

Stock Code: 603605

Short Name: Proya



**Proya Cosmetics Co., Ltd.**  
**2020 ANNUAL REPORT**

## Important Notice

**I The Board of Directors, Board of Supervisors, directors, supervisors and senior management of the Company warrant that the contents of the annual report are true, accurate and complete, without any misrepresentation, misleading statements or material omissions, and will severally and jointly bear the legal responsibilities thereof.**

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

**III Pan-China Certified Public Accountants LLP has issued the audit report with standard unqualified opinions to the Company.**

**IV Hou Juncheng, Chairman of the Company, Wang Li, CFO of the Company and Wang Li, head of the public accountant (person in charge of accounting) warrant the truthfulness, accuracy and completeness of the financial report in this annual report.**

**V Profit distribution plan or capitalization plan from capital reserve to share capital approved by the Board of Directors during the Reporting Period**

The Company shall distribute cash dividend of RMB 7.20 (tax inclusive) per 10 shares to all shareholders registered on the equity registration date based on the total share capital registered as at the registration date of dividend-paying equity, with the distributed cash dividend totaling RMB 144,804,186.00 (tax inclusive), but without bonus shares and capitalization from capital reserve to share capital. In case of a change in the total share capital of the Company before the equity registration date of interest distribution, the distribution ratio of each share will remain unchanged. The total amount of distribution shall be adjusted accordingly, and the specific adjustment shall be further announced.

**VI Risks statement of the forward-looking statements**

Applicable  Not applicable

Forward-looking statements including future plans and development strategies involved in this annual report do not constitute the Company's substantive commitments to investors. The investors are advised to pay attention to investment risks.

**VII Is there any non-operating misappropriation of funds of the Company by any controlling shareholders and their related parties**

No

**VIII Has the Company provided any external guarantees in violation of the decision-making procedures**

No

**IX Whether more than half of the directors cannot guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company**

No

**X Warning on significant risks**

The Company has illustrated the risks in detail in this report. Please refer to “Potential Challenges and Risks” in the discussion and analysis on future development of the Company set out in “Section IV Discussion and Analysis of Operation” .

**XI Others**

Applicable  Not applicable

## Contents

Section I	Definition .....	5
Section II	Company Profile and Key Financial Indicators .....	7
Section III	Business Overview .....	12
Section IV	Discussion and Analysis of Operation.....	14
Section V	Major Events .....	44
Section VI	Changes in Ordinary Shares and Shareholders .....	104
Section VII	Preferred Shares .....	116
Section VIII	Directors, Supervisors, Senior Management and Employees .....	117
Section IX	Corporate Governance.....	129
Section X	Corporate Bonds.....	132
Section XI	Financial Report.....	133
Section XII	Directory of Documents for Future Reference.....	323

## Section I Definition

### I Definition

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

Definition of common terms		
Proya, Proya Co., Ltd., the Company, Company		Proya Cosmetics Co., Ltd.
Huzhou Branch		Huzhou Branch of Proya Cosmetics Co., Ltd., a subsidiary of the Company
Proya Trade		Hangzhou Proya Trade Co., Ltd., a wholly-owned subsidiary of the Company
Korea Hanna		Hanna Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Huzhou Anya		Anya (Huzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of Korea Hanna
Yueqing Laiya		Yueqing Laiya Trading Co., Ltd., a wholly-owned subsidiary of the Company
Huzhou UZERO		Huzhou UZERO Trading Co., Ltd., a wholly-owned subsidiary of the Company
Mijing Siyu (Hangzhou)		Mijing Siyu (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Meiligu		Zhejiang Meiligu Electronic Commerce Co., Ltd., a wholly-owned subsidiary of the Company
Chuangdai E-commerce		Huzhou Chuangdai E-commerce Co., Ltd., a wholly-owned subsidiary of Meiligu
Hapsode (Hangzhou)		Hapsode (Hangzhou) Cosmetics Co., Ltd., a wholly-owned subsidiary of the Company
Korea Hapsode		Hapsode Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Huzhou Hapsode		Huzhou Hapsode Trading Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Shanghai Tiyu		Shanghai Tiyu Cosmetics Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Danyang Hapsode		Danyang Hapsode Cosmetics Trading Co., Ltd., a wholly-owned subsidiary of Hapsode (Hangzhou)
Proya Commercial		Hangzhou Proya Commercial Management Co., Ltd., a wholly-owned subsidiary of the Company
Tiedingxian		Hangzhou Tiedingxian Catering Management Co., Ltd., a holding subsidiary of Proya Commercial
Tielexin Aini		Hangzhou Tielexin Aini Catering Management Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Xiake Bar		Hangzhou Xiake Bar Catering Management Co., Ltd., a wholly-owned subsidiary of Proya Commercial
Snail Fitness		Hangzhou Proya Snail Fitness Co., Ltd., a wholly-owned subsidiary of Proya Commercial
HONGKONG KESHI		HONGKONG KESHI TRADING LIMITED, a holding subsidiary of the

		Company
Hong Kong Xinghuo		Hong Kong Xinghuo Industry Limited, a wholly-owned subsidiary of the Company
Hong Kong Zhongwen		Hong Kong Zhongwen Electronic Commerce Co., Limited, a holding subsidiary of Hong Kong Xinghuo
Hong Kong Xuchen		Hong Kong Xuchen Trading Limited, a wholly-owned subsidiary of Hong Kong Xinghuo
Proya Luxembourg		Proya Europe SARL, a wholly-owned subsidiary of Hong Kong Xinghuo
Shanghai Zhongwen		Shanghai Zhongwen Electronic Commerce Co., Ltd., a holding subsidiary of the Company
Huzhou Niuke		Huzhou Niuke Technology Co., Ltd., a holding subsidiary of the Company
Hangzhou Wanyan		Hangzhou Wanyan Culture Media Co., Ltd., a holding subsidiary of Huzhou Niuke
Hong Kong Wanyan		Hong Kong Wanyan Electronic Commerce Co., Limited, a holding subsidiary of Huzhou Niuke
Huzhou Younimi		Huzhou Younimi Cosmetics Co., Ltd., a holding subsidiary of the Company
Korea Younimi		Korea Younimi Cosmetics Co., Ltd., a holding subsidiary of the Company
Ningbo TIMAGE		Ningbo TIMAGE Cosmetics Co., Ltd., a holding subsidiary of the Company
Ningbo Keshi		Ningbo Keshi Trading Limited, a holding subsidiary of the Company
Zhejiang Biyouiti		Zhejiang Biyouiti Cosmetics Co., Ltd., a holding subsidiary of the Company
Ningbo Proya		Ningbo Proya Enterprise Consulting Management Co., Ltd., a wholly-owned subsidiary of the Company
Zhejiang Qingya		Zhejiang Qingya Culture Art Communication Co., Ltd., a holding subsidiary of the Company
BOYA (Hong Kong)		BOYA (Hong Kong) Investment Management Co., Limited, a wholly-owned subsidiary of the Company
Japan OR		P.R.O CO., LTD., a holding subsidiary of BOYA (Hong Kong)
Hangzhou Weiluoke		Hangzhou Weiluoke Cosmetics Co., Ltd., a holding subsidiary of the Company
Hangzhou Yizhuo		Hangzhou Yizhuo Culture Media Co., Ltd., a wholly-owned subsidiary of the Company
Hangzhou Oumisi		Hangzhou Oumisi Trading Co., Ltd., a wholly-owned subsidiary of the Company
Huzhou Poyun		Huzhou Poyun Electronic Commerce Co., Ltd., a holding subsidiary of the Company
Guangzhou Qianxi		Guangzhou Qianxi Network Technology Co., Ltd., a wholly-owned subsidiary of the Company
Shanghai Healthlong		Shanghai Healthlong Biochemical Technology Co., Ltd., a holding subsidiary of the Company
Weifang Zhengyi		Weifang Zhengyi Network Technology Partnership (Limited Partnership)
China Securities		China Securities Regulatory Commission

Regulatory Commission/CSRC		
Shanghai Stock Exchange		Shanghai Stock Exchange
Pan-China Certified Public Accountants, audit institution		Pan-China Certified Public Accountants LLP
<i>Company Law</i>		<i>Company Law of the People's Republic of China</i>
<i>Securities Law</i>		<i>Securities Law of the People's Republic of China</i>
<i>Articles of Association</i>		<i>Articles of Association of Proya Cosmetics Co., Ltd.</i>
RMB/RMB 0' 000		RMB/RMB 10, 000
Reporting period		1 January 2020 to 31 December 2020

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

### II Contact Information

	Board Secretary	Securities Affairs Representative
Name	Zhang Yefeng	Wang Xiaoyan
Office address	9/F, Proya Building, No.588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province	9/F, Proya Building, No.588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Telephone	0571-87352850	0571-87352850
Fax	0571-87352813	0571-87352813
E-mail	proyazq@proya.com	proyazq@proya.com

### III Introduction to General Information

Registered address	No.588 Xixi Road, Liuxia Street, Xihu District, Hangzhou City, Zhejiang Province
Postal code of registered address	310023
Office address	Proya Building, No.588 Xixi Road, Xihu District, Hangzhou City, Zhejiang Province
Postal code of office address	310023
Website of the Company	<a href="http://www.proya-group.com">http://www.proya-group.com</a>
E-mail	proyazq@proya.com

### IV Information Disclosure and Place for Obtaining the Report

Media for the Company's information disclosure	<i>Shanghai Securities News, Securities Times</i>
--	---

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

## V Stock Information

Stock Information				
Share class	Exchanges on which the stocks are listed	Stock short name	Stock code	Stock short name before change
A share	Shanghai Stock Exchange	Proya	603605	None

## VI Other Relevant Information

Auditor of the Company (domestic)	Name	Pan-China Certified Public Accountants LLP
	Office address	Block B, China Resources Building, No.1366 Qianjiang Road, Jianggan District, Hangzhou City
	Name of the signing accountant	Yin Zhibin, Wang Xiaokang

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

### (I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2020	2019	Year-on-year change (%)	2018
Revenue	3,752,386,849.02	3,123,520,211.77	20.13	2,361,248,766.72
Net profits attributable to shareholders of the listed company	476,009,298.41	392,681,976.58	21.22	287,188,727.12
Net profit attributable to shareholders of the listed companies, net of non-recurring gains and losses	469,935,904.22	386,170,257.02	21.69	277,682,743.63
Net cash flow generated from operating activities	331,550,109.14	235,961,328.34	40.51	512,918,568.86



Major accounting data	End of 2020	End of 2019	Year-on-year change (%)	End of 2018
Net assets attributable to shareholders of the listed company	2,391,535,435.94	2,029,687,883.68	17.83	1,694,310,463.85
Total assets	3,636,882,185.29	2,979,365,076.82	22.07	2,860,042,557.71

**(II) Key financial indicators**

Key financial indicators	2020	2019	Year-on-year change (%)	2018
Basic earnings per share (Yuan/share)	2.37	1.96	20.92	1.44
Diluted earnings per share (Yuan/share)	2.37	1.96	20.92	1.43
Basic earnings per share, net of non-recurring gains and losses (Yuan/share)	2.34	1.93	21.24	1.39
Weighted average ROE (%)	21.82	21.24	Increase by 0.58 percentage points	18.28
Weighted average ROE, net of non-recurring gains and losses (%)	21.54	20.89	Increase by 0.65 percentage points	17.67

Explanation of major accounting data and financial indicators for the past three years by the end of the Reporting Period

Applicable  Not applicable

**VIII Accounting data difference between PRC GAAP and Overseas Accounting Standards****(I) Differences in net profit and net asset attributable to shareholders of the listed company in financial reports disclosed under International Accounting Standards and PRC GAAP**

Applicable  Not applicable

**(II) Differences in net profit and net assets attributable to shareholders of the listed company in financial reports disclosed under overseas accounting standards and PRC GAAP**

Applicable  Not applicable

**(III) Explanation on the differences between PRC GAAP and Overseas Accounting Standards:**

Applicable  Not applicable

**IX Key Financial Data for the Year of 2020 by Quarter**

Unit: Yuan Currency: RMB

Key financial indicators	1st Quarter (Jan-Mar)	2nd Quarter (Apr-Jun)	3rd Quarter (Jul-Sept)	4th Quarter (Oct-Dec)
--------------------------	-----------------------	-----------------------	------------------------	-----------------------

Revenue	608,193,650.94	776,130,197.94	906,747,098.59	1,461,315,901.55
Net profit attributable to shareholders of the listed company	77,728,276.22	101,038,744.54	106,232,700.41	191,009,577.24
Net profit attributable to shareholders of the listed company after non-recurring profit or loss	83,469,428.49	98,996,965.70	105,814,578.25	181,654,931.78
Net cash flow generated from operating activities	-134,873,267.48	171,437,646.36	170,331,901.76	124,653,828.50

Note: Main reasons for quarterly fluctuation of operating revenue and net profit attributable to shareholders of the listed companies: The quarterly sales fluctuated in cosmetics industry owing to the vulnerability to seasonal factors and holiday activities. For example, Q4 gathered the peak sales such as National Day, “Double Eleven” and “Double Twelve” shopping festivals. Therefore, the operating revenue and net profit of Q4 were higher than other quarters.

Explanation on difference between information by quarter and information disclosed in periodical reports

Applicable  Not applicable

### X Items and Amounts of Non-recurring Gains or Losses

Applicable  Not applicable

Unit: Yuan Currency: RMB

Items of Non-recurring Gains or Losses	Amounts in 2020	Notes (if applicable)	Amounts in 2019	Amounts in 2018
Gains or losses on disposal of non-current assets	150,560.30		43,245.67	22,987.42
Tax returns and exemption with approval exceeding one's authority or without formal approval document, or on an accidental basis			8,167.37	
Government grants included in profits and losses for the current period, excluding those closely related to the normal business and of fixed amount or fixed quantity granted on an on-going basis in accordance with certain standards and in compliance with the State policies	12,198,410.18		7,913,746.66	9,805,967.39
Fund possession cost from non-financial business included			27,000.00	

in current profit or loss				
Gains arising from investment costs for acquisition of subsidiaries, associates and joint ventures less than the fair values of attributable identifiable net assets of the invested entity at the time of acquisition				
Profit and loss from exchange of non-currency assets				
Gains or losses on entrusted investment or asset management				401,621.91
Provision for asset impairment due to force majeure factors, such as natural disaster				
Profit and loss from restructuring of debts				
Enterprise restructuring charge, such as expenditure on staffing, integration cost				
Profit and loss of the part exceeding fair value generated from transaction with unreasonable transaction price				
Net current profit and loss of subsidiary generated from enterprise merger under common control from the beginning of the period to the date of merger				
Profit and loss generated from contingencies unrelated to normal business of company				
Investment income arising from changes in fair values held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment gains on the disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, except the Company normal operations related to effective hedging business	2,266,301.37	Investment income from disposal of financial asset designated as at fair value through profit or loss	4,653,362.83	

Reversal of provision for impairment of receivables and contract assets which are individually tested for impairment				744,899.00
Profit and loss obtained from entrusted loans				
Profit and loss generated from fair value change of investment real estate whose subsequent measurement is conducted with fair value model				
Influences on current profit and loss of one-time adjustment to current profit or loss pursuant to the laws and regulations on tax and accounting				
Trustee fee income obtained from entrusted operation				
Other net non-operating income and expenses, other than the above items	-6,810,805.57		-5,128,895.30	398,144.30
Other profit and loss items conforming to the definition of non-recurring gains and losses				
Effect of minority equity	-688,969.45		187,247.54	2,301.47
Effect of income tax	-1,042,102.64		-1,192,155.21	-1,869,938.00
<b>Total</b>	<b>6,073,394.19</b>		<b>6,511,719.56</b>	<b>9,505,983.49</b>

## XI Items Measured at Fair Values

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Closing balance	Changes in the Period	Effect on profit for the Period
Wealth management products	71,450,000.00	0.00	-71,450,000.00	0.00
Receivables financing	2,150,000.00	5,531,997.32	3,381,997.32	0.00
<b>Total</b>	<b>73,600,000.00</b>	<b>5,531,997.32</b>	<b>-68,068,002.68</b>	<b>0.00</b>

## XII Others

Applicable √ Not applicable

## Section III Business Overview

### I Description of the Company's principal business, operation model and industry condition during the Reporting Period

#### (I) Principal business

The Company is committed to building a new domestic beauty industry platform, mainly engaged in the research and development, production and sales of beauty and personal care

products. It mainly owns "Proya", "Hapsode", "TIMAGE", "INSBAHA", and "CORRECTORS" brands. At present, the Company's brands have covered the beauty fields such as popular exquisite skin care, make-up and high-efficacy skin care products:

#### 1. Popular exquisite skin care brand

(1) Proya, focusing on technology skin care for young white-collar women. The main price range is RMB 100-300. This brand is sold both online and offline.

(2) Hapsode, specially tailored for young skin, is aimed at students and young women in small towns. The main price range is RMB 50-100. This brand is sold mainly online.

#### 2. Make-up brand

(1) TIMAGE is a professional make-up brand for new Chinoiserie dressers. The main price range is RMB 150-200. This brand is sold online.

(2) INSBAHA is a punk style make-up brand for the minority. The main price range is RMB 50-150. This brand is sold online.

#### 3. High-efficacy skin care brand

CORRECTORS is a high-efficiency skin care brand. The main price range is RMB 260-600. This brand is sold online.

### (II) Main operation model

#### 1. Sales mode

The main sales channel is online sales, with offline sales as the auxiliary channel.

Online channels mainly include direct sales and distribution. Direct sales focus on platforms such as Tmall and JD.COM, while expanding emerging platforms such as TikTok shops, and distribution focuses on platforms such as Taobao, JD.COM, Vipshop and Pinduoduo.

Off-line channels are mainly operated by dealers. Channels include cosmetics specialty stores, malls and supermarkets, and single brand stores.

#### 2. Production/R&D mode

The Company is mainly engaged in independent production, supplemented by OEM outsourcing factories. It operates self-built skin care/personal care factories and make-up factories.

