084,211.41	18,169,451.02	18,169,451.02
	Huzhou Beauty Town Technology Incubation Park Co., Ltd.	131,568.20	131,568.20	132,568.20	132,568.20
	Beauty Hi-tech Innovation Co., Ltd.	421,356.89	91,123.81	82,767.74	4,138.39
Subtotal		18,637,136.50	18,306,903.42	18,384,786.96	18,306,157.61

[Note] Other receivables from EURL PHARMATICA are the consolidated statistics of receivables from PAN Xiang and receivables from EURL PHARMATICA, PARISEZHAN HK LIMITED, SARL ORTUS, and S.A.S AREDIS controlled by PAN Xiang.

(2). Items payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Related parties	Closing 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
Subtotal		121,884.94	321,507.58
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. Others

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								
R&D personnel								
Sales specialists								
Total								

Outstanding stock options or 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	25 months
R&D personnel	Not applicable	Not applicable	RMB78.56/Share	25 months
Sales specialists	Not applicable	Not applicable	RMB78.56/Share	25 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 three tranches (30%, 30%, 40%) over

36 months after the expiration of 12 months from the date of the initial grant of the restricted shares. The performance condition for the initial release is that: On the basis of the operating revenue and net profit in 2021, the growth rate of operating revenue and net profit in 2022 was no less than 25% and 25%, respectively. The performance condition for the second release is that: On the basis of the operating revenue and net profit in 2021, the growth rate of operating revenue and net profit in 2023 was no less than 53.75% and 53.75%, respectively. The performance condition for the third release is that: On the basis of the operating revenue and net profit in 2021, the growth rate of operating revenue and net profit in 2024 was no less than 87.58% and 87.58%, respectively.

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 third 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 one 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	Determined as per the share price on the grant date and the grant price of restricted shares
Basis for determining the quantity of feasible equity instruments	Determined according to the estimated performance conditions in the release period
Reason for significant difference with estimation in the current period and estimation in the previous period	Not applicable
Cumulative amount of equity-settled share-based payments included in the capital reserve	164,451,068.48

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	-2,220,910.90	
R&D personnel	1,698,026.83	
Sales specialists	1,409,139.57	
Total	886,255.50	

Other explanations

None

5. Information on modification and termination of share-based paymentsApplicable √Not applicable**6. Others**Applicable √Not applicable**XVI. Commitments and Contingencies****1. Important commitments**√Applicable Not applicable

Important external commitments, nature and amount on the balance sheet date

As of June 30, 2024, the investment projects with raised funds conducted by the Company through public issuance of convertible bonds were as follows:

Unit: RMB '0,000

Item	Total investment amount	Committed investment amount of raised funds upon adjustment	Closing accumulated investment	Project filing or approval No.
Huzhou Production Base Expansion Project (Phase I)	43,752.54	33,850.00	29,007.15	2011-330502-04-01-178735
Longwu R&D Center Construction Project	21,774.45	19,450.00	19,700.80	2101-330106-04-02-307916
Information System Upgrade Project	11,239.50	8,801.27	4,552.07	
Additional working capital	18,000.00	12,349.60	12,567.30	
Total	94,766.49	74,450.87	65,827.32	

2. Contingencies

(1). Important contingencies on the balance sheet date

Applicable Not applicable

(2). Even if the Company does not have important contingencies that need to be disclosed, it must also state:

Applicable Not applicable

As of June 30, 2024, the Company had no important contingencies that need to be disclosed.

3. Others

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

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 method

Applicable Not applicable

(2). Prospective application method

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 "61. Operating revenue and operating cost" in "VII. Notes to the Items in Consolidated Financial Statements", "Section X Financial Report" of this Report.