The Company takes independent research and development as the main R&D mode, supplemented by the industry-university-research cooperation mode. It maintains R&D cooperation relations with leading raw material suppliers in the world, such as BASF China, Ashland China and LIPOTRUE S.L. in Spain.

### (III) Explanation on the industry

In accordance with the *Guidelines for the Industry Classification of Listed Companies* issued by the China Securities Regulatory Commission, the industry to which the Company belongs is chemical raw materials and chemical products manufacturing (classification code: C26); in accordance with the *China National Economic Industry Classification and Code* (GB/T 4754-2011), the Company belongs to the industry of daily chemical products manufacturing (C268), and the subdivided industry is cosmetics manufacturing (C2682).

According to the statistics of the National Bureau of Statistics, the total retail sales of social consumer goods was RMB 39,198.1 billion in 2020, with a year-on-year decrease of 3.9%, of which the total amount of cosmetics was RMB 340 billion, up 9.5% year on year (retail sales of unit consumer goods above quota).

## II Explanation on significant change in major assets of the Company during the Reporting Period

Applicable  Not applicable

### III Analysis on core competitiveness during the Reporting Period

√ Applicable □ Not applicable

The Company's core competitiveness is mainly reflected in: building a self-driven organization with high efficiency and collaboration in front, middle and back grounds with "products, contents and operations" as the main line, and constructing a consistent operation management system of "culture-strategy-mechanism-talents" from top to bottom, with culture as the traction, strategy as the guidance, mechanism and talents as the two wings, so as to fully implement the strategy.

## Section IV Discussion and Analysis of Operation

### I Discussion and Analysis of Operation

#### 1. Year-on-year increase of operating revenue

The operating revenue was RMB 3.752 billion, with a year-on-year increase of 20.13%.

Where: The principal business income was RMB 3.748 billion, with a year-on-year increase of 20.26%.

Other business income was RMB 4,462,200.

#### Principal business income:

##### (1) By channel

Sub-channel		Amount (in RMB 100 million)	Year-on-year increase or decrease in 2020 (%)	Year-on-year increase or decrease in 2019 (%)	Year-on-year increase or decrease in 2018 (%)	Percentage in 2020 (%)	Percentage in 2019 (%)	Percentage in 2018 (%)
Online	Direct sales	15.91	79.63	88.25	90.19	60.63	53.53	45.77
	Distribution	10.33	34.36	37.95	40.97	39.37	46.47	54.23
	Sub-total	26.24	58.59	60.97	59.91	70.01	53.09	43.57
Offline	Cosmetics stores	8.45	-19.28	4.42	7.45	75.22	71.64	75.35
	Others	2.79	-32.81	26.33	59.72	24.78	28.36	24.65
	Sub-total	11.24	-23.12	9.82	16.88	29.99	46.91	56.43
<b>Total</b>		<b>37.48</b>	<b>20.26</b>	<b>32.11</b>	<b>32.41</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Note: The proportion of online and offline subtotal refers to the proportion of principal business revenue.

##### (2) By brand

Sub-brand	Amount (in RMB 100 million)	Year-on-year increase or decrease in 2020 (%)	Year-on-year increase or decrease in 2019 (%)	Year-on-year increase or decrease in 2018 (%)	Percentage in 2020 (%)	Percentage in 2019 (%)	Percentage in 2018 (%)
-----------	-----------------------------	---	---	---	------------------------	------------------------	------------------------

		(%)	(%)	(%)				
Self-owned brand	Proya	29.86	12.43	26.81	32.38	84.32	89.33	88.77
	Other brands	5.55	75.08	19.74	32.65	15.68	10.67	11.23
	<b>Sub-total</b>	<b>35.41</b>	<b>19.11</b>	<b>26.02</b>	<b>32.41</b>	<b>94.48</b>	<b>95.39</b>	<b>100.00</b>
Agent brand	Cross-border agency Brand	2.07	44.09	-	-	5.52	4.61	-
<b>Total</b>		<b>37.48</b>	<b>20.26</b>	<b>32.11</b>	<b>32.41</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Note: Among them, TIMAGE records revenue of RMB 121 million.

### (3) By category

Category	Amount (in RMB 100 million)	Year-on-year increase or decrease in 2020 (%)	Year-on-year increase or decrease in 2019 (%)	Year-on-year increase or decrease in 2018 (%)	Percentage in 2020 (%)	Percentage in 2019 (%)	Percentage in 2018 (%)
Skin care (including cleansing)	32.42	11.38	24.89	32.29	86.50	93.40	98.80
Make-up	4.65	181.91	482.43	42.59	12.41	5.29	1.20
Others	0.41	0.47	-	-	1.09	1.31	-
<b>Total</b>	<b>37.48</b>	<b>20.26</b>	<b>32.11</b>	<b>32.41</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## 2. Year-on-year increase of net profit

The net profit attributable to shareholders of the listed companies was RMB 476 million, with a year-on-year increase of 21.22%.

The net profit attributable to shareholders of the listed companies, net of non-recurring gains and losses, was RMB 470 million, with a year-on-year increase of 21.69%.

Index	2020	2019	2018	Description
1. Net profit margin	12.04%	11.73%	12.14%	
2. Gross profit margin	63.55%	63.96%	64.03%	Due to the implementation of new revenue standards, the freight charge of RMB 118 million was listed in the principal business cost in the current period, and the gross profit margin excluding freight charge on comparable basis was 66.70% in 2020
3. Ratio of expenses to sales	39.90%	39.16%	37.52%	1. The online revenue occupied an increased proportion, and the investment for image publicity and brand promotion of the Company increased RMB 387 million compared with the prior year, with year-on-year growth of 46.17%; 2. Due to the implementation of new revenue standards, the freight charge of RMB 118 million was listed in the principal business cost in the current period (freight

				charge of RMB 76.25 million was included in the selling expense in the same period in 2019).
Where: Image promotion expense	32.68%	26.86%	21.19%	
4. Administrative expense ratio	5.44%	6.25%	7.26%	
5. R&D expense ratio	1.92%	2.39%	2.17%	The R&D expense was essentially on par with the previous year.
6. Turnover rate of accounts receivable (times)	15.53	21.74	36.04	Main reasons in the current period: (1) The growth rate of accounts receivable from online platform business (such as JD.COM and Vipshop) exceeded that of operating revenue, which affected the turnover rate; (2) Dealers were offered greater credit support to stabilize offline sales, and the balance of accounts receivable increased; (3) The impact of new brand business
7. Turnover days of accounts receivable (days)	23.18	16.56	9.99	
8. Inventory turnover rate (times)	3.50	4.12	4.04	Mainly due to the overstock for live streaming in Q4 of the current period
9. Inventory turnover days (days)	102.86	87.38	89.11	

## II Financial Performance during the Reporting Period

During the Reporting Period, the Company's operations focused on three aspects: product drive, brand building and organizational reform.

### 1. Product drive

During the Reporting Period, the channel-driven strategy was rapidly upgraded to a product-driven strategy. Digital product management was implemented. The digital management was realized in the whole life cycle from insight into consumer market and product development to product listing. In addition, the strategy of popular single products was implemented. Star single products with brand mind and representativeness were created, so as to improve the per customer transaction and re-purchase rate and enhance brand loyalty. For example, Ruby Essence, Double Anti-aging Essence, Double Anti-aging Nightlight Eye Cream, TIMAGE Shading Powder and other popular single products were developed.

### 2. Brand building

Proya brand continued to upgrade, with the upgrading of the product system as the core, continuously enhancing the brand's sense of technology and youth, conveying the brand's spirit of discovery, and closely binding with the younger generation of consumers from material to spirit. Consumers can intuitively feel that "Proya is really different".

In marketing activities, brand content was continuously and uniformly exported throughout the year around positioning, and the brand deeply interacts with consumers through original theme content, official announcement of new spokesperson, cross-border/IP and other forms, to continuously make innovation. Such activities include #Young Dreamers# in January; # Young People Fear Nothing# + official announcement of Sun



Li in March; official announcement of Cai Xukun in April; #Take on adventure for love when you are young# in May; Proya \* Nayuku, #Realize your dream while you are young# in June; Nightlight \* Tmall Black Box in July; PROYA\* Young Artist Jiang Yueyin in September; PROYA\* Eastsea Festival in October; and TIMELAB press conference +PROYA\* Bu Kewen and #Just do it while you are young in November.

### 3. Organizational reform

**Organizational level:** Focused on building a digital middle platform: the product middle platform deepened the strategy of popular single products and hot products; the accurate promotion ROI strategies of the middle platform were launched. The virtual project organization form with products and delivery as the main line was adopted to create an end-to-end, efficient and self-driven process organization.

**Talent:** The Company continued to further promote the talent supply chain mechanism that matches the business, selected talents accurately, identified talents quickly and employed talents efficiently, so as to gradually build a young team with strong fighting capacity, learning ability, self-driven ability and entrepreneurial passion.

**Mechanism:** The Company advocated the “three-high” performance culture of “high investment, high performance and high return”, and established a performance management system of “setting goals, focusing on processes and getting results”; around the business strategy, the Company made every effort to build a short (quarterly performance, project incentives), medium (annual excess dividends) and long-term (equity incentives, partners) diversified business incentive system.

#### (I) Analysis of principal business

##### 1. Analysis of change in certain items in income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the same period last year	Change in the proportion (%)
Revenue	3,752,386,849.02	3,123,520,211.77	20.13
Cost of sales	1,367,561,949.78	1,125,573,226.23	21.50
Selling expenses	1,497,058,943.34	1,223,031,824.07	22.41
Administrative expenses	204,279,378.68	195,259,927.02	4.62
R&D expenses	72,200,028.77	74,602,606.55	-3.22
Financial expenses	-13,607,115.53	-9,494,812.30	Not applicable
Net cash flow generated from operating activities	331,550,109.14	235,961,328.34	40.51
Net cash flow generated from investing activities	14,534,157.08	-54,596,265.69	Not applicable
Net cash flow from financing activities	-43,382,734.32	-209,256,879.22	Not applicable

##### 2. Analysis of revenue and cost

√ Applicable □ Not applicable

**Explanation on the reason for change in operating revenue:** Mainly due to the growth of revenue from online channels.

**Explanation on the reason for change in operating cost:**

The year-on-year increase achieved RMB 242 million, up 21.50%. The main reasons are as follows:

1. The operating revenue increased and the operating cost increased correspondingly;
2. Due to the implementation of new revenue standards, the freight charge of RMB 118 million was listed in the principal business cost in the current period.

**Explanation on the reason for change in selling expense:**

The selling expense was RMB 1.497 billion in 2020, accounting for 39.90% of the operating revenue (39.16% in the same period last year). The year-on-year increase of selling expense achieved RMB 274 million, up 22.41%. The main reasons are as follows:

1. The online revenue occupied an increased proportion, and the investment for image publicity and brand promotion of the Company increased RMB 387 million compared with the prior year, with year-on-year growth of 46.17%;
2. Due to the implementation of new revenue standards, the freight charge of RMB 118 million was listed in the principal business cost in the current period (freight charge of RMB 76.25 million was included in the selling expense in the same period in 2019).

**Explanation on the reason for change in administrative expense:**

The administrative expense was RMB 204 million in 2020, accounting for 5.44% of the operating revenue (6.25% in the same period last year). The administrative expense, increased RMB 9.02 million on year-on-year basis, up 4.62%, was essentially on par with the previous year.

**Explanation on the reason for change in R&D expenses:**

The R&D expense was RMB 72.2 million in 2020, accounting for 1.92% of the operating revenue (2.39% in the same period last year). It was essentially on par with the previous year. The R&D expense of the parent company was 3.96% in 2020 (4.51% in the same period last year).

**Explanation on the reason for change in financial expense:** Mainly due to the increase of interest income.

**Explanation on the reason for change in net cash flow generated from operating activities:**

The year-on-year net flow increased RMB 95.59 million, mainly due to the followings:

1. Increase of cash: The year-on-year increase of sales outstanding achieved RMB 728 million;
2. Decrease of cash: The goods payment increased RMB 171 million on year-on-year basis, and the cash paid for other operating activities increased RMB 484 million.

**Explanation on the reason for change in net cash flow generated from investing activities:**

The year-on-year net flow increased by RMB 69.13 million, mainly due to the followings:

1. Increase of cash: Increase of net redemption of wealth management products and increase of monetary capital for new consolidated subsidiary, i.e., acquisition of “Shanghai Healthlong” ;

2. Decrease of cash: The year-on-year increase for investment on associate and other equity as well as expenditure for the acquisition of fixed assets and construction in progress in the current period.

**Explanation on the reason for change in net cash flow generated from financing activities:**

The year-on-year net flow increased by RMB 166 million, mainly due to the followings:

1. The short-term borrowings from banks had a year-on-year net increase of RMB 170 million, and the outlay for debt payment had a year-on-year net decrease of RMB 46 million. For these two items, the net cash inflows increased by RMB 216 million;
2. The interest expenditure for dividend distribution increased by RMB 30 million on year-on-year basis.

**(1). Result of principal business by industry, product and region**

Unit: Yuan Currency: RMB

Result of principal business by industry						
By industry	Revenue	Cost of sales	Gross margin (%)	Change in revenue from last year (%)	Change in cost from last year (%)	Change in gross profit margin from last year (%)
Beauty and personal care industry	3,747,924,600.60	1,363,486,774.26	63.62	20.26	21.71	Decrease by 0.43 percentage points
Result of principal business by product						
By product	Revenue	Cost of sales	Gross margin (%)	Change in revenue from last year (%)	Change in cost from last year (%)	Change in gross profit margin from last year (%)
Skin care (including cleansing)	3,242,093,549.02	1,139,865,475.50	64.84	11.38	11.02	Increase by 0.11 percentage points
Make-up	464,967,347.81	197,578,914.36	57.51	181.91	213.38	Decrease by 4.26 percentage points
Other categories	40,863,703.77	26,042,384.40	36.27	0.47	-14.60	Increase by 11.25 percentage points
Total	3,747,924,600.60	1,363,486,774.26	63.62	20.26	21.71	Decrease by 0.43 percentage points
Result of principal business by region						
By geography	Revenue	Cost of sales	Gross margin (%)	Change in revenue from last year (%)	Change in cost from last year (%)	Change in gross profit margin from last year (%)

				year (%)		
Northeast China	44,304,893.79	15,645,677.45	64.69	-30.34	-32.65	Increase by 1.21 percentage points
North China	111,815,638.32	45,042,729.22	59.72	-35.95	-32.60	Decrease by 2.00 percentage points
East China	805,871,057.44	277,383,905.03	65.58	41.83	32.09	Increase by 2.54 percentage points
South China	78,086,349.46	31,545,110.66	59.60	-56.84	-54.37	Decrease by 2.19 percentage points
Central China	209,350,223.42	82,846,339.82	60.43	-46.97	-43.57	Decrease by 2.39 percentage points
Northwest China	72,627,248.27	24,751,079.45	65.92	-31.79	-30.69	Decrease by 0.54 percentage points
Southwest China	143,373,945.60	51,533,131.56	64.06	-7.33	-2.99	Decrease by 1.61 percentage points
Hong Kong, China and overseas	127,445,152.37	110,143,260.74	13.58	-13.85	-14.30	Increase by 0.46 percentage points
Others (some e-commerce channels)	2,155,050,091.93	724,595,540.33	66.38	62.61	87.25	Decrease by 4.42 percentage points
Total	3,747,924,600.60	1,363,486,774.26	63.62	20.26	21.71	Decrease by 0.43 percentage points

### Explanation on result of principal business by industry, product and geography

(1) Due to the implementation of new revenue standards, the freight charge of RMB 118 million was listed in the principal business cost in the current period, and the gross profit margin of principal business excluding freight charge on comparable basis was 66.80% in 2020, increased by 2.75 percentage points over the previous year.

(2) Increase in beauty and personal care industry: The increase of principal business income in the current year was mainly from the online sales of RMB 2.624 billion, with year-on-year growth of 58.59%.

(3) Increase in make-up: The main reason lies in the development of new make-up products in the Reporting Period (including in-house and OEM products). For example, "TIMAGE", the new make-up brand in the Reporting Period, witnessed revenue of RMB 121 million.

(4) Increase by regions: The increase in East China is mainly due to the increase of online distribution; the revenue of others (part of the E-commerce) presented a year-on-year growth of 62.61%; the revenue of other regions except E-commerce and East China decreased to varying degrees: mainly due to the year-on-year decrease of online revenue.

### (2). Analysis of production and sales volume

√ Applicable □ Not applicable

Major products	Unit	Production	Sales	Inventory	Change in production from last year	Change in sales from	Change in inventory from last year

					(%)	last year (%)	(%)
Beauty and personal care product	Piece	194,003,300	180,825,866	47,873,372	15.29	10.00	37.98

Explanation on production and sales volume

Both in-house and OEM products are included in the above table, but excluding the quantity for products like cross-border agent brand.

### (3). Analysis of cost

Unit: Yuan

By industry							
By industry	Cost item	Amount in the current period	Percentage of total costs for the current period (%)	Amount in the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Beauty and personal care industry	Raw materials	851,018,281.40	62.42	799,853,363.25	71.39	6.40	
	Labor and manufacturing costs	82,914,903.34	6.08	78,047,754.49	6.97	6.24	
	Purchases	311,700,853.56	22.86	242,407,770.07	21.64	28.59	
	Freight charge	117,852,735.96	8.64				
	Sub-total	1,363,486,774.26	100.00	1,120,308,887.81	100.00	21.71	
By product							
By product	Cost item	Amount in the current period	Percentage of total costs for the current period (%)	Amount in the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Skin care (including	Raw materials	798,070,230.37	70.02	769,807,079.06	74.97	3.67	

cleansing)	Labor and manufacturing costs	76,267,474.56	6.69	74,427,379.74	7.25	2.47	
	Purchases	164,300,108.50	14.41	182,531,687.96	17.78	-9.99	
	Freight	101,227,662.07	8.88				
	Sub-total	1,139,865,475.50	100.00	1,026,766,146.76	100.00	11.02	
Make-up	Raw materials	52,948,051.03	26.80	30,046,284.19	47.66	76.22	Sales increase of new make-up products
	Labor and manufacturing costs	6,647,428.78	3.36	3,620,374.75	5.74	83.61	Sales increase of new make-up products
	Purchases	121,703,172.90	61.60	29,381,356.62	46.60	314.22	Mainly due to the sales of new brand TIMAGE
	Freight	16,280,261.65	8.24				
	Sub-total	197,578,914.36	100.00	63,048,015.56	100.00	213.38	
Other categories	Raw materials						
	Labor and manufacturing costs						
	Purchases	25,697,572.16	98.68	30,494,725.49	100.00	-15.73	
	Freight	344,812.24	1.32				
	Sub-total	26,042,384.40	100.00	30,494,725.49	100.00	-14.60	
	Total	1,363,486,774.26		1,120,308,887.81		21.71	

Explanation on other situations of cost analysis

None

#### (4). Major customers and suppliers

√ Applicable  Not applicable

Sales of the top 5 customers amounted to RMB 565,284,600, accounting for 15.08% of the total annual sales. Of the sales of the top 5 customers, sales of related parties amounted to RMB0.00, accounting for 0.00% of the total annual sales.

Procurement of the top 5 suppliers amounted to RMB261,040,300, accounting for 19.65% of the total annual procurement. Of the procurement of the top 5 suppliers, procurement of related parties amounted to RMB0.00, accounting for 0.00% of the total annual procurement.

Other particulars

None

### 3. Expense

√ Applicable  Not applicable

Unit: Yuan

Item	2020	2019	Increase or decrease of the current period	Growth rate
Selling expenses	1,497,058,943.34	1,223,031,824.07	274,027,119.27	22.41%
Administrative expenses	204,279,378.68	195,259,927.02	9,019,451.66	4.62%
R&D expenses	72,200,028.77	74,602,606.55	-2,402,577.78	-3.22%
Financial expenses	-13,607,115.53	-9,494,812.30	-4,112,303.23	Not applicable

### 4. R&D investment

#### (1). Table of R&D investment

√ Applicable  Not applicable

Unit: Yuan

Expensed R&D investment in the current period	72,200,028.77
Capitalized R&D investment in the current period	
Total R&D investment	72,200,028.77
Proportion of total R&D investment to operating revenue (%)	1.92
Number of the Company's R&D staff	196
Percentage of the number of R&D staff to the Company's total number of employees (%)	6.76
Percentage of capitalized R&D investment (%)	

#### (2). Explanation

Applicable √ Not applicable

### 5. Cash flow

√ Applicable  Not applicable

Item	Amount in the current period	Amount in the same period last year	Growth rate (%)	Explanation

Net cash flow generated from operating activities	331,550,109.14	235,961,328.34	40.51	The year-on-year net flow increased by RMB 95.59 million, mainly due to the followings: 1. Cash inflow: The year-on-year increase of cash received from sales of goods achieved RMB 728 million; 2. Cash outflow: The cash paid for goods and services increased by RMB 171 million on year-on-year basis, and the cash paid for other operating activities increased by RMB 484 million
Net cash flow generated from investing activities	14,534,157.08	-54,596,265.69	Not applicable	The year-on-year net flow increased by RMB 69.13 million, mainly due to the followings: 1. Increase of cash: (1) The net redemption of wealth management products was RMB 213 million in the current period (RMB 110 million in the same period last year), with year-on-year net flow increase of RMB 103 million; (2) The cash balance of "Shanghai Healthlong of RMB 66.05 million at the acquisition; 2. Decrease of cash: (1) The year-on-year increase for investment on associate and other equity was RMB 76.29 million in the current period; (2) The year-on-year increase for the acquisition of fixed assets and construction in progress was RMB 20.32 million.
Net cash flow from financing activities	-43,382,734.32	-209,256,879.22	Not applicable	The year-on-year net flow increased by RMB 166 million, mainly due to the followings: 1. The short-term borrowings from banks had a year-on-year net increase of RMB 170 million, and the outlay for debt payment had a year-on-year net decrease of RMB 46 million. For these two items, the net cash inflows increased by RMB 216 million; 2. The interest expenditure for dividend distribution increased by RMB 30 million on year-on-year basis
Other cash received from	81,739,953.02	27,439,741.01	197.89	Mainly due to amount from the newly consolidated subsidiary in



operating activities				the current period
Cash paid for other operating activities	1,422,965,037.76	939,446,827.05	51.47	The main reason lies in the year-on-year increase of image promotion expense of RMB 434 million in the current period, including: 1. increase for new consolidated subsidiary; 2. increase of image promotion expense for new incubation brands and investment brands
Cash received from disposal of investments	213,200,000.00	380,000,000.00	-43.89	Mainly due to the year-on-year decrease of wealth management product redemption
Cash received from returns on investments	2,266,301.37	4,653,362.83	-51.30	Mainly due to the earnings change from wealth management products
Other cash received relating to investing activities	66,052,759.40	2,500,000.00	2,542.11	The cash balance of “Shanghai Healthlong” at the acquisition; repayment of the loan principal of RMB 2.5 million was made by Beijing Mitangpai Cosmetics Co., Ltd. in the same period last year
Cash paid for investment	81,930,000.00	275,588,295.00	-70.27	Main reasons: 1. The investment on associate and other equity totaled RMB 66.58 million, and the equity transfer fund of RMB 15.35 million was paid to minority shareholders in the current period; 2. Cash of RMB 269.95 million was paid for purchase of wealth management products, and the equity transfer fund of RMB 5.64 million was paid to minority stockholders in the same period last year
Other cash paid relating to investing activities	1,035,148.02	2,500,000.00	-58.59	Net cash paid for disposal of Huzhou Tizhi Cosmetics Co., Ltd. in the current period; loan of RMB 2.5 million to Beijing Mitangpai Cosmetics Co., Ltd. in the same period last year
Proceeds received from financing activities	2,266,300.00	21,085,273.44	-89.25	The main reason lies in the decrease of equity investment by minority shareholders of the consolidated holding subsidiary in 2020 as compared with 2019
Cash received from borrowings	299,000,000.00	128,939,749.33	131.89	Mainly due to the year-on-year increase of short-term borrowings from bank

Dividends paid, profit distributed or interest paid	127,734,055.29	97,824,202.19	30.58	Mainly due to the year-on-year increase of cash dividend distribution of RMB 32.2 million
Other cash paid for financing-related activities	2,684,110.55	1,657,699.80	61.92	Mainly due to the year-on-year increase of equity repurchase payment in 2020

**(II) Explanation on significant change of profit caused by non-principal business**

Applicable  Not applicable

**(III) Analysis of assets and liabilities**

Applicable  Not applicable

**1. Assets and liabilities**

Unit: Yuan

Items	Amount as at the end of the current period	Percentage of total assets at the end of current period (%)	Amount as at the end of last period	Percentage of total assets at the end of last period (%)	Change in percentage for the current period over the last period (%)	Explanation
Held-for-trading financial assets			71,450,000.00	2.40	-100.00	Mainly due to redemption on maturity of wealth management products purchased at the beginning of the period in the current period
Accounts receivable	284,878,419.58	7.83	198,409,249.19	6.66	43.58	Main reasons: 1. The accounts receivable from online platform business increased; for example, the accounts receivable of JD.COM and Vipshop increased by RMB 29.59 million; 2. Dealers were offered greater credit support to stabilize offline sales, and the balance of accounts

						receivable increased; 3. the accounts receivable was increased due to new brand business, etc.
Receivables financing	5,531,997.32	0.15	2,150,000.00	0.07	157.30	Mainly due to the increase in the balance of bank acceptance bill at the end of the period
Prepayment	82,742,815.92	2.28	53,313,963.76	1.79	55.20	Mainly due to the increase of advance payment and expense of the new consolidated subsidiary in the current period
Other receivables	48,733,527.35	1.34	15,269,949.97	0.51	219.15	Main reasons: 1. The deposit receivable of the new consolidated subsidiary increased in the current period; 2. Epidemic prevention and control supplies were proposed to be purchased from abroad during the outbreak of COVID-19, but no consensus was reached as to the return policy, and further negotiation was required
Inventories	468,641,017.75	12.89	313,649,003.07	10.53	49.42	Main reasons: 1. Overstock for live streaming in Q4; 2. Increase of ending inventory of the new consolidated subsidiary in the current period
Other current	35,235,8	0.97	11,723,2	0.39	200.56	Main reasons: 1.

assets	11.27		68.59			According to the new revenue standards, it was expected that the net return of RMB 5.76 million at the end of the period should be included in “estimated liabilities”, but it was actually reflected as “estimated liabilities of RMB 10.19 million” and “other current assets of RMB 4.43 million” based on the amount that affects the revenue and cost; 2. The input tax of excess VAT paid was reclassified as “other current assets”, and the balance was increased
Long-term equity investments	58,220,059.60	1.60	14,728,003.68	0.49	295.30	Mainly due to the new equity investment of RMB 46 million on the associate - Jiaxing Woyong
Investments in other equity instruments	20,580,000.00	0.57			Not applicable	Mainly due to the equity investment of RMB 20.58 million on Hangzhou Regenovo Biotechnology., Ltd.
Construction in progress	47,324,523.36	1.30	31,894,658.49	1.07	48.38	Mainly due to the new investment on make-up line in the current period
Goodwill	31,034,161.20	0.85			Not applicable	Main reason: The portion of the investment of the new consolidated subsidiary

						“Shanghai Healthlong” that exceeded the fair value of its net identifiable assets calculated according to the shareholding ratio was recognized as goodwill in the current period
Long-term prepaid expenses	50,576,793.53	1.39	26,378,564.50	0.89	91.73	Main reasons: 1. Increase in the balance of endorsement fee to be amortized; 2. The increase of RMB 13.03 million for renovation of make-up factory
Deferred income tax assets	46,660,550.76	1.28	27,975,258.51	0.94	66.79	Mainly due to the increase in the balance of deferred income tax assets calculated based on the amortized share-based payment
Other non-current assets	87,322,780.03	2.40	15,006,146.49	0.50	481.91	Main reasons: 1. RMB 81.6 million was paid for the land in Longwu, Hangzhou, but the corresponding land delivery procedure has not been completed as at 31 December 2020; 2. The purchase amount of long-term assets originally prepaid for the new building has been partially transferred into fixed assets.
Short-term borrowings	299,280,435.09	8.23	129,047,396.51	4.33	131.92	Mainly due to the new bank loans in the current period
Bills payable	64,580,0	1.78	41,830,9	1.40	54.38	Mainly due to the

2020 ANNUAL REPORT

	00.00		48.53			increase of bank acceptance
Accounts payable	515,832,031.27	14.18	347,316,843.39	11.66	48.52	Mainly due to overstock for live streaming in Q4 and the payment day yet to come
Accounts received in advance			40,913,490.55	1.37	-100.00	Mainly due to the adjustment from the original "accounts received in advance" to "contract liabilities" and "other current liabilities" owing to the implementation of new revenue standards
Contract liabilities	30,618,778.99	0.84			Not applicable	Mainly due to the implementation of new revenue standards: 1. The unredeemed member points originally included in the "deferred income" were adjusted to "contract liabilities"; 2. The original "accounts received in advance" were adjusted to "contract liabilities" and "other current liabilities"
Non-current liabilities due within one year			85,258,247.69	2.86	-100.00	Mainly due to the repayment of long-term borrowings due within one year in the current period
Other current liabilities	1,439,262.02	0.04			Not applicable	Mainly due to the adjustment from the

						original “accounts received in advance” to “contract liabilities” and “other current liabilities” owing to the implementation of new revenue standards
Deferred income	8,495,353.33	0.23	19,743,036.56	0.66	-56.97	The unredeemed member points originally included in the “deferred income” was adjusted to “contract liabilities” due to the implementation of new revenue standards, while the balance at the beginning of the period included unredeemed member points of RMB 11.25 million
Deferred income tax liabilities	6,874,105.45	0.19	5,132,011.38	0.17	33.95	Mainly due to the increase of taxable temporary differences recognized by one-time deduction of depreciation of fixed assets
Undistributed profit	1,265,671,865.63	34.80	908,411,607.62	30.49	39.33	Mainly due to the increase of net profit in the current period
Minority equity	90,326,830.19	2.48	40,370,159.89	1.35	123.75	Main reason was due to the consolidation of “Shanghai Healthlong” happened in the current period

Other particulars

None

## 2. Major restricted assets as at the end of the Reporting Period

Applicable  Not applicable

Item	Carrying value at the end of the period	Reason for restriction
Cash and equivalents	14,803,886.05	Land construction deposit, transformer deposit, L/C deposit, Tmall deposit, Alipay deposit, etc.
Total	14,803,886.05	

## 3. Other particulars

Applicable  Not applicable

### (IV) Analysis on industry operating information

Applicable  Not applicable

See the content below for details.



## Analysis on operating information of the chemical business

### 1 Basic information of the industry

#### (1). Industry policy and its changes

Applicable  Not applicable

#### (2). Basic information of main subdivided industries and company position in the industry

Applicable  Not applicable

Refer to the related description in “(I) Industry pattern and trend” in “III. Discussion and analysis on future development of the Company” of “Section IV Discussion and Analysis of Operation” .

#### Company position in the industry:

Based on the analysis of various industry data, the Company occupies a certain market share in the Chinese cosmetics market.

### 2 Products and production

#### (1). Main operation model

Applicable  Not applicable

Please refer to the description of the operation model in the “I. Description of the Company’ s Principle Business, Operation Model and Industry Condition During the Reporting Period” of “Section III Business Overview of the Company” .

#### Main information on adjustment of operation model during the Reporting Period

Applicable  Not applicable

#### (2). Information on major products

Applicable  Not applicable

Product	Subdivided industry	Main upstream raw materials	Main downstream application fields	Main influencing factors of price
Skin care (cleansing)	Skin care	Moisturizer, active substance, grease wax, emulsifier, surfactant, essence and packaging	Skin care and cleansing	Personal income, skin type, lifestyle and brand preference
Make-up	Make-up	Grease wax, emulsifier, toner, essence and packaging	Make-up, beauty and shading	Personal income, lifestyle and brand preference

**(3). R&D innovation**

√ Applicable  Not applicable

The Company's main operations for continuous innovation in scientific research during the Reporting Period were as follows:

1. A total of 9 new national invention patents were awarded in 2020, and meanwhile, new applications for 10 invention patents, 3 utility model patents and 27 design patents were filed. As at the end of the Reporting Period, the Company has 75 national invention patents, 30 utility model patent and 80 design patents, totaling 185 patents.

2. Industry-university-research cooperation: Developed cooperation on the "utilization of deep-sea microbial resources and development of active substances" with the Institute of Microbiology, Chinese Academy of Sciences. Signed the agreement on industry-university-research cooperation with the International School of Cosmetics, Shanghai Institute of Technology, for the purpose of comprehensive cooperation in terms of talent cultivation, scientific research, scientific and technological innovation, and personnel training.

3. Strategic technology cooperation: Achieved strategic technical cooperation with BASF China, etc. ; built a joint laboratory center for high-throughput 3D printing of Asian skin models together with Hangzhou Regenovo Biotechnology., Ltd. ;

4. The project named *Key Technology and Standardization for Testing of Prohibited Substances in Cosmetics*, jointly carried out by the Company and Hangzhou Institute for Food and Drug Control, National Center for Quality Supervision and Inspection of Daily Commodities, Hangzhou Institute of Test and Calibration for Quality and Technical Supervision, was granted the third prize of Zhejiang Provincial Science and Technology Progress Award;

5. Proya won the honorary title of "Excellent R&D Team" in the Science and Technology Conference of China Fragrance, Flavour and Cosmetics Industry in 2020 and the 13<sup>th</sup> Academic Symposium.

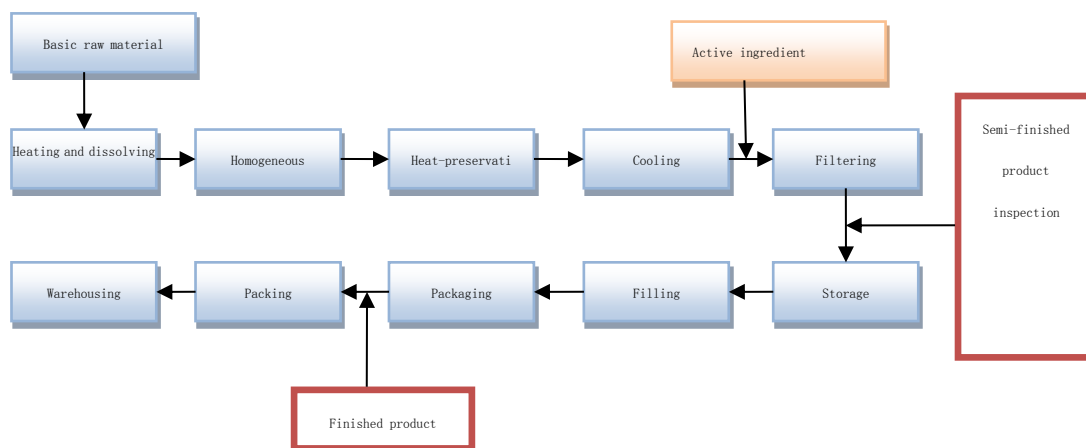
6. Participated in the formulation of group standards of animal substitute test for cosmetics, three of which have been approved and issued by Zhejiang Health Products and Cosmetic Industry Association, and implemented from 20 February 2020; participated in two scientific research projects of the key laboratory for animal substitute test for cosmetics in National Medical Products Administration.