The details of primary business revenue and primary business cost of the Company classified by brands are as follows:

January - June 2024

Brand	Primary business revenue	Primary business cost	Gross profit
Proya brand	3,980,976,357.20	1,199,974,564.49	2,781,001,792.71
Other brands	1,013,472,071.05	305,925,407.83	707,546,663.22
Subtotal	4,994,448,428.25	1,505,899,972.32	3,488,548,455.93

January - June 2023

Brand	Primary business revenue	Primary business cost	Gross profit
Proya brand	2,891,721,842.83	828,597,188.97	2,063,124,653.86
Other brands	727,652,945.53	233,340,580.32	494,312,365.21
Subtotal	3,619,374,788.36	1,061,937,769.29	2,557,437,019.07

(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. Others

□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	Closing book balance	Opening book balance
Within 1 year		
Including: Sub-items within 1 year		
Within 1 year	758,250,529.25	601,922,452.45
Subtotal within 1 year	758,250,529.25	601,922,452.45
1-2 years	36,239,732.87	21,289,087.90
2-3 years	1,402,185.10	
Above 3 years	1,839,188.71	
3-4 years		
4-5 years		
Above 5 years		
Total	797,731,635.93	623,211,540.35

(2). Disclosed by classification of bad debt provisions

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)		Amount	Percentage (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued individually										
Including:										
Provision for bad debts accrued by portfolio	797,731,635.93	100.00	51,324,727.59	6.43	746,406,908.34	623,211,540.35	100.00	36,482,849.00	5.85	586,728,691.35
Including:										
Account age portfolio	797,731,635.93	100.00	51,324,727.59	6.43	746,406,908.34	623,211,540.35	100.00	36,482,849.00	5.85	586,728,691.35
Total	797,731,635.93	/	51,324,727.59	/	746,406,908.34	623,211,540.35	/	36,482,849.00	/	586,728,691.35

Provision for bad debts accrued individually:

Applicable Not applicable

Provision for bad debts accrued by portfolio:

Applicable Not applicable

Provision by portfolio: aging portfolio

Unit: Yuan Currency: RMB

Item	Closing balance		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year	758,250,529.25	37,912,526.47	5.00
1-2 years	36,239,732.87	10,871,919.86	30.00
2-3 years	1,402,185.10	701,092.55	50.00
Above 3 years	1,839,188.71	1,839,188.71	100.00
Total	797,731,635.93	51,324,727.59	6.43

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 provision 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 provision for bad debts

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of changes in the current period				Closing balance
		Provision	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued by portfolio	36,482,849.00	14,857,000.14		15,121.55		51,324,727.59
Total	36,482,849.00	14,857,000.14		15,121.55		51,324,727.59

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

Applicable Not applicable

Other explanations

None

(4). Information on 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	15,121.55

Among them, information on accounts receivable significantly written off

Applicable Not applicable

Explanation on the write-off of the accounts receivable:

Applicable Not applicable**(5). Information on accounts receivable and contract assets of the top five closing balances collected by debtor**√Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion of total closing balance of accounts receivable and contract assets (%)	Closing balance of provision for bad debts
Proya (Zhejiang) Cosmetics Co., Ltd.	492,564,537.02		492,564,537.02	61.75	24,628,226.85
Huzhou Hapsode Trading Co., Ltd.	86,573,697.71		86,573,697.71	10.85	4,328,684.89
Huzhou UZERO Trading Co., Ltd.	54,071,984.73		54,071,984.73	6.78	5,601,057.67
Ningbo Tangyu Trading Co., Ltd.	51,506,035.64		51,506,035.64	6.46	2,575,301.78

Company name	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Proportion of total closing balance of accounts receivable and contract assets (%)	Closing balance of provision for bad debts
Hangzhou Proya Commercial Management Co., Ltd.	43,567,943.67		43,567,943.67	5.46	8,831,093.09
Total	728,284,198.77		728,284,198.77	91.30	45,964,364.28

Other explanations

None

Other explanations:

Applicable Not applicable

2. Other receivables

Presentation by item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable		
Other receivables	63,315,069.88	80,702,024.60
Total	63,315,069.88	80,702,024.60

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 classification of bad debt provisions

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts by item:

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

(5). Information on provision 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). Information on interest receivable actually written off in the current period

Applicable Not applicable

Among them, information on interest receivable significantly written off

Applicable Not applicable

Explanation on write-off:

Applicable Not applicable

Other explanations:

Applicable Not applicable

Dividends receivable

(1). Dividends receivable

Applicable Not applicable

(2). Important dividends receivable aged over one year

Applicable Not applicable

(3). Disclosed by classification of bad debt provisions

Applicable Not applicable

Provision for bad debts accrued individually:

Applicable Not applicable

Explanation on provision for bad debts by item:

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

(5). Information on provision 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

Among them, information on dividends receivable significantly written off

Applicable Not applicable

Explanation on write-off:

Applicable Not applicable

Other explanations:

Applicable Not applicable

Other receivables

(1). Disclosed by account age

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Closing book balance	Opening book balance
Within 1 year		
Including: Sub-items within 1 year		
Within 1 year	17,671,274.41	36,258,395.66
Subtotal within 1 year	17,671,274.41	36,258,395.66
1-2 years	35,037,784.48	32,135,546.26
2-3 years	44,001,820.13	47,523,332.69

Above 3 years	137,174,554.01	135,780,112.99
3-4 years		
4-5 years		
Above 5 years		
Total	233,885,433.03	251,697,387.60

(2). Classification by nature of payment

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Nature of payment	Closing book balance	Opening book balance
Current accounts receivable	226,213,233.04	244,184,515.37
Security deposits	5,211,614.72	6,322,669.24
Suspense payment receivables	1,074,563.95	234,768.29
Others	1,386,021.32	955,434.70
Total	233,885,433.03	251,697,387.60

(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 occurred)	
Balance as of January 1, 2024	1,812,919.79	9,640,663.88	159,541,779.34	170,995,363.00
Balance as of January 1, 2024 in the current period				
– Transferred into the second stage	-342,432.46	342,432.46		
– Transferred into the third stage		-66,210,469.65	66,210,469.65	
– Transferred back to the second stage				
– Transferred back to the first stage				
Amount accrued in the current period	-586,923.60	88,739,618.72	-88,577,694.98	-424,999.85
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 June 30, 2024	883,563.73	32,512,245.41	137,174,554.01	170,570,363.15
Provision ratio of provision for bad debts at the end of the period (%)	5.00	41.13	100.00	72.93

Classification basis and provision 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 provision for bad debts

Applicable Not applicable

Unit: Yuan

Currency: RMB

Category	Opening balance	Amount of changes in the current period				Closing balance
		Provision	Withdrawal or write-back	Charge-off or write-off	Other changes	
Provision for bad debts accrued by portfolio	170,995,363.00	-424,999.85				170,570,363.15
Total	170,995,363.00	-424,999.85				170,570,363.15

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

Applicable Not applicable

Other explanations

None

(5). Information on other receivables actually written-off in the current period

Applicable Not applicable

Among them, information on write-off of other important receivables:

Applicable Not applicable

Explanation on write-off of other receivables:

Applicable Not applicable

(6). Information on other receivables of the top five closing balances collected by debtor

Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Closing balance	As a proportion of total closing balance in other receivables (%)	Nature of payment	Account age	Closing balance of provision for bad debts
Hong Kong Xinghuo Industry Limited	159,756,399.11	68.31	Current accounts receivable	[Note 1]	138,884,605.19
Boya (Hong Kong) Investment Management Co., Limited	36,776,160.00	15.72	Current accounts receivable	2-3 years	18,388,080.00
Hangzhou Yizhuo Culture Media Co., Ltd.	7,619,561.66	3.26	Current accounts receivable	[Note 2]	2,490,682.04
Ningbo Keshi Trading Limited	7,083,833.48	3.03	Current accounts receivable	[Note 3]	2,392,500.06
Shanghai Zhongwen Electronic Commerce Co., Ltd. [Note 4]	5,400,000.00	2.31	Current accounts receivable		870,000.00
Total	216,635,954.25	92.63	/	/	163,025,867.29

[Note 1] RMB2,538,103.00 with an account age within 1 year, RMB25,296,150.57 with an account age of 1 to 2 years, RMB1,506,581.35 with an account age of 2 to 3 years, and RMB130,415,564.19 with an account age of above 3 years.