**(4). Production process and work flow**

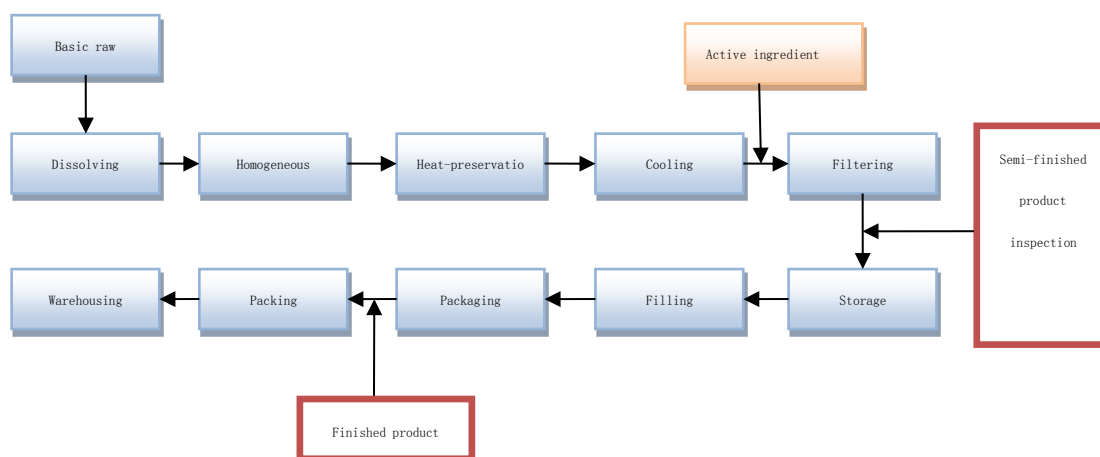
√ Applicable  Not applicable

The Company's products are mainly divided into skin care(cleansing)and make-up. The production process is shown in the figure below:

1. Production process of skin care products

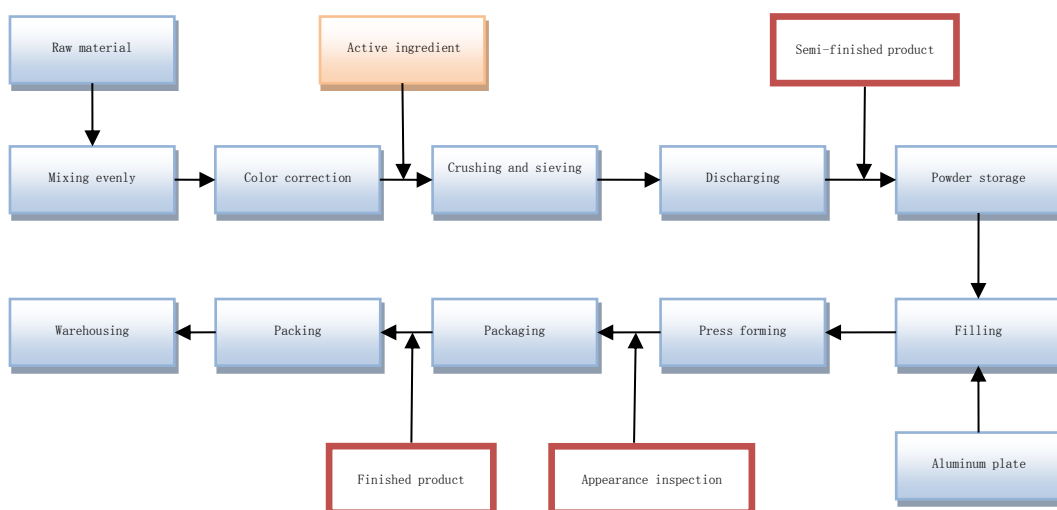


2. Production process of cleansing products

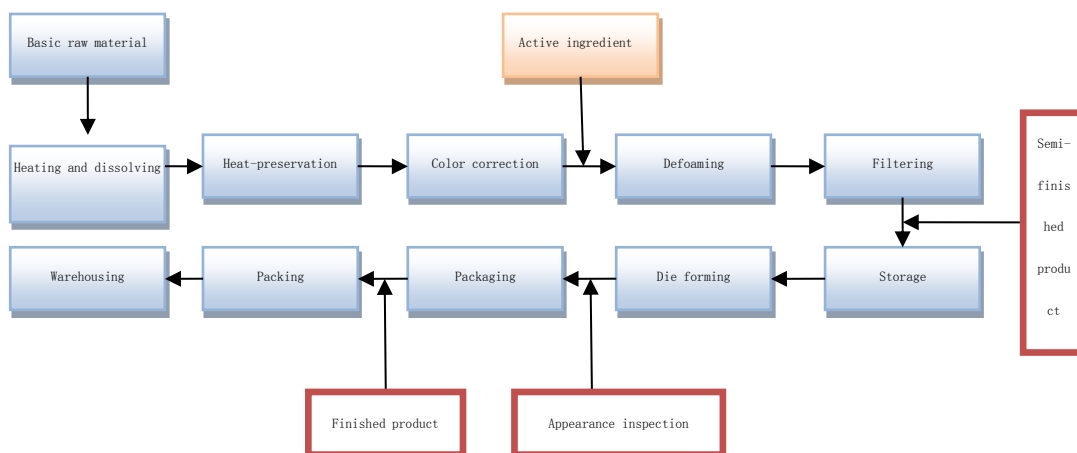


3. Production process of make-up

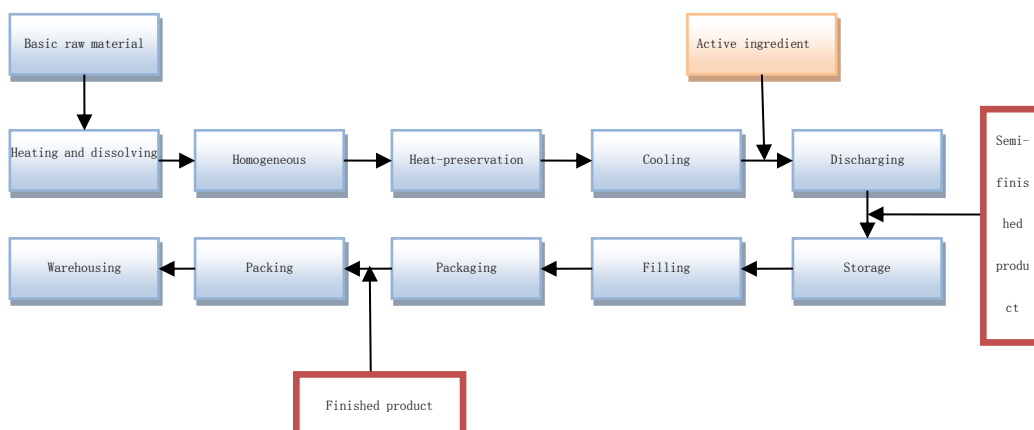
(1) Make-up pressed powder:



(2) Lipstick and lip gloss:



(3) Eyelashes and eyeliner:



(5). Capacity and commencement

✓ Applicable  Not applicable

Unit: RMB 0' 000 Currency: RMB

Main plant area or project	Designed capacity	Capacity utilization rate (%)	Capacity under construction	Investment amount of capacity under construction	Estimated completion time of capacity under construction
Huzhou Factory	200,000,000 pcs.	84.48	0.00	0.00	None

**Increase or decrease in production capacity** Applicable  Not applicable**Adjustment of product line and capacity structure optimization** Applicable  Not applicable**Abnormal shutdown** Applicable  Not applicable**3 Raw material purchase****(1). Basic information of main raw materials** Applicable  Not applicable

Main raw materials	Purchasing mode	Settlement method	Year-on-year price change ratio (%)	Purchase volume	Consumption
Packaging material	Dominated by competitive procurement, except for some strategic suppliers	In accordance with the contract provisions	0.91	About 1.05 billion pcs.	About 1.03 billion pcs.
Raw material_moisturizer	Dominated by competitive procurement; establish long-term strategic cooperation with supplier with advantages	In accordance with the contract provisions	-16.68	About 1,640 tons	About 1,600 tons

Raw material_active substance	Mainly purchase via price comparison; try to empower diversified feature for single-source suppliers	In accordance with the contract provisions	74.17	About 487 tons	About 477 tons
Raw material_grease wax	Mainly competitive procurement; establish long-term strategic cooperation with supplier with advantages	Subject to contract provisions	-48.71	About 738 tons	About 707 tons
Raw material_emulsifier	Mainly competitive procurement; cooperate with industry-leading suppliers for some raw materials	Subject to contract provisions	5.36	About 135 tons	About 125 tons
Raw material_sun-screening agent	Mainly competitive procurement; establish long-term strategic cooperation with supplier with advantages	Subject to contract provisions	-1.56	About 55 tons	About 58 tons

The impact of price changes of main raw materials on the Company's operating costs: Compared with the same period in 2019, the price of packaging materials rose slightly, and the operating cost registered a small rise; the overall price of raw materials decreased by 7.06% from 2019, which lowered the operating cost.

## (2). Basic information of major energy sources

√ Applicable  Not applicable

Major energy sources	Purchasing mode	Settlement method	Year-on-year price change ratio (%)	Purchase volume	Consumption

Water	Sign fixed agreement with local water supply company	Pay in advance on a monthly basis or pay on demand as per local requirements	0.00	156,273 tons	156,273 tons
Electricity	Sign fixed agreement with local power supply company	Pay in advance on a monthly basis or pay on demand as per local requirements	6.73	8.43 million KWH	8.43 million KWH
Gas	Sign fixed agreement with local gas company	Pay in advance on a monthly basis or pay on demand as per local requirements	-15.83	306,164 m <sup>3</sup>	306,164 m <sup>3</sup>

The impact of price changes of main energy sources on the Company's operating costs: The operating cost increased slightly due to the low proportion of energy amount consumed in the production process of the Company in the production cost; in addition, the electricity price in 2020 rose by 6.73% year on year, the price of gas decreased by 15.83%, and electricity is the main energy for consumption.

### (3). Measures to deal with raw material price fluctuation risks

Main situation of holding financial products such as derivatives

Applicable  Not applicable

### (4). Basic situation of adopting other methods such as phased reserve

Applicable  Not applicable

## 4 Product sales

### (1). Basic information of the Company's principal business by subdivided industry

Applicable  Not applicable

Unit: RMB 0' 000 Currency: RMB

Subdivided industry	Revenue	Cost of sales	Gross margin (%)	Change in revenue from last year (%)	Change in cost from last year (%)	Change in gross profit margin	Gross margin of products in the same industry

						from last year (%)	and field
Skin care (including cleansings)	324,209.35	113,986.55	64.84	11.38	11.02	Increase by 0.11%	No public information available
Make-up	46,496.73	19,757.89	57.51	181.91	213.38	Decrease by 4.27%	No public information available
Other categories	4,086.37	2,604.24	36.27	0.47	-14.60	Increase by 11.25%	No public information available

**(2). Basic information of the Company's principal business by sales channel**

Applicable  Not applicable

Unit: RMB 0' 000 Currency: RMB

Sales channel	Revenue	Change in revenue from last year (%)
Online	262,402.07	58.59
Offline	112,390.39	-23.12

The sales model integrates offline and online channels.

Online channels mainly include direct sales and distribution. Such channels mainly include Tmall, Taobao, JD.COM, Vipshop, and Pinduoduo.

Off-line channels are mainly operated by dealers. Such channels mainly include malls and supermarkets, cosmetics specialty stores, and single brand stores.

**Statement of accounting policy**

Applicable  Not applicable

**5 Environmental protection and safety**

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

Applicable  Not applicable

**(2). Major environmental violations**

Applicable  Not applicable

**(V) Analysis of investment**

**1、 Overall analysis of external equity investment**

Applicable  Not applicable



Unit: Yuan

Item	Closing balance			Opening balance		
	Carrying balance	Impairment provisions	Carrying value	Carrying balance	Impairment provisions	Carrying value
Investment on joint ventures	3,306,630.57		3,306,630.57	3,314,489.57		3,314,489.57
Investment on associates	54,913,429.03		54,913,429.03	15,490,224.94	4,076,710.83	11,413,514.11
Total	58,220,059.60		58,220,059.60	18,804,714.51	4,076,710.83	14,728,003.68

Refer to “VII. 17. Long-term equity investment” in “Section XI Financial Report” herein for details.

**(1) Significant equity investment**

Applicable  Not applicable

**(2) Significant non-equity investment**

Applicable  Not applicable

**(3) Financial assets measured at fair value**

Applicable  Not applicable

**(VI) Sale of major assets and equities**

Applicable  Not applicable

**(VII) Analysis of major controlled companies and shareholding companies**

Applicable  Not applicable

Unit: RMB 00' 000

Major subsidiaries	Nature of the business	Major products and services	Registered capital	Total asset	Net assets	Net profit	Controlled or shareholding company
Hangzhou Proya Trade Co., Ltd.	Cosmetics sales	Cosmetics	5,000.00	48,620.46	13,043.03	2,015.43	Controlled
Hapsode (Hangzhou) Cosmetics Co., Ltd.	Cosmetics sales	Cosmetics	5,000.00	10,913.11	-19,848.86	-3,317.48	Controlled

Note: The loss of Hapsode (Hangzhou) Cosmetics Co., Ltd. amounted to RMB 33,174,800, in which the loss of Hapsode brand amounted to RMB 15,546,000.

**(VIII) Structured entities controlled by the Company**

Applicable  Not applicable

**III Discussion and analysis on future development of the Company**

**(I) Industry pattern and trend**

Applicable  Not applicable

According to the statistics of the National Bureau of Statistics, the total retail sales of social consumer goods was RMB 39,198.1 billion in 2020, with a year-on-year decrease of 3.9%, of which the total amount of cosmetics was RMB 340 billion, up 9.5% year on year (retail sales of unit consumer goods above quota).

**(II) Development strategy of the Company**

Applicable  Not applicable

Adhering to the corporate values of "diligence and pragmatism, passion and initiative, honesty and gratitude", the Company is committed to becoming a world-class beauty makeup enterprise, and building a new Chinese cosmetics industry platform. Focus on the "6 \* N" strategy in the future:

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

(1) New consumption: It refers to meeting the needs of more consumers and providing consumers with innovation services with high value;

(2) New marketing: It refers to marketing digitalization, omni-channel refined operation as well as accurate and advanced insight into consumers;

(3) New organization: It refers to an efficient organization with flat, platform-based and self-driven coordination;

(4) New mechanism: It refers to the establishment of a flexible, diversified and business-oriented incentive mechanism;

(5) New technology: It refers to paying attention to basic scientific research in the field of research and development, in order to create R&D technology competitiveness that is difficult to replicate; and focusing on the Company's transformation of informatization and digitization, to build an intelligent operation management system;

(6) New intelligent creation: It refers to building an agile and flexible supply chain to adapt to the current fast-paced production and sales;

—The core connotation of "6 \* N" refers to the creation, empowerment and incubation of "different" brands that meet the "different" needs of "different" consumers based on the above six capabilities.

**(III) Business plan**

Applicable  Not applicable

In 2021, we will focus on the following aspects:

**1. Strengthen brand building: gradually implement the blueprint of the self-owned brand matrix, plan new brands and reshape old brands.**

(1) Main brand: Complete the Proya brand upgrade plan and shape it into a new high-tech, youth-centric and proactive brand. Attract more first-and second-tier young consumers, and gradually upgrade the consumer level. In addition, maintain the steady growth of the main brand.

(2) Potential brands: Complete the leap from incubation period to high-speed growth period of TIMAGE, and complete the brand reshaping of Hapsode.

(3) Other brands: Incubate more new brands.

**2. Product upgrading strategy: Establish product planning and marketing capabilities ahead of the market to improve product success rate.**

(1) Proya: Plan, create and reserve a variety of popular single products and new products. Try to launch products priced above RMB 300, and increase the unit price gradually.

(2) TIMAGE, Hapsode, CORRECTORS: Plan and create a variety of popular single products and hot products.

**3. Refined operation channels:**

(1) Online channels: Maintain the rapid growth of online channels as a whole, focus on refined operation of direct channels, and keep emerging channels such as TikTok stores growing rapidly.

(2) Offline channels: Maintain the steady and healthy development of CS channels, and continue expanding mall and supermarket channels.

#### (IV) Potential risks

Applicable  Not applicable

##### 1. Industry competition risk

(1) Competition among brands in the industry becomes increasingly fierce. The Company's brand upgrading strategy and popular single product strategy may fail to meet expectations;

(2) Competition in marketing becomes increasingly fierce. The digital and refined cost control may fail to meet expectations.

##### 2. Project incubation risk

(1) New brand incubation risk: The marketing investment is large and the performance fails to meet expectations;

(2) New category cultivation risk: The operation modes of different categories are quite different; the team fails to meet the requirements and the performance fails to meet the expectations.

##### 3. Uncertain impact of COVID-19 on business operation

#### (V) Others

Applicable  Not applicable

#### IV Explanation on the failure to disclose as per rules due to inapplicability or special reasons such as state secrets and business secrets

Applicable  Not applicable

### Section V Major Events

#### I Proposal for profit distribution of ordinary shares or capitalization of capital reserve

##### (I) Formulation, implementation or adjustment of the cash dividend policy

Applicable  Not applicable

Pursuant to the relevant requirements of *Regulatory Guidance No. 3 of Listed Companies — Cash Dividend Distribution of Listed Companies* issued by the China Securities Regulatory Commission and *Guidelines of Shanghai Stock Exchange Guidelines for Cash Dividends of Listed Companies*, combined with the actual situation of the Company, the Company held the eighth meeting of the first session of the Board of Directors and the second extraordinary general shareholders' meeting in 2016 on 12 April 2016 and 5 May 2016 respectively, and deliberated and approved the *Proposal on Formulating the Shareholder Dividend Distribution Plan in Three Years after the Listing of the Company* and the *Proposal on Formulating the Applicable <Articles of Association (Draft)> after the Listing of the Company* as below:

##### I. Considerations for Formulating Shareholder Dividend Distribution Plan

With a view to long-term and sustainable development, on the basis of comprehensive analysis of enterprise development strategy, shareholders' requirements and wishes, social capital cost, external financing environment and other factors, the Company solicits and listens to the requirements and wishes of shareholders, especially small and medium shareholders, fully considers the Company's current and future profit scale, cash flow status, development stage, project investment fund demand, bank credit, etc., balances the short-term and long-term interests of shareholders, and makes institutional arrangements for profit distribution, so as to establish a sustained, stable and scientific dividend return mechanism for investors to ensure the continuity and stability of the Company's profit distribution policy.

##### II. Principles for Formulating Shareholder Dividend Distribution Plan

Implement a sustained and stable profit distribution policy, attach importance to the reasonable return on investment to investors and take into account the sustainable development of the Company, and establish a sustained and stable return mechanism for investors in combination with the Company's profitability and the actual needs of the development strategy for the future business. The Company shall formulate the profit distribution plan in accordance with the *Articles of Association*. The opinions of independent directors, supervisors and public investors shall be fully considered in the decision-making and demonstration of profit distribution policies by the Board of Directors, Board of Supervisors and general shareholders' meeting of the Company.

##### III. Shareholder Dividend Distribution Plan

1. The Company shall implement a sustained and stable profit distribution policy. The Company's profit distribution shall pay attention to the reasonable return on

investment to investors and take into account the actual operation and sustainable development of the Company in the current year.

2. The Company can distribute profits in cash or stock, or a combination of cash and stock or other methods permitted by laws and regulations. The profit distribution shall not exceed the range of accumulated distributable profits or affect the Company's ability to continue as a going concern. Under the condition of meeting cash dividends, the Company shall give priority to profit distribution by means of cash dividends.

Under the condition of meeting the cash dividend conditions stipulated in the Articles of Association of the Company, the Company shall distribute profits in cash. In principle, cash dividends shall be paid once a year. The Board of Directors of the Company can propose the Company to pay medium-term cash dividends according to the Company's profit and capital demand.

The Company shall maintain the continuity and stability of the profit distribution policy. The annual profit distributed in cash shall not be less than 20% of the distributable profit realized in the current year. The Board of Directors of the Company shall comprehensively consider factors such as the characteristics of the industry, the stage of development, its operation model, profitability and significant capital expenditure arrangement, and put forward differentiated cash dividend policies pursuant to the procedures set out in the Articles of Association of the Company.

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

(1) The Company shall evaluate the implementation of the implemented shareholder dividend distribution plan at least once every three years.

According to relevant laws and regulations as well as the Company's operating conditions, the opinions of shareholders (especially small and medium-sized investors) and independent directors, the Company's profit distribution policy in implementation shall be revised accordingly when necessary, and a new shareholder dividend distribution plan shall be formulated. After the adjustment of the shareholder dividend distribution plan, it must be deliberated and approved at the general shareholders' meeting by voting.

(2) The Board of Directors of the Company shall scientifically formulate the annual distribution plan or the medium-term profit distribution plan according to the needs of operation and development by fully considering the Company's profit, cash flow status, development fund demand, financing cost, external financing environment and other factors, and implement it upon the approval at the general shareholders' meeting of the Company by voting.

At the 8<sup>th</sup> meeting of the first session of the Board of Directors and the 2<sup>nd</sup> extraordinary general shareholders' meeting in 2016, the Company deliberated and approved the *Proposal on Distribution of Accumulated Profits before the Public Offering of Shares and Listing of the Company*: if the Company's initial public offering of shares is successfully completed, the undistributed profits accumulated before this public offering shall be shared by the new and old shareholders after the initial public offering according to their shareholding ratio.

On 12 October 2020 and 28 October 2020 respectively, the Company held the 16<sup>th</sup> meeting of the second session of the Board of Directors and the 3<sup>rd</sup> extraordinary general

shareholders' meeting in 2020, and deliberated and approved the *Proposal on Shareholder Dividend Distribution Plan for the Next Three Years (2020-2022)* as below:

I. Considerations for Formulating Shareholder Dividend Distribution Plan

With a view to long-term and sustainable development, on the basis of comprehensive analysis of enterprise development strategy, shareholders' requirements and wishes, social capital cost, external financing environment and other factors, the Company solicits and listens to the requirements and wishes of shareholders, especially small and medium shareholders, fully considers the Company's current and future profit scale, cash flow status, development stage, project investment fund demand, bank credit, etc., balances the short-term and long-term interests of shareholders, and makes institutional arrangements for profit distribution, so as to establish a sustained, stable and scientific dividend return mechanism for investors to ensure the continuity and stability of the Company's profit distribution policy.

II. Principles for Formulating Shareholder Dividend Distribution Plan

Implement a sustained and stable profit distribution policy, attach importance to the reasonable return on investment to investors and take into account the sustainable development of the Company, and establish a sustained and stable return mechanism for investors in combination with the Company's profitability and the actual needs of the development strategy for the future business. The Company shall formulate the profit distribution plan in accordance with the *Articles of Association*. The opinions of independent directors, supervisors and public investors shall be fully considered in the decision-making and demonstration of profit distribution policies by the Board of Directors, Board of Supervisors and general shareholders' meeting of the Company.

III. Shareholder Dividend Distribution Plan (2020-2022)

1. The Company shall implement a sustained and stable profit distribution policy. The Company's profit distribution shall pay attention to the reasonable return on investment to investors and take into account the actual operation and sustainable development of the Company in the current year.

2. The Company can distribute profits in cash or stock, or a combination of cash and stock or other methods permitted by laws and regulations. The profit distribution shall not exceed the range of accumulated distributable profits or affect the Company's ability to continue as a going concern. Under the condition of meeting cash dividends, the Company shall give priority to profit distribution by means of cash dividends.

Under the condition of meeting the cash dividend conditions stipulated in the Articles of Association of the Company, the Company shall distribute profits in cash. In principle, cash dividends shall be paid once a year. The Board of Directors of the Company can propose the Company to pay medium-term cash dividends according to the Company's profit and capital demand. The Company shall maintain the continuity and stability of the profit distribution policy, and the annual profit distributed in cash shall not be less than 20% of the distributable profit realized in the current year. The Board of Directors of the Company shall comprehensively consider factors such as the characteristics of the industry, the stage of development, its operation model, profitability and significant capital expenditure arrangement, and put forward differentiated cash dividend policies pursuant to the procedures set out in the Articles of Association of the Company.

## 3. Adjustment of profit distribution plan and relevant decision-making mechanism

(1) The Company shall evaluate the implementation of the implemented shareholder dividend distribution plan at least once every three years. According to relevant laws and regulations as well as the Company's operating conditions, the opinions of shareholders (especially small and medium-sized investors) and independent directors, the Company's profit distribution policy in implementation shall be revised accordingly when necessary, and a new shareholder dividend distribution plan shall be formulated. After the adjustment of the shareholder dividend distribution plan, it must be deliberated and approved at the general shareholders' meeting by voting.

(2) The Board of Directors of the Company shall scientifically formulate the annual distribution plan or the medium-term profit distribution plan according to the needs of operation and development by fully considering the Company's profit, cash flow status, development fund demand, financing cost, external financing environment and other factors, and implement it upon the approval at the general shareholders' meeting of the Company by voting.

During the Reporting Period, the 2019 annual general meeting of the Company deliberated and approved the 2019 annual profit distribution plan: the Company shall distribute cash dividend of RMB 5.90 (tax inclusive) per 10 shares to all shareholders registered on the equity registration date based on the total share capital registered as at the registration date of dividend-paying equity, with the distributed cash dividend totaling RMB 118,749,040.40 (tax inclusive). The above dividend distribution plan was implemented on 13 May 2020.

**(II) Ordinary shares dividend distribution scheme or plan, and capitalization scheme or plan from capital reserve to share capital of the Company in recent three years (including the Reporting Period)**

Unit: Yuan Currency: RMB

Year for dividend distribution	Number of bonus shares per 10 shares (shares)	Amount of dividends distributed per 10 shares (Yuan) (inclusive of tax)	Number of shares transferred per 10 shares (shares)	Amount of cash dividends (inclusive of tax)	Net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements for the distribution year	Percentage of the net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements (%)

2020	0	7.20	0	144,804,186. 00	476,009,298. 41	30.42
2019	0	5.90	0	118,749,040. 40	392,681,976. 58	30.24
2018	0	4.30	0	86,552,894.0 0	287,188,727. 12	30.14

**(III) The inclusion of shares repurchased through cash offer in cash dividend**

Applicable ✓ Not applicable

**(IV) If the Company recorded positive profit distributable to ordinary shareholders of the parent company during the Reporting Period, but there was no proposal for cash dividend, the Company shall disclose the reasons, the usage and the utilization plan of the undistributed profits in detail**

Applicable ✓ Not applicable



## II Performance of undertakings

### (I) Undertakings by the Company's beneficial controllers, shareholders, related parties, acquirers, the Company and other related parties during or subsisted in the Reporting Period

√ Applicable  Not applicable

Background of undertakings	Type of undertakings	Undertaking party	Content of undertakings	Time and term of the undertaking	Whether there is deadline for performance	Whether strictly performed in a timely manner	If not performed in time, describe the specific reasons	If not performed in time, describe plans in next steps
Undertakings related to initial public offering	Restriction on sale of shares	Controlling shareholders and beneficial controllers: Hou Juncheng and Fang Ai Qin	(1) Within 36 months from the date of listing of the Company's shares, I will not transfer or entrust others to manage the Company's shares directly or indirectly held by me, nor will the Company repurchase the shares; (2) If the closing price of the Company's shares has been lower than the issue price for 20 consecutive trading days within 6 months after the listing of the Company,	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to 14 November 2020	Yes	Yes	Not applicable	Not applicable

			<p>or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period of the Company's shares held by me will be automatically extended for 6 months; (3) If I sell the Company's shares held by within two years after the expiration of the lockup period, the selling price shall not be lower than the issue price. (4) If I/the partnership violates the above-mentioned share locking commitment, the lockup period of the Company's shares held by me/the partnership will be automatically extended for 6 months.</p>					
	Restriction on sale of shares	Fang Yuyou, Director & General Manager	(1) Within 36 months from the date of listing of the Company's shares, I will not transfer or entrust others to manage the Company's	Time of the undertaking: 15 November 2017, period of validity:	Yes	Yes	Not applicable	Not applicable

			<p>shares directly or indirectly held by me, nor will the Company repurchase the shares; (2) If the closing price of the Company's shares has been lower than the issue price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period of the Company's shares held by me will be automatically extended for 6 months; (3) If I sell the Company's shares held by within two years after the expiration of the lockup period, the selling price shall not be lower than the issue price. (4) If I/the partnership violates the above-mentioned share locking commitment, the</p>	<p>15 November 2017 to 14 November 2020</p>				
--	--	--	--	---	--	--	--	--

			lockup period of the Company's shares held by me/the partnership will be automatically extended for 6 months.					
Restriction on sale of shares	12 natural person shareholders, i.e., Li Xiaolin, Xu Junqing, Fang Aifen, Ye Caifu, Li Jianqing, Chen Dongfang, Li Wenqing, Xu Dongkui, Bao Qingfang, Fang Jiaqin, Fang Shanming and Ye Hong	(1) Within 36 months from the date of listing of the Company's shares, I will not transfer or entrust others to manage the Company's shares directly or indirectly held by me, nor will the Company repurchase the shares; (2) If the closing price of the Company's shares has been lower than the issue price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period of the Company's shares held by me will be automatically	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to 14 November 2020	Yes	Yes	Not applicable	Not applicable	

			extended for 6 months; (3) If I sell the Company's shares held by within two years after the expiration of the lockup period, the selling price shall not be lower than the issue price. (4) If I/the partnership violates the above-mentioned share locking commitment, the lockup period of the Company's shares held by me/the partnership will be automatically extended for 6 months.					
Restriction on sale of shares	Directors and senior management: Hou Juncheng, Fang Yuyou and Cao Lianguo	(1) During my tenure as director/senior management of the Company, the shares transferred each year shall not exceed 25% of the total number of the Company's shares directly or indirectly held by me; within half a year after my demission, I will not transfer the Company's shares directly or	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to long term	No	Yes	Not applicable	Not applicable	

			<p>indirectly held by me; (2) If I sell the Company's shares held by me within two years after the expiration of the lockup period, the selling price shall not be lower than the issue price; if the closing price of the Company's shares has been lower than the issue price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period of the Company's shares held by me will be automatically extended for 6 months; and it will not be terminated due to my job change, demission and other reasons. (3) If I/the partnership violates the above-mentioned share locking commitment, the</p>					
--	--	--	---	--	--	--	--	--

			lockup period of the Company's shares held by me/the partnership will be automatically extended for 6 months.					
Restriction on sale of shares	Senior management: Zhang Yefeng and Zhang Minhua	(1) Within 12 months from the date of listing of the Company's shares, I will not transfer or entrust others to manage the Company's shares directly or indirectly held by me, nor will the Company buy back the shares; (2) During my tenure as senior management of the Company, the shares transferred each year shall not exceed 25% of the total number of the Company's shares directly or indirectly held by me; within half a year after my demission, I will not transfer the Company's shares directly or indirectly held by me; (3) If I sell the Company's shares	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to long term	No	Yes	Not applicable	Not applicable	

			<p>held by me within two years after the expiration of the lockup period, the selling price shall not be lower than the issue price; if the closing price of the Company's shares has been lower than the issue price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period of the Company's shares held by me will be automatically extended for 6 months; and it will not be terminated due to my job change, demission and other reasons. (4) If I/the partnership violates the above-mentioned share locking commitment, the lockup period of the Company's shares held by</p>					
--	--	--	---	--	--	--	--	--



			me/the partnership will be automatically extended for 6 months.					
	Restriction on sale of shares	Senior management: Jin Yanhua	(1) Within 12 months from the date of listing of the Company's shares, I will not transfer or entrust others to manage the Company's shares directly or indirectly held by me, nor will the Company buy back the shares; (2) During my tenure as senior management of the Company, the shares transferred each year shall not exceed 25% of the total number of the Company's shares directly or indirectly held by me; within half a year after my demission, I will not transfer the Company's shares directly or indirectly held by me; (3) If I sell the Company's shares held by me within two years after the expiration of the	Time of the undertaking: 16 April 2018, period of validity: 16 April 2018 to long term	No	Yes	Not applicable	Not applicable

			<p>lockup period, the selling price shall not be lower than the issue price; if the closing price of the Company's shares has been lower than the issue price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period of the Company's shares held by me will be automatically extended for 6 months; and it will not be terminated due to my job change, demission and other reasons. (4) If I/the partnership violates the above-mentioned share locking commitment, the lockup period of the Company's shares held by me/the partnership will be automatically extended for 6</p>					
--	--	--	---	--	--	--	--	--

			months.					
	Restriction on sale of shares	Senior management: Wang Li	(1) Within 12 months from the date of listing of the Company's shares, I will not transfer or entrust others to manage the Company's shares directly or indirectly held by me, nor will the Company buy back the shares; (2) During my tenure as senior management of the Company, the shares transferred each year shall not exceed 25% of the total number of the Company's shares directly or indirectly held by me; within half a year after my demission, I will not transfer the Company's shares directly or indirectly held by me; (3) If I sell the Company's shares held by me within two years after the expiration of the lockup period, the selling price shall not be lower than	Time of the undertaking: 3 September 2018, period of validity: 3 September 2018 to long term	No	Yes	Not applicable	Not applicable

			<p>the issue price; if the closing price of the Company's shares has been lower than the issue price for 20 consecutive trading days within 6 months after the listing of the Company, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period of the Company's shares held by me will be automatically extended for 6 months; and it will not be terminated due to my job change, demission and other reasons. (4) If I/the partnership violates the above-mentioned share locking commitment, the lockup period of the Company's shares held by me/the partnership will be automatically extended for 6 months.</p>					
Restriction	Controlling	(1) If I intend to reduce my	Time of the	No	Yes	Not	Not	

	on sale of shares	shareholders and beneficial controllers: Hou Juncheng and Fang Aiqin	shares within 24 months after the expiration of the lockup period, the number of issuer shares directly or indirectly reduced shall not exceed 6% of the total number of issuer shares before this issuance; (2) The reduction of the Company's shares shall comply with the provisions of relevant laws, regulations and rules; the specific methods include but are not limited to centralized bidding in the exchange, block trading, and agreement transfer; (3) Before selling the Company's shares, I shall make a public announcement three trading days in advance and perform the obligation of information disclosure in a timely and accurate manner in accordance with the rules of the stock exchange, except for the case when I	undertaking: 15 November 2017, period of validity: 15 November 2017 to long term			applicable	applicable
--	-------------------	--	--	--	--	--	------------	------------

			hold less than 5% of the Company's shares; (4) If I fail to fulfill the above reduction intention, I will publicly explain the specific reasons for the failure in the general shareholders' meeting of the Company and the disclosure media designated by China Securities Regulatory Commission and apologize to the shareholders of the Company and public investors.					
	Restriction on sale of shares	Shareholders directly holding more than 5% shares: Fang Yuyou, Li Xiaolin	(1) If I intend to reduce my shares after the expiration of the lockup period, I will earnestly abide by the relevant regulations of the China Securities Regulatory Commission and the Exchange on the reduction of shares of shareholders, prudently formulate a share reduction plan in combination with the Company's needs of	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to long term	No	Yes	Not applicable	Not applicable

			<p>stabilizing the stock price, carrying out operation and capital operation, and gradually reduce my shares after the expiration of the lockup period; (2) The reduction of the Company's shares shall comply with the provisions of relevant laws, regulations and rules; the specific methods include but are not limited to centralized bidding in the exchange, block trading, and agreement transfer; (3) Before reducing the Company's shares, I shall make a public announcement three trading days in advance and perform the obligation of information disclosure in a timely and accurate manner in accordance with the rules of the stock exchange, except for the case when I hold less than 5% of the Company's</p>					
--	--	--	---	--	--	--	--	--

			shares; (4) If I fail to fulfill the above reduction intention, I will publicly explain the specific reasons for the failure in the general shareholders' meeting and the disclosure media designated by China Securities Regulatory Commission and apologize to the shareholders of the Company and public investors.					
	Others	Company	Before satisfying the prerequisites for initiating stock price stabilization plan, if the Company fails to take measures for stock price stabilization, the Company will publicly explain the specific reasons for the failure to take measures for stock price stabilization in the general shareholders' meeting and the disclosure media designated by China	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to long term	No	Yes	Not applicable	Not applicable