[Note 2] RMB2,380,745.84 with an account age within 1 year, RMB1,238,815.82 with an account age of 1 to 2 years, and RMB4,000,000.00 with an account age of 2 to 3 years.

[Note 3] RMB61,000.02 with an account age within 1 year, RMB5,609,833.36 with an account age of 1 to 2 years, and RMB1,413,000.10 with an account age of 2 to 3 years.

[Note 4] RMB3,000,000.00 with an account age within 1 year, and RMB2,400,000.00 with an account age of 1 to 2 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	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying value	Book balance	Impairment provision	Carrying value
Investments in subsidiaries	334,101,391.15	42,500,000.00	291,601,391.15	347,674,082.74	42,500,000.00	305,174,082.74
Investments in associates and joint ventures	192,862,707.97	81,442,213.22	111,420,494.75	195,016,371.71	81,442,213.22	113,574,158.49
Total	526,964,099.12	123,942,213.22	403,021,885.90	542,690,454.45	123,942,213.22	418,748,241.23

(1) Investments in subsidiaries

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
Hangzhou Proya Trade Co., Ltd.	33,111,337.20	810,627.61		33,921,964.81		
Hanna Cosmetics Co., Ltd.	2,094,048.00			2,094,048.00		
Zhejiang Meiligu Electronic Commerce Co., Ltd.	43,575,783.68	1,227,722.97		44,803,506.65		
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	18,000,000.00			18,000,000.00		

Invested entity	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
(Hangzhou) Cosmetics Co., Ltd.						
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.	6,866,196.47	292,622.88		7,158,819.35		
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.	62,087,635.42	115,660.27		62,203,295.69		
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.	43,898,974.38	761,250.48		44,660,224.86		
Hangzhou Yizhuo Culture Media Co., Ltd.	1,000,000.00			1,000,000.00		

Invested entity	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment in the current period	Closing balance of provision for impairment
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	152,840.00		1,802,840.00		
Hangzhou Weiluoke Cosmetics Co., Ltd.	500,000.00			500,000.00		
Singuladerm (Hangzhou) Cosmetics Co., Ltd.	5,000,000.00			5,000,000.00		
Proya (Hainan) Cosmetics Co., Ltd.	100,000.00			100,000.00		
Hangzhou TIMAGE Cosmetics Co., Ltd.	311,956.68	62,260.20		374,216.88		
Hubei Laibo Technology Co., Ltd.	100,000.00			100,000.00		
Ningbo Jingzhe Cosmetics Co., Ltd.		1,000,000.00		1,000,000.00		
PROYA PTE LTD		3,604,900.00		3,604,900.00		
PROYA EUROPE SAS		792,900.00		792,900.00		
Total	347,674,082.74	8,820,784.41	22,393,476.00	334,101,391.15		42,500,000.00

(2) Investments in associates and joint ventures

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Investment Unit	Opening balance	Changes in the current period								Closing balance	Closing balance of provision for impairment
		Additional investment	Investment decrease	Recognized investment gain and loss under the equity method	Other comprehensive income adjustments	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment	Others		
I. Joint Venture											
Huzhou Panrui Industry Investment Partnership (Limited Partnership)	3,059,991.91			-6,059.09						3,053,932.82	
Subtotal	3,059,991.91			-6,059.09						3,053,932.82	
II. Associates											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,617,834.89			-13,338.97						2,604,495.92	
Jiaxing Woyong Investment Partnership (Limited Partnership)	100,964,443.84			-784,658.16						100,179,785.68	
Zhuhai Haishilong Biotechnology Co., Ltd.	2,401,207.78			-1,179,976.41						1,221,231.37	81,442,213.22
Beijing Xiushi Cultural Development Co., Ltd.	4,530,680.07			-169,631.11						4,361,048.96	
Subtotal	110,514,166.58			-2,147,604.65						108,366,561.93	81,442,213.22
Total	113,574,158.49			-2,153,663.74						111,420,494.75	81,442,213.22