			<p>Securities Regulatory Commission and apologize to the shareholders and public investors. If the loss to the investors is not due to the force majeure, the Company will bear the compensation responsibility to the investors pursuant to law, and bear the corresponding responsibility as required by laws, regulations and relevant regulatory agencies; if the loss to the investors is due to the force majeure, the treatment scheme to minimize the loss to investors interests shall be developed as soon as possible and submitted to the general shareholders' meeting for deliberation, so as to protect the interests of investors of the Company as much as possible. Within three years from the date of listing of the Company's</p>					
--	--	--	--	--	--	--	--	--

			shares, if the Company employs new directors and senior management, the Company will require such new directors and senior management to fulfill the corresponding undertakings made by the directors and senior management at the time of listing of the Company.					
Others	Controlling shareholders and beneficial controllers	Before satisfying the prerequisites for initiating stock price stabilization plan, if I fail to take measures to stabilize the stock price according to the stock price stabilization plan, I will publicly explain the specific reasons for the failure to take the above measures for stock price stabilization in the general shareholders' meeting of the issuer and the disclosure media designated	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to long term	No	Yes	Not applicable	Not applicable	

			by China Securities Regulatory Commission and apologize to the shareholders of the issuer and public investors; if I fail to fulfill the above commitment, I will stop receiving shareholder dividends from the issuer within 5 working days from the date of occurrence of the aforesaid event, and meanwhile the issuer share held by me shall not be transferred until I take corresponding stock price stabilization plan according to the above plan and complete such measures.					
	Others	Director (excluding independent director) and senior management	Before satisfying the prerequisites for initiating stock price stabilization measures, if I fail to take measures to stabilize the stock price according to the stock price stabilization plan, I will	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to long term	No	Yes	Not applicable	Not applicable

			<p>publicly explain the specific reasons for the failure to take the above measures for stock price stabilization in the general shareholders' meeting of the issuer and the disclosure media designated by China Securities Regulatory Commission and apologize to the shareholders of the issuer and public investors; if I fail to fulfill the above commitment, I will stop receiving remuneration and shareholder dividends (if any) from the issuer within 5 working days from the date of occurrence of the aforesaid event, and meanwhile the issuer share held by me (if any) shall not be transferred until I take corresponding stock price stabilization plan according to the above plan</p>					
--	--	--	---	--	--	--	--	--

			and complete such measures.					
	Others	Company	<p>If false records, misleading statements or major omissions in the prospectus of the Company cause losses to investors in securities trading, the investors will be compensated for their losses pursuant to law. After the identification of such violations by China Securities Regulatory Commission, the stock exchange where the Company is located or the judicial organs, we will reach an amicable settlement with the investors, and compensate the investors for the direct economic losses arising therefrom through amicable settlement between the third party and the investors and investor compensation fund according to the measurable economic losses directly suffered by investors, in</p>	<p>Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to long term</p>	No	Yes	Not applicable	Not applicable

			<p>the principle of simplified procedure, active negotiation, compensation in advance and guarantee of the interests of investors, especially small and medium investors. If the Company violates the above commitment, the Company will disclose this in the general shareholders' meeting and the disclosure media designated by China Securities Regulatory Commission and apologize to the shareholders and public investors for the failure to fulfill the above compensation measures, and compensate the investors according to the actual loss determined by China Securities Regulatory Commission and relevant judicial organs.</p>					
	Others	Controlling shareholders	If false records, misleading statements or major	Time of the undertaking:	No	Yes	Not applicable	Not applicable

		and beneficial controllers of issuer	omissions in the prospectus of the issuer cause losses to investors in securities trading, I will compensate the investors for their losses pursuant to law. After the identification of such violations by China Securities Regulatory Commission, the stock exchange where the Company is located or the judicial organs, we will reach an amicable settlement with the investors, and compensate the investors for the direct economic losses arising therefrom through amicable settlement between the third party and the investors and investor compensation fund according to the measurable economic losses directly suffered by investors, in the principle of simplified procedure, active negotiation, compensation	15 November 2017, period of validity: 15 November 2017 to long term				
--	--	--------------------------------------	--	---	--	--	--	--

			<p>in advance and guarantee of the interests of investors, especially small and medium investors. If the controlling shareholders and beneficial controllers of the Company violate the above commitment, the controlling shareholders and beneficial controllers will disclose this in the general shareholders' meeting of the issuer and the disclosure media designated by China Securities Regulatory Commission and apologize to the shareholders of the issuer and public investors for the failure to fulfill the above compensation measures; besides, the controlling shareholders and beneficial controllers will stop receiving shareholder dividends from the issuer within 5 working days from</p>					
--	--	--	--	--	--	--	--	--



			the date of breach of the above commitments, and meanwhile the issuer shares held by them shall not be transferred until they take corresponding compensation measures according to the above commitments and complete such measures.					
	Director, supervisor and senior management	If false records, misleading statements or major omissions in the prospectus of the issuer cause losses to investors in securities trading, I will compensate the investors for their losses pursuant to law. After the identification of such violations by China Securities Regulatory Commission, the stock exchange where the Company is located or the judicial organs, we will reach an amicable settlement with the investors, and compensate the investors for the direct	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to long term	No	Yes	Not applicable	Not applicable	

			<p>economic losses arising therefrom through amicable settlement between the third party and the investors and investor compensation fund according to the measurable economic losses directly suffered by investors, in the principle of simplified procedure, active negotiation, compensation in advance and guarantee of the interests of investors, especially small and medium investors. If the director, supervisor and senior management of the Company violate the above commitment, the director, supervisor and senior management will disclose this in the general shareholders' meeting of the issuer and the disclosure media designated by China Securities Regulatory Commission and</p>					
--	--	--	---	--	--	--	--	--

			apologize to the shareholders of the issuer and public investors for the failure to fulfill the above compensation measures; besides, the director, supervisor and senior management will stop receiving remuneration (or allowance) and shareholder dividends (if any) from the issuer within 5 working days from the date of breach of the above commitments, and meanwhile the issuer shares held by them (if any) shall not be transferred until they take corresponding compensation measures according to the above commitments and complete such measures.					
	Others	Company	To ensure effective utilization of funds raised this time, effective prevention against the risk that immediate return will	Time of the undertaking: 15 November 2017, period of validity:	No	Yes	Not applicable	Not applicable

			<p>be diluted and improvement of future ability to generate returns, the Company is proposed to improve the quality of assets, enhance operating revenue, increase future income and realize sustainable development by strengthening operation management and internal control, speeding up the construction progress of investment projects and strengthening the return mechanism of investors, so as to fill the diluted immediate return. The Company undertakes to continue improving the measures for filling the diluted immediate return in accordance with follow-up implementation rules issued by China Securities Regulatory Commission and Shanghai Stock Exchange. If</p>	<p>15 November 2017 to long term</p>				
--	--	--	--	--------------------------------------	--	--	--	--

			the Company violates the aforesaid commitments, the Company will announce the facts and reasons of violation in a timely manner. Except for force majeure or other reasons not attributable to the Company, it will apologize to the shareholders and public investors of the Company, and make supplementary commitment or alternative commitment to the investors for the purpose of protecting the interests of investors as much as possible, and implement the supplementary commitment or alternative commitment upon the deliberation and approval by the general shareholders' meeting of the Company.					
	Others	Controlling shareholders and	I, as the controlling shareholder and beneficial controller of the Company,	Time of the undertaking: 15 November	No	Yes	Not applicable	Not applicable

		beneficial controllers: Hou Juncheng and Fang Ai Qin	make the following undertakings to ensure the practical implementation of diluted immediate return filling measures of the Company: (1) In any case, I undertake neither to act beyond the authority of controlling shareholder and beneficial controller to intervene in operating management activities of the Company, nor to misappropriate interests of the Company; (2) After China Securities Regulatory Commission and Shanghai Stock Exchange issues relevant opinions and implementation rules on diluted immediate return filling measures and commitment separately, if the relevant provisions of the Company and my commitment are inconsistent with such provisions, I	2017, period of validity: 15 November 2017 to long term				
--	--	---	---	---	--	--	--	--

			<p>undertake to issue a supplementary commitment in accordance with the provisions of China Securities Regulatory Commission and Shanghai Stock Exchange immediately, and actively urge the Company to make new commitments or measures to be in line with the requirements of China Securities Regulatory Commission and Shanghai Stock Exchange; (3) I undertake to fully, completely and timely implement the measures related to diluted immediate return filling of the Company and my commitment about diluted immediate return filling measures. If I violate these commitments and cause losses to the Company or shareholders, I am willing to: ① publicly</p>					
--	--	--	---	--	--	--	--	--

			<p>explain the specific reasons in the general shareholders' meeting and the disclosure media designated by China Securities Regulatory Commission and make an apology; ② assume the liability of indemnity to the Company and/or shareholders pursuant to law; ③ unconditionally accept the punishment or relevant regulatory measures made by China Securities Regulatory Commission and/or Shanghai Stock Exchange and other securities regulatory institutions in accordance with their relevant regulations and rules. The diluted immediate return filling measures above do not guarantee the future profit of the Company.</p>					
Others	Director and	I, as the director and senior	Time of the	No	Yes	Not	Not	



		senior management	management of the Company, make the following undertakings to ensure the practical implementation of diluted immediate return filling measures of the Company: (1) I undertake neither to transfer benefits to other units or individuals without compensation or under unfair conditions, nor to damage the Company' s interests in other ways; (2) I undertake to strictly abide by the budget management of the Company, restrict my position-related consumption activities within the scope necessary for fulfilling my duty, and strictly accept the supervision and management from the Company to avoid waste or excessive consumption; (3) I undertake not to use the Company' s	undertaking: 15 November 2017, period of validity: 15 November 2017 to long term			applicable	applicable
--	--	-------------------	---	--	--	--	------------	------------

			<p>assets for investment and consumption activities not related to execution of my duties; (4) I undertake to actively promote the improvement of remuneration system of the Company to better fit the requirements for filling the diluted immediate return, support that the remuneration system developed, revised and supplemented by the Board of Directors or the Compensation Committee of the Company are linked with execution of the Company' s diluted immediate return filling measures, and undertakes that the vesting conditions for the Company' s equity incentive to be released are linked with execution of the Company' s return filling measures; (5) After China Securities Regulatory</p>					
--	--	--	---	--	--	--	--	--

			<p>Commission and Shanghai Stock Exchange issues relevant opinions and implementation rules on diluted immediate return filling measures and commitment separately, if the relevant provisions of the Company and my commitment are inconsistent with such provisions, I undertake to issue a supplementary commitment in accordance with the provisions of China Securities Regulatory Commission and Shanghai Stock Exchange immediately, and actively urge the Company to make new commitments or measures to be in line with the requirements of China Securities Regulatory Commission and Shanghai Stock Exchange; (6) I undertake to fully and</p>					
--	--	--	---	--	--	--	--	--

			<p>completely implement the measures related to diluted immediate return filling of the Company and my commitment about diluted immediate return filling measures in a timely manner. If I violate these commitments and cause losses to the Company or shareholders, I am willing to: ① publicly explain the specific reasons in the general shareholders' meeting and the disclosure media designated by China Securities Regulatory Commission and make an apology; ② assume the liability of indemnity to the Company and/or shareholders pursuant to law; ③ unconditionally accept the punishment or relevant regulatory measures made by China Securities Regulatory</p>					
--	--	--	--	--	--	--	--	--

			Commission and/or Shanghai Stock Exchange and other securities regulatory institutions in accordance with their relevant regulations and rules. The diluted immediate return filling measures above do not guarantee the future profit of the issuer.					
	Address competition between counterparts	Controlling shareholders and beneficial controllers: Hou Juncheng and Fang Aiqin	1. I do not and will not directly or indirectly engage in any activities compete with the existing and future business of Proya Co., Ltd. and its holding subsidiaries, including but not limited to the R&D, production and sale of any products that are the same or similar to those of Proya Co., Ltd. and its holding subsidiaries, and I am willing to compensate Proya Co., Ltd. for the economic loss caused due to violation of the above commitment; 2.	Time of the undertaking: 15 November 2017, period of validity: 15 November 2017 to long term	No	Yes	Not applicable	Not applicable

			<p>For enterprises under my control, I will fulfill the obligations under this commitment in these enterprises through the dispatched agencies and personnel (including but not limited to director and manager), and I am willing to compensate Proya Co., Ltd. for the economic loss caused due to violation of the above commitment; 3. From the date of signing this commitment letter, if Proya Co., Ltd. further expands its product and business scope, I and the enterprise under my control will not compete with the expanded product or business of Proya Co., Ltd.; in case of possible competition with the expanded product or business of Proya Co., Ltd., I and the enterprise under my control will withdraw from the competition with Proya</p>					
--	--	--	---	--	--	--	--	--

			<p>Co., Ltd. by the following ways: (1) stop producing competing or potentially competing products; (2) stop the operation of competing or potentially competing business; (3) incorporate competing business into Proya Co., Ltd. for operation; (4) transfer the competing business to unrelated third parties. 4. My shareholding corporations, i.e., Hangzhou Huazhuang Industrial Investment Co., Ltd., Huzhou Mogan Wangshu Cosmetics Industry Phase I Venture Capital Partnership (Limited Partnership) and its foreign investment enterprises, are not engaged in cosmetics business or upstream and downstream cosmetics business. If these are engaged in cosmetics business or upstream and</p>					
--	--	--	--	--	--	--	--	--

			downstream cosmetics business in the future, I undertake to withdraw the investment in these enterprises by means of equity transfer, and give priority to Proya Cosmetics Co., Ltd. for choosing whether to invest in the event of compliance with the law and with the consent of other shareholders of these enterprises.					
Undertakings related to refinancing	Others	Controlling shareholders and beneficial controllers: Hou Juncheng and Fang Ai Qin	The following undertakings are made in respect to practical implementation of immediate return filling measures of the Company: 1. I undertake neither to act beyond the authority to intervene in operating management activities of the Company, nor to misappropriate interests of the Company; 2. From the issuance date of this commitment to the	Time of the undertaking: 12 October 2020, period of validity: 12 October 2020 to long term	No	Yes	Not applicable	Not applicable



			<p>completion of this public offering of A-share convertible corporate bonds, if China Securities Regulatory Commission makes other new regulatory provisions on the return filling measures and commitment, and the above commitment fails to meet the requirements of China Securities Regulatory Commission, I undertake to issue a supplementary commitment in accordance with the latest provisions of China Securities Regulatory Commission at that time;</p> <p>3. I undertake to practically implement the Company's return filling measures and fulfill any undertakings I make thereto in connection with return filling measures. In case of breach of my undertakings</p>					
--	--	--	--	--	--	--	--	--

			<p>with losses to the Company or investors, I hereby agree to assume liability of indemnity to the Company or investors.</p> <p>If I, as one of the responsible subjects of return filling measures, violate the above commitment or refuse to fulfill the above commitment, I will accept punishment or relevant regulatory measures in accordance with the relevant regulations and rules of China Securities Regulatory Commission and Shanghai Stock Exchange and other securities regulatory institutions.</p>					
	Others	Director and senior management	<p>The following undertakings are made in respect to practical implementation of immediate return filling measures of the Company:</p> <p>1. I undertake neither to transfer benefits to other</p>	<p>Time of the undertaking: 12 October 2020, period of validity: 12 October 2020 to long</p>	No	Yes	Not applicable	Not applicable

			<p>units or individuals without compensation or under unfair conditions, nor to damage the Company' s interests in other ways;</p> <p>2. I undertake to restrict my position-related consumption activities;</p> <p>3. I undertake not to use the Company' s assets for investment and consumption activities not related to execution of my duties;</p> <p>4. I undertake that the remuneration system developed by the Board of Directors or the Remuneration and Appraisal Committee are linked with execution of the Company' s return filling measures;</p> <p>5. If equity incentive is carried out in the Company in the future, I undertake that the vesting conditions for the Company' s equity incentive to be released are</p>	term				
--	--	--	--	------	--	--	--	--

			<p>linked with execution of the Company' s return filling measures;</p> <p>6. From the issuance date of this commitment to the completion of this public offering of A-share convertible corporate bonds of the Company, if China Securities Regulatory Commission makes other new regulatory provisions on the return filling measures and commitment, and the above commitment fails to meet the requirements of China Securities Regulatory Commission, I undertake to issue a supplementary commitment in accordance with the latest provisions of China Securities Regulatory Commission at that time.</p> <p>If I, as one of the responsible subjects of return filling measures,</p>					
--	--	--	---	--	--	--	--	--

			<p>violate the above commitment or refuse to fulfill the above commitment, I will accept punishment or relevant regulatory measures in accordance with the relevant regulations and rules of China Securities Regulatory Commission and Shanghai Stock Exchange and other securities regulatory institutions.</p>					
--	--	--	---	--	--	--	--	--

(II) **Where the Company has profit forecasts on assets or projects, and the Reporting Period was within the term of profit forecasts, the Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons therefor**

Fulfilled  Unfulfilled  Not applicable

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

Applicable  Not applicable

### III **Occupation of funds and repayment of debts during the Reporting Period**

Applicable  Not applicable

### IV **Explanation of the Company on the “non-standard opinions audit report” from accounting firm**

Applicable  Not applicable

### V **Analysis and explanation from the Company on the reasons and impact of the change of accounting policies, accounting estimates or correction on significant accounting errors**

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

Applicable  Not applicable

Refer to “44. Changes in significant accounting policies and accounting estimates” in “V. Significant accounting policies and accounting estimates” of “Section XI Financial Report” herein.

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

Applicable  Not applicable

(III) **Communication with the previous accounting firm**

Applicable  Not applicable

(IV) **Other particulars**

Applicable  Not applicable

### VI **Appointment and dismissal of the accounting firm**

Unit: Yuan Currency: RMB

	Current accounting firm
--	-------------------------

Name of domestic accounting firm	Pan-China Certified Public Accountants LLP
Remuneration of domestic accounting firm	1,200,000
Term of office of domestic accounting firm	10 years

	Name	Remuneration
Internal control audit accounting firm	Pan-China Certified Public Accountants LLP	200,000

Explanation on appointment and dismissal of the accounting firm

Applicable  Not applicable

Explanation on the change of accounting firm during the auditing period

Applicable  Not applicable

## VII Risk of suspension of listing

### (I) Causes of suspension of listing

Applicable  Not applicable

### (II) Measures to be taken by the Company

Applicable  Not applicable

## VIII Situation and causes for termination of listing

Applicable  Not applicable

## IX Matters related to bankruptcy and reorganization

Applicable  Not applicable

## X Material litigation and arbitration

The Company had material litigation and arbitration during the year

The Company did not have material litigation and arbitration during the year

## XI Punishment and rectification to the listed Company, its directors, supervisors, senior management, controlling shareholders, beneficial controllers and acquirers

Applicable  Not applicable

## XII Explanation on credibility status of the Company, its controlling shareholders and beneficial controllers during the Reporting Period

Applicable  Not applicable

The Company, its controlling shareholders and beneficial controllers held reliable creditability during the Reporting Period.

### XIII Equity incentive plan, employee shareholding plan or other employee incentive measures of the Company and their impacts

#### (I) Incentive matters disclosed in temporary announcements and without further progress or change in subsequent implementation

Applicable  Not applicable

Item	Query index
Announcement on Adjusting the Performance Evaluation Indicators at the Company Level in 2020 in the 2018 Restricted Share Incentive Plan and Related Documents	Website of Shanghai Stock Exchange on 20 June 2020, <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , <i>Securities Times</i> and <i>Securities Daily</i>
Announcement on Adjusting the Repurchase Price of Restricted Share Incentive Plan in 2018	Website of Shanghai Stock Exchange website on 26 August 2020, <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , <i>Securities Times</i> and <i>Securities Daily</i>
Announcement on Repurchase and Cancellation of Some Restricted Shares for Equity Incentive	Website of Shanghai Stock Exchange website on 26 August 2020, <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , <i>Securities Times</i> and <i>Securities Daily</i>
Announcement on Capital Reduction of Repurchase and Cancellation of Some Restricted Shares	Website of Shanghai Stock Exchange website on 26 August 2020, <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , <i>Securities Times</i> and <i>Securities Daily</i>
Announcement on the Implementation of Repurchase and Cancellation of Restricted Share for Equity Incentive	Website of Shanghai Stock Exchange website on 28 October 2020, <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , <i>Securities Times</i> and <i>Securities Daily</i>

#### (II) Incentive matters not disclosed in temporary announcements or with further progress

Equity incentive

Applicable  Not applicable

Other particulars

Applicable  Not applicable

Employee shareholding plan

Applicable  Not applicable

Other incentive measures

Applicable  Not applicable



**XIV Major related transactions****(I) Related transactions in relation to daily operation**

1 Events disclosed in temporary announcements and without further progress or change in subsequent implementation

Applicable  Not applicable

2 Events disclosed in temporary announcements and with further progress or change in subsequent implementation

Applicable  Not applicable

The 12<sup>th</sup> meeting of the second session of the Board of Directors and 2019 annual general meeting of the Company reviewed and passed the *Proposal on Expected Daily Related Transaction Quota in 2019* on 31 March 2020 and 22 April 2020 respectively. Refer to the *Announcement for Expected Daily Related Transaction Quota in 2020* disclosed by the Company on the website of Shanghai Stock Exchange on 2 April 2020 (announcement No. : 2020-019) for details. In 2020, the daily related transactions of the Company did not exceed the expected amount at the beginning of the year.

The expected and actual daily related transactions of 2020 are as follows:

Type of related transactions	Related party	Estimated amount in 2020	Actual amount in 2020
Related party's bank account deposit	Zhejiang Yueqing Rural Commercial Bank Company Limited	No more than RMB 150 million for daily maximum limit	RMB 143,907,700
Particulars on related-party leases	Huzhou Meizhuang Town Science and Technology Incubation Park Co., Ltd.	RMB 1.8 million	RMB 652,600

Note: The "actual amount in 2020" of Zhejiang Yueqing Rural Commercial Bank Company Limited is the account balance as at 31 December 2020. In 2020, the Company obtained deposit interest of RMB 5,939,700 from Zhejiang Yueqing Rural Commercial Bank Company Limited.

3 Events not disclosed in temporary announcements

Applicable  Not applicable

**(II) Related transactions as a result of acquisition and disposal of assets or equity**

1 Events disclosed in temporary announcements and without further progress or change in subsequent implementation

Applicable  Not applicable

2 Events disclosed in temporary announcements and with further progress or change in subsequent implementation

Applicable ✓ Not applicable

3 Events not disclosed in temporary announcements

Applicable ✓ Not applicable

4 Disclosable performance achievements during the Reporting Period when involved with agreed-upon performance

Applicable ✓ Not applicable

**(III) Major related transactions in joint external investment**

1 Events disclosed in temporary announcements and without further progress or change in subsequent implementation

Applicable ✓ Not applicable

2 Events disclosed in temporary announcements and with further progress or change in subsequent implementation

Applicable ✓ Not applicable

3 Events not disclosed in temporary announcements

Applicable ✓ Not applicable

**(IV) Creditor's rights and debts with related parties**

1、 Events disclosed in temporary announcements and without further progress or change in subsequent implementation

Applicable ✓ Not applicable

2、 Events disclosed in temporary announcements and with further progress or change in subsequent implementation

Applicable ✓ Not applicable

3、 Events not disclosed in temporary announcements

Applicable ✓ Not applicable

**(V) Others**

Applicable ✓ Not applicable

**XV Material contracts and their performance****(I) Trusteeship, contracting and leasing matters****(II) Trusteeship**

Applicable  Not applicable

**1 Contracting**

Applicable  Not applicable

**2 Leasing**

Applicable  Not applicable

**(III) Guarantees**

Applicable  Not applicable

Unit: RMB 00'000 Currency: RMB

Company's external guarantees (excluding guarantees for subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Guaranteed Party	Amount of guarantee	Date of guarantee (agreement signing date)	Starting date	Maturity date	Type of guarantee	Whether the guarantee has been performed	Whether the guarantee is overdue	Overdue amount of guarantee	Whether there is a counter-guarantee	Whether it is guaranteed by the related party	Related relationship
Total amount of guarantee incurred during the Reporting Period (excluding guarantee for subsidiaries)													0
Total balance of guarantee at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)													0
The guarantee of the Company and its subsidiaries for the subsidiaries													
Total amount of guarantee for subsidiaries during the Reporting Period													23,141.25
Total balance of guarantee for subsidiaries at the end of the Reporting Period (B)													9,900
Total amount of the Company guarantee (including guarantee for subsidiaries)													

Total amount of guarantee (A + B)	9,900
Proportion of total guarantee amount to the Company's net assets (%)	4.14
Where:	
Amount of guarantee for shareholders, beneficial controllers and related parties thereof (C)	
Amount of debt guarantees directly or indirectly provided for guaranteed objects with asset-liability ratio exceeding 70% (D)	
Total amount of guarantee exceeding 50% of the net assets (E)	
Sum of the above three guarantees (C+D+E)	
Description on the possible joint liability for satisfaction of unexpired guarantee	
Description on guarantees	

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

Applicable  Not applicable

Unit: RMB 0' 000 Currency: RMB

Types	Source of fund	Amount incurred	Undue balance	Overdue uncollected amount
Bank wealth management products	Self-owned capital	17,000	3,000	0
Trust wealth management products	Self-owned capital	7,000	0	0

**Others**

Applicable  Not applicable

**(2) Individual entrusted wealth management**

√ Applicable □ Not applicable

Unit: RMB 0' 000 Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Source of fund	Usage of fund	Method to determine return	Annualized rate of return	Expected return (if any)	Actual gains or losses	Actual recovery	Whether has gone through a legal procedure or not	Whether there is a future entrusted wealth management plan or not	Amount of provision for the impairment (if any)
China Merchants Bank Xixing Branch	Principal guaranteed with floating returns	14,000	2019/9/3	2020/3/3	Self-owned capital			1.5% or 2.6% or 2.8% or 9%		187.78	Recovered	Yes	No	

**Others**

□ Applicable √ Not applicable

**(3) Provision for the impairment of entrusted wealth management** Applicable ✓ Not applicable**2. Entrusted loans****(1) Overall condition of entrusted loans** Applicable ✓ Not applicable**Others** Applicable ✓ Not applicable**(2) Individual entrusted loans** Applicable ✓ Not applicable**Others** Applicable ✓ Not applicable**(3) Provision for the impairment of entrusted loans** Applicable ✓ Not applicable**3. Others** Applicable ✓ Not applicable**(V) Other material contracts** Applicable ✓ Not applicable**XVI Explanation on other material matters** Applicable ✓ Not applicable**XVII Active fulfillment of social responsibilities****(I) Poverty alleviation by the listed company** Applicable ✓ Not applicable**(II) Overview of social responsibility**✓ Applicable  Not applicable

See *Sustainable Development Report of Proya Cosmetics Co., Ltd. 2020* on the website of Shanghai Stock Exchange (www.sse.com.cn) disclosed on the same day

**(III) Environmental information**

1. **Explanation on environmental protection of the company and its major subsidiaries falling into the category of key pollutant discharging units designated by the environmental protection authorities**

Applicable  Not applicable

2. **Explanation on environmental protection of companies other than key pollutant discharging units**

Applicable  Not applicable

1. During the Reporting Period, the wastewater discharge was guaranteed to meet Class A standard by packing replacement in cooling tower, cleaning of boiler furnace, overall assessment of monthly production schedule, reduction of wire and boiler change, decrease of wastewater discharge, and 24h online monitoring of COD content in the treated water.

2. The concept of resource-saving and environment-friendly green factory was continued during the Reporting Period. The wastewater discharge at the production base was guaranteed to meet Class A standard by new investment of 120t water storage tank, premature cooling of process cooling water by peak-valley electricity, improvement of manufacturing efficiency, reduction of energy consumption input; addition of 4t ultra-low nitrogen gas fired boiler, active support of "actions on new standards for NOx atmospheric emission from boilers" issued by the Department of Environmental Protection, improvement of ambient air quality; intelligent evaluation of monthly production schedule by scheduling software, and decrease of wastewater discharge; and 24h online monitoring of COD content in the treated water.

3. Each department continued to perform the garbage sorting, pure water filtration and recycling of bottle washer, and rationalization proposals on energy conservation and consumption reduction. While providing customers with high-quality products and services, the factory has been committed to protecting the natural environment and sparing no effort to build a resource-saving and environment-friendly green factory.

3. **Explanation on environment information of companies other than key pollutant discharging units not disclosed**

Applicable  Not applicable

4. **Explanation on further progress or changes of environmental information disclosed during the Reporting Period**

Applicable  Not applicable

**(IV) Other particulars**

Applicable  Not applicable

**XVIII Convertible corporate bonds**

Applicable  Not applicable

## Section VI Changes in Ordinary Shares and Shareholders

### I Changes in share capital of ordinary shares

#### (I) Changes in ordinary shares

##### 1 Changes in ordinary shares

Unit: 0' 000 shares

	Before the change		Increase/decrease of the change (+, -)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Capital reserve-converted shares	Others	Sub-total	Number	Percentage (%)
I. Restricted shares	13,917.7760	69.1499				-13,843.0335	-13,843.0335	74.7425	0.3716
1. State-owned shares									
2. Shares held by state-owned legal person									
3. Other domestic shares	13,917.7760	69.1499				-13,843.0335	-13,843.0335	74.7425	0.3716
Where: Shares held by domestic non-state-owned legal person									
Share s held by domestic natural person	13,917.7760	69.1499				-13,843.0335	-13,843.0335	74.7425	0.3716
4. Overseas									



shares									
Where: Shares held by overseas legal person									
Share s held by overseas natural person									
II. Non-restric ted circulating shares	6,209. 18	30.850 1				+13,827 .7700	+13,827. 7700	20,036 .9500	99.628 4
1. Ordinary RMB shares	6,209. 18	30.850 1				+13,827 .7700	+13,827. 7700	20,036 .9500	99.628 4
2. Domesticall y listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total ordinary shares	20,126 .9560	100.00				-15.263 5	-15.2635	20,111 .6925	100.00

## 2 Explanation on changes in ordinary shares

√ Applicable □ Not applicable

On 30 December 2019, the 10<sup>th</sup> meeting of the second session of the Board of Directors and the 10<sup>th</sup> meeting of the second session of the Board of Supervisors of the Company reviewed and passed the *Proposal on Achievements of Lifting Selling Restrictions in the First Selling Restrictions Lifting Date for the First Grant and Reserved Grant of Restricted Share Incentive Plan in 2018*, and agreed to handle the matters about lifting the selling restrictions in a unified form for the incentive objects in line with the conditions for lifting selling restrictions, totaling 369,500 restricted shares lifted. The listing and circulation date of such lifted shares is 6 January 2020. The non-restricted circulating shares of the Company increased from 62,091,800 shares before

this listing to 62,461,300 shares; the restricted circulating shares decreased from 139,177,760 shares before this listing to 138,808,260 shares.

On 30 October 2020, the Company received the *Certificate of Securities Change Registration* issued by Shanghai Branch of China Securities Depository and Clearing Corporation Limited, and completed the repurchase and cancellation of 152,635 restricted shares that were authorized but not yet unlocked of incentive objects not meeting the incentive conditions. The total non-restricted shares of the Company decreased from 201,269,560 shares before this repurchase to 201,116,925 shares, in which the non-restricted circulating shares are 62,461,300 shares and the restricted circulating shares are 138,655,625 shares.

The Company carried out initial public offering of some restricted shares on 16 November 2020, and the number of restricted shares for listing and circulation is 137,908,200 shares this time. The total shares of the Company remains unchanged, in which the non-restricted circulating shares increased from 62,461,300 shares before this listing to 200,369,500 share; the restricted circulating shares decreased from 138,655,625 shares before this listing to 747,425 shares.

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

Applicable  Not applicable

### 4 Other contents that the Company deems necessary and the securities regulatory authorities require disclosing

Applicable  Not applicable

#### (II) Changes in restricted shares

Applicable  Not applicable

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares removed during the year	Increase in number of restricted shares during the year	Number of restricted shares at the end of the year	Reason for selling restrictions	Date of removal of selling restrictions
Hou Juncheng	72,640,500	72,640,500	0	0	Initial public offering	16 November 2020
Fang Yuyou	48,858,000	48,858,000	0	0	Initial public offering	16 November 2020
Li Xiaolin	7,589,400	7,589,400	0	0	Initial public offering	16 November 2020

Xu Junqing	7,419,900	7,419,900	0	0	Initial public offering	16 November 2020
Fang Aifen	390,900	390,900	0	0	Initial public offering	16 November 2020
Ye Caifu	216,300	216,300	0	0	Initial public offering	16 November 2020
Li Jianqing	199,050	199,050	0	0	Initial public offering	16 November 2020
Chen Dongfang	183,300	183,300	0	0	Initial public offering	16 November 2020
Li Wenqing	159,150	159,150	0	0	Initial public offering	16 November 2020
Xu Dongkui	68,100	68,100	0	0	Initial public offering	16 November 2020
Bao Qingfang	65,400	65,400	0	0	Initial public offering	16 November 2020
Fang Jiaqin	49,950	49,950	0	0	Initial public offering	16 November 2020
Fang Shanming	49,950	49,950	0	0	Initial public offering	16 November 2020
Ye Hong	18,300	18,300	0	0	Initial public offering	16 November 2020
Jin Yanhua	97,481	28,671	0	68,810	First grant of the restricted share incentive plan in 2018	-
Zhang Yefeng	47,770	13,750	0	34,020	First grant of the restricted share incentive	-

					plan in 2018	
Wang Li	58,900	17,670	0	41,230	First grant of the restricted share incentive plan in 2018	-
25 grantees (first grant of the restricted share incentive plan in 2018)	865,023	254,063	-149,315	461,645	First grant of the restricted share incentive plan in 2018	-
10 grantees (reserved grant of the restricted share incentive plan in 2018)	200,386	55,346	-3,320	141,720	Reserved grant of the restricted share incentive plan in 2018	-
Total	139,177,760	138,277,700	-152,635	747,425	/	/

Note: The negative “increase in number of restricted shares during the year” is due to the repurchase of restricted shares for equity incentive.

## II Issuance and listing of securities

### (I) Issuance of securities as at the Reporting Period

Applicable  Not applicable

Explanation on issuance of securities as at the Reporting Period (please provide separate explanation on the bonds with different interest rates during their duration):

Applicable  Not applicable

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

Applicable  Not applicable

The total number of ordinary shares of the Company was 201,269,560 at the beginning of the Reporting Period and 201,116,925 at the end of the Reporting Period.

At the beginning of the Reporting Period, the total assets were RMB 2,979,365,076.82, total liabilities were RMB 909,307,033.25, and the asset-liability ratio was 30.52%. At the end of the Reporting Period, the total assets were RMB 3,636,882,185.29, total liabilities were RMB 1,155,019,919.16, and the asset-liability ratio was 31.76%.