(3). Information on impairment testing of long-term equity investments

Applicable Not applicable

Other explanations:

Applicable Not applicable

4. Operating revenue and operating costs**(1). Information on operating revenue and operating costs**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	2,457,017,125.15	1,152,454,471.96	1,710,497,142.80	814,221,197.64
Other business	18,373,463.43	4,933,709.68	20,047,982.29	9,555,378.31
Total	2,475,390,588.58	1,157,388,181.64	1,730,545,125.09	823,776,575.95

(2). Breakdown of operating revenue and operating 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	2,457,017,125.15	1,152,454,471.96	1,710,497,142.80	814,221,197.64
Others	2,502,856.41	1,393,243.82	20,047,982.29	9,555,378.31
Subtotal	2,459,519,981.56	1,153,847,715.78	1,730,545,125.09	823,776,575.95

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	2,457,017,125.15	1,713,705,273.22
Income recognized in a certain period		16,839,851.87
Subtotal	2,457,017,125.15	1,730,545,125.09

(3) Revenue recognized in the current period and included in the opening carrying value of contract liabilities is RMB220,349,629.19.

5. Investment income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income calculated by cost method		
Long-term equity investment income calculated by equity method	-2,153,663.74	-1,600,000.00
Investment income from disposal of	3,992,247.56	-2,545,129.34

long-term equity investment		
Investment income of held-for-trading financial assets during the holding period		
Dividend income from other equity instrument investments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of held-for-trading financial assets		
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gains from debt restructuring		
Total	1,838,583.82	-4,145,129.34

Other explanations:

None

6. Others

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	Notes
Gains or losses from disposal of non-current assets, including write-offs of provision for asset impairment accrued	-712,859.58	
Government grants included in current profit or loss (excluding government grants that are closely related to the Company's normal business operations, compliant with national policies, granted at set standards, and imposing sustaining influence on the Company's profit or loss)	41,996,899.59	
Gains or losses from change in fair value generated by financial assets and financial liabilities held by non-financial businesses as well as gains or losses from disposal of financial assets		

and financial liabilities, except for valid hedging business related to the Company's normal business operations		
Capital occupation fees charged to non-financial enterprises included in current profit or loss		
Gains or losses on authorizing others to invest or manage assets		
Gains or losses from outward entrusted loaning		
Asset loss incurred by force majeure such as natural disasters		
Reversal of provision for impairment of accounts receivable individually tested for impairment		
Gains when the investment cost of acquiring a subsidiary, an associate or 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 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 gains or losses 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 or losses from changes in the fair value of employee compensation payable for share-based payment in cash after the exercise date		
Gains or losses arising from changes in the fair value of investment property subsequently measured with the fair value model		
Gains arising from transactions with unreasonable transaction price		
Gains or losses arising from contingencies unrelated to the Company's normal operations		
Custody fee income from entrusted operations		
Other non-operating revenue and expenses besides the above items	-474,557.25	

Other items that conform to the definition of non-recurring gains and losses		
Less: Effect of income tax	10,032,617.51	
Impact of minority interests (after tax)	8,102,008.69	
Total	22,674,856.56	

The reasons should be explained for the Company defining 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 gains and losses items listed in the same document as recurring gains and losses items.

Applicable Not applicable

Other explanations

Applicable Not applicable

2. ROE 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	15.34	1.78	1.72
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	14.85	1.72	1.66

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

Applicable Not applicable

4. Others

Applicable Not applicable

Chairman: HOU Juncheng

Date of submission approved by the Board of Directors: August 26, 2024

Revision information

Applicable Not applicable