**(III) Existing internal employee shares**

Applicable  Not applicable

**III Shareholders and beneficial controllers**

**(I) Total number of shareholders**

Total number of shareholders of ordinary shares as at the end of the Reporting Period	16,869
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of this annual report	20,423
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period	0
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the disclosure date of this annual report	0

**(II) Table of shareholdings of the top ten shareholders and the top ten shareholders of shares in circulation (or shareholders not subject to selling restrictions) as at the end of the Reporting Period**

Unit: Share

Shareholdings of the top ten shareholders							
Name of shareholder (full name)	Change during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Pledged or frozen		Nature of shareholder
					Share status	Number	
Hou Juncheng		72,640,500	36.12	0	None		Domestic natural person
Fang Yuyou	-4,038,882	44,819,118	22.29	0	Pledge	23,120,000	Domestic natural person

Hong Kong Securities Clearing Company Limited	16,309,444	16,759,683	8.33	0	None	Others
Li Xiaolin	-1,345,178	6,244,222	3.10	0	None	Domestic natural person
Xu Junqing	-1,476,099	5,943,801	2.96	0	None	Domestic natural person
Cao Liangguo	-1,373,912	4,124,938	2.05	0	None	Domestic natural person
China Construction Bank Corporation - Yinhua Fuyu Theme Hybrid Securities Investment Fund(中国建设银行股份有限公司-银华富裕主题混合型证券投资基金)	1,209,437	3,649,293	1.81	0	None	Others

Industrial and Commercial Bank of China Limited-Invesco Great Wall Emerging Mature and Hybrid Equity Investment Funds (中国工商银行股份有限公司—景顺长城新兴成长混合型证券投资基金)	2,499,766	2,499,766	1.24	0	None	Others
China Citic Bank Corporation Limited - China ABC-CA Strategy Selected Hybrid Securities Investment Fund(中信银行股份有限公司—农银汇理策略精选混合型证券投资基金)	221,096	1,028,941	0.51	0	None	Others
Abu Dhabi Investment Authority	-142,311	997,598	0.50	0	None	Others
Shareholdings of the top ten shareholders of non-restricted circulating shares						
Name of shareholder			Number of		Type and number of shares	

	non-restricted circulating shares held	Type	Number
Hou Juncheng	72,640,500	Ordinary RMB Shares	72,640,500
Fang Yuyou	44,819,118	Ordinary RMB Shares	44,819,118
Hong Kong Securities Clearing Company Limited	16,759,683	Ordinary RMB Shares	16,759,683
Li Xiaolin	6,244,222	Ordinary RMB Shares	6,244,222
Xu Junqing	5,943,801	Ordinary RMB Shares	5,943,801
Cao Lianguo	4,124,938	Ordinary RMB Shares	4,124,938
China Construction Bank Corporation – Yinhua Fuyu Theme Hybrid Securities Investment Fund (中国建设银行股份有限公 司—银华富裕主题混合型证券投资基金)	3,649,293	Ordinary RMB Shares	3,649,293
Industrial and Commercial Bank of China Limited–Invesco Great Wall Emerging Mature and Hybrid Equity Investment Funds (中国工商银行股份有限公司—景顺长城新 兴成长混合型证券投资基金)	2,499,766	Ordinary RMB Shares	2,499,766
China Citic Bank Corporation Limited – China ABC-CA Strategy Selected Hybrid Securities Investment Fund (中信银行股份 有限公司—农银汇理策略精选混合型证券投 资基金)	1,028,941	Ordinary RMB Shares	1,028,941
Abu Dhabi Investment Authority	997,598	Ordinary RMB Shares	997,598
Explanation on the related relationship or parties acting in concert among the above shareholders	Fang Yuyou is the younger brother of Hou Juncheng's spouse Fang Aiqin, so Hou Juncheng and Fang Yuyou are related.		
Explanation on the preference shareholders with voting rights restored and their shareholdings	None		

Shareholdings of the top ten shareholders subject to trading moratorium and the condition  
of trading moratorium

√ Applicable □ Not applicable

Unit: Share



Number	Name of restricted shareholder	Number of restricted shares	Listed transactions of restricted shares		Selling restrictions
			Trading time available for listing	Number of new tradable shares	
1	Equity incentive object	747,425			See “note” for details
Explanation on the related relationship or parties acting in concert among the above shareholders		None			

Note: The restricted shares held by the equity incentive object is those from the first grant and reserved grant of restricted share incentive plan of the Company in 2018. The restricted period of first-grant shares is 24 months and 36 months from the completion of the registration of first-grant restricted share in Shanghai Branch of China Securities Depository and Clearing Corporation Limited (10 September 2018); the restricted period of reserved-grant shares is 25 months and 37 months from the completion of the registration of reserved-grant restricted share in Shanghai Branch of China Securities Depository and Clearing Corporation Limited (10 September 2018).

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

Applicable  Not applicable

**IV Controlling shareholders and beneficial controllers**

**(I) Controlling shareholder**

**1 Legal person**

Applicable  Not applicable

**2 Natural person**

Applicable  Not applicable

Name	Hou Juncheng, Fang Aiqin
Nationality	China
Acquire right of residence in other countries or regions or not	No
Main job and title	Hou Juncheng and Fang Aiqin are husband and wife. Hou Juncheng was the Chairman of the Company, and Fang Aiqin was the Senior Purchasing Consultant of the Company.

### 3 Special explanation on the Company not having controlling shareholders

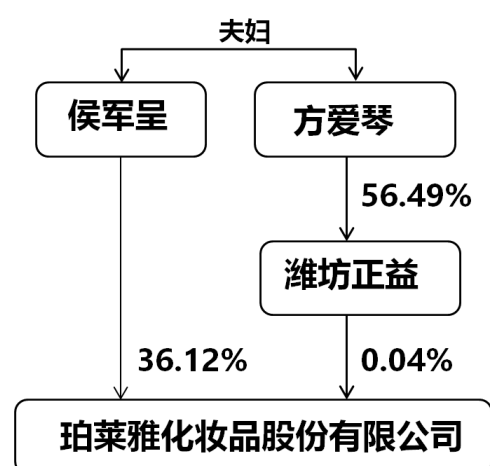
Applicable  Not applicable

### 4 Index and date of changes in controlling shareholders during the Reporting Period

Applicable  Not applicable

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

Applicable  Not applicable



夫妇	Couple
侯军呈	Hou Juncheng
方爱琴	Fang Aiqin
潍坊正益	Weifang Zhengyi
珀莱雅化妆品股份有限公司	Proya Cosmetics Co., Ltd.

Note: The shareholding ratio in the above diagram is the data as at the end of the Reporting Period.

#### (II) Beneficial controllers

##### 1 Legal person

Applicable  Not applicable

##### 2 Natural person

Applicable  Not applicable

Name	Hou Juncheng, Fang Aiqin
Nationality	China
Acquire right of residence in other countries or regions or not	No
Main job and title	Hou Juncheng and Fang Aiqin are husband and wife. Hou Juncheng was the Chairman of the Company, and Fang Aiqin

	was the Senior Purchasing Consultant of the Company.
Shareholdings in other domestic or overseas listed companies over the past 10 years	None

**3 Special explanation on the Company not having beneficial controllers**

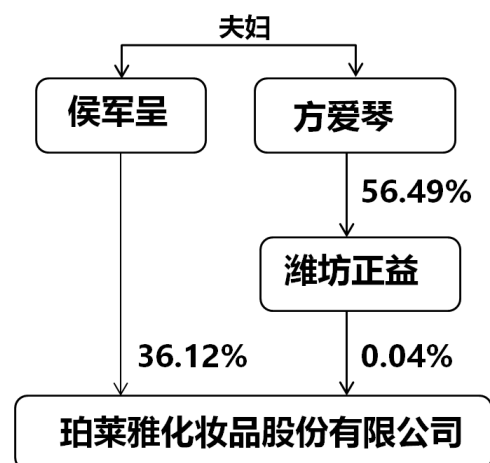
Applicable  Not applicable

**4 Index and date of changes in beneficial controllers during the Reporting Period**

Applicable  Not applicable

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

Applicable  Not applicable



夫妇	Couple
侯军呈	Hou Juncheng
方爱琴	Fang Aiqin
潍坊正益	Weifang Zhengyi
珀莱雅化妆品股份有限公司	Proya Cosmetics Co., Ltd.

Note: The shareholding ratio in the above diagram is the data as at the end of the Reporting Period.

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

Applicable  Not applicable

**(III) Other explanation regarding the controlling shareholders and the beneficial controllers**

Applicable  Not applicable

**V Other legal person shareholders with more than 10% shareholdings**

Applicable ✓ Not applicable

**VI Explanation on limitation on reduction of shareholding**

Applicable ✓ Not applicable

**Section VII Preferred Shares**

Applicable ✓ Not applicable

## Section VIII Directors, Supervisors, Senior Management and Employees

### I Shareholding change and remuneration

#### (I) Shareholding change and remuneration of directors, supervisors and senior management currently employed and retired during the Reporting Period

√ Applicable  Not applicable

Unit: Share

Name	Position (note)	Gender	Age	From	To	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in share of the year	Reasons for change	Total pre-tax remuneration from the Company during the Reporting Period (RMB 0' 000)	Whether to get remuneration from related parties of the Company
Hou Juncheng	Chairman	Male	57	2015. 7. 30	2021. 9. 2	72, 640, 500	72, 640, 500	0		162. 51	No
Fang Yuyou	Director, General Manager	Male	52	2015. 7. 30	2021. 9. 2	48, 858, 000	44, 819, 118	-4, 038, 882	Decrease in shareholding due to personal capital needs	162. 51	No
Cao Liangguo	Director, Deputy General Manager	Male	49	2015. 7. 30	2021. 9. 2	5, 498, 850	4, 124, 938	-1, 373, 912	Decrease in shareholding due to	125. 61	No

2020 ANNUAL REPORT

									personal capital needs		
Chu Xiuqi	Independent Director	Male	57	2015. 7. 30	2021. 9. 2	0	0	0		9.52	No
Chen Yan	Independent Director	Male	49	2017. 8. 1	2021. 9. 2	0	0	0		9.52	No
Ye Nana	Chairman of the Board of Supervisors	Female	37	2018. 9. 3	2021. 9. 2	0	0	0		21.21	No
Fang Qin	Supervisor	Female	31	2018. 5. 8	2021. 9. 2	0	0	0		21.26	No
Hou Luting	Supervisor	Female	32	2018. 5. 2	2021. 9. 2	0	0	0		17.66	No
Jin Yanhua	Deputy General Manager	Male	59	2018. 4. 16	2021. 9. 2	97,481	73,181	-24,300	Decrease in shareholding due to personal capital needs	62.31	No
Wang Li	Financial Leader	Female	43	2018. 9. 3	2021. 9. 2	58,900	44,200	-14,700	Decrease in shareholding due to personal capital needs	82.77	No
Zhang Yefeng	Deputy General	Female	46	2015. 7. 30	2021. 9. 2	47,770	35,870	-11,900	Decrease in	59.99	No

2020 ANNUAL REPORT

	Manager, Board Secretary								sharehol ding due to personal capital needs		
Total	/	/	/	/	/	127,201,501	121,737,807	-5,463,694	/	734.87	/

Name	Main working experience
Hou Juncheng	Hou Juncheng worked in Yiwu Liaoyuan Daily Chemical Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd. and Hangzhou Proya Holding Co., Ltd. Since 2007, Hou Juncheng has been working in the Company and its predecessor. He has served as the Executive Director of the Company since September 2007, and Chairman of the Company and its predecessor since August 2012. As at the end of the Reporting Period, Hou Juncheng concurrently served as Executive Director and General Manager of Hangzhou Proya Trade Co., Ltd., Executive Director of Zhejiang Meiligu Electronic Commerce Co., Ltd., Executive Director of Huzhou Chuangdai E-commerce Co., Ltd., Executive Director of Yueqing Laiya Trading Co., Ltd., Internal Director and Representative Director of Hanna Cosmetics Co., Ltd., Korea, Executive Director and General Manager of Hapsode (Hangzhou) Cosmetics Co., Ltd., Executive Director and General Manager of Huzhou Hapsode, Executive Director and General Manager of Danyang Hapsode, Executive Director and General Manager of Mijing Siyu (Hangzhou) Cosmetics Co., Ltd., Chairman and General Manager of Hangzhou Kunyi Industrial Co., Ltd., Chairman of Cosmetics Industry (Huzhou) Investment Development Co., Ltd., Executive Director and General Manager of Huzhou Meizhuang Town Science and Technology Incubation Park Co., Ltd., Chairman of Huzhou Younimi Cosmetics Co., Ltd., and Director of Xinjiang Huanyu New Silk Road Investment Development Co., Ltd.
Fang Yuyou	Fang Yuyou worked in Shijiazhuang Liaoyuan Cosmetics Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd. and Hangzhou Proya Holding Co., Ltd. Since 2007, Fang Yuyou has been working in the Company and its predecessor. Fang Yuyou has served as the Director and General Manager of the Company and its predecessor since August 2012. As at the end of the Reporting Period, Fang Yuyou concurrently served as General Manager of Zhejiang Meiligu Electronic Commerce Co., Ltd., General Manager of Yueqing Laiya Trading Co., Ltd., Internal Director of Hanna Cosmetics Co., Ltd., Korea, Director of Hangzhou Kunyi Industrial Co., Ltd., Director of Hangzhou Tairentang Biotechnology Co., Ltd., Executive Director and Manager of Hangzhou Fangxiake Investment Co., Ltd., Director of Huzhou Younimi Cosmetics Co., Ltd. and Director of Hong Kong Xinghuo Industry Limited.
Cao	Cao Liangguo worked in Leshan Chengbei Electric Appliance Factory, Hainan International United Cosmetics Co., Ltd., Chongqing

Liangguo	Xielida Cosmetics Co., Ltd., Chongqing Dongyin Technology Industry Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd. and Hangzhou Proya Holding Co., Ltd. Since 2007, Cao Liangguo has been working in the Company and its predecessor. Cao Liangguo has served as the Director and Deputy General Manager of the Company and its predecessor since August 2012. As at the end of the Reporting Period, he concurrently serves as Supervisor of Hanna Cosmetics Co., Ltd., Korea, Director of Hangzhou Kunyi Industrial Co., Ltd., Director of Hangzhou Tairentang Biotechnology Co., Ltd., Internal Director and General Manager of Hapsode Co., Ltd., Korea, Director of Huzhou Younimi Cosmetics Co., Ltd., Director of HONGKONG KESHI TRADING LIMITED, Director of Ningbo Keshi Trading Limited, Director of Hong Kong Zhongwen Electronic Commerce Co., Limited, Director of Hong Kong Wanyan Electronic Commerce Co., Limited, and Director of Japan OR.
Chu Xiuqi	Chu Xiuqi once served as Deputy Director of the Department Store Bureau of the Ministry of Commerce of the People's Republic of China, Deputy General Manager of China National General Merchandise and Textile CO., Ltd., and Executive Vice President and Secretary General of China Commerce Association for General Merchandise. As at the end of the Reporting Period, Chu Xiuqi concurrently served as Honorary President of China Commerce Association for General Merchandise, Vice Chairman of China Sporting Goods Federation, President of Trade Fair Economy Magazine, Vice Chairman of Reed Huabai Exhibitions (Beijing) Co., Ltd., Independent Director of Tianjin Yishang Friendly Co., Ltd., Independent Director of Zhejiang Aokang Shoes Co., Ltd. and Independent Director of Proya Cosmetics Co., Ltd.
Chen Yan	Chen Yan once served as Accountant of Huzhou Textile Import and Export Co., Ltd., Project Director of Zhejiang Omex Environmental Engineering Co., Ltd., Vice Chairman, Chief Financial Officer and Board Secretary and Deputy General Manager of Zhejiang Unifull Industrial Fibre Co., Ltd, and Investment Director of Huzhou Youchuang Investment Management Partnership (Limited Partnership). As at the end of the Reporting Period, Chen Yan concurrently served as Executive Partner of Huzhou Haoyu Investment Management Partnership (Limited Partnership), Executive Partner of Huzhou Haorui Enterprise Management Consulting Partnership (Limited Partnership), Executive Partner of Huzhou Juzhi Equity Investment Partnership (Limited Partnership), Supervisor of Hangzhou Quanzhimai Electronic Commerce Co., Ltd., Supervisor of Huzhou Jingrui Human Resources Management Co., Ltd., Supervisor of Shanghai Beikebo Technology Co., Ltd., Executive Director and General Manager of Huzhou Shengshun Trading Co., Ltd., and Independent Director of Proya Cosmetics Co., Ltd.
Ye Nana	Ye Nana worked in Zhejiang Dahua Technology Co., Ltd. and Hangzhou Gankun Industrial Co., Ltd. From 2010 to the end of the Reporting Period, Ye Nana served as Senior Administrative Manager in the Company and its predecessor, and has served as Supervisor of Huzhou Younimi Cosmetics Co., Ltd. since March 2019.
Fang Qin	From November 2008 to January 2018, Fang Qin served as Head of the Planning Department of the Company and its predecessor, and from January 2018 to the end of the Reporting Period, Fang Qin served as Planning Strategy Manager of the Company.
Hou Luting	From July 2013 to January 2014, Hou Luting served as Expatriate Financial Specialist in Zhonghui Certified Public Accountants, and from February 2014 to June 2017, Hou Luting served as Packaging Material Purchasing Specialist in the Purchasing Department of the Company; from June 2017 to October 2019, Hou Luting served as Raw Material Purchasing Specialist in the Purchasing Department



	of the Company; since October 2019, Hou Luting has served as Raw Material Evaluation Engineer in the Price Evaluation Department of the Company.
Jin Yanhua	Jin Yanhua worked in Zhejiang Sanmen Chemical Fertilizer Plant, Zhejiang InBev Yandance Beer Co., Ltd., Zhejiang InBev Jinhua Beer Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd. and Hangzhou Proya Holding Co., Ltd. From 2007 to August 2012, Jin Yanhua served as General Manager of Huzhou Factory of the Company and its predecessor. Since August 2012, Jin Yanhua has served the General Manager of Supply Chain Management Center of the Company; since April 2018, Jin Yanhua has served as Deputy General Manager of the Company. As at the end of the Reporting Period, Jin Yanhua concurrently served as Executive Director of Anya (Huzhou) Cosmetics Co., Ltd., Executive Director of Huzhou UZERO Trading Co., Ltd., Manager of Huzhou Chuangdai E-commerce Co., Ltd., Executive Director and General Manager of Hangzhou Proya Commercial Management Co., Ltd., Executive Director and General Manager of Huzhou Niuke Technology Co., Ltd., Executive Director and General Manager of Huzhou Tizhi Cosmetics Co., Ltd., Director of Hong Kong Wanyan Electronic Commerce Co., Limited, Executive Director and General Manager of Hangzhou Wanyan Culture Media Co., Ltd., Executive Director and General Manager of Zhejiang Biyouiti Cosmetics Co., Ltd., Director of Hong Kong Zhongwen Electronic Commerce Co., Limited, Chairman of Shanghai Zhongwen Electronic Commerce Co., Ltd., Executive Director and General Manager of Ningbo Proya Enterprise Consulting Management Co., Ltd., Chairman of HONGKONG KESHI TRADING LIMITED, Chairman of Ningbo Keshi Trading Limited, Chairman of Ningbo TIMAGE Cosmetics Co., Ltd., Director of Ningbo Segu Brand Management Co., Ltd. and Executive Partner of Weifang Zhengyi. In addition, Jin Yanhua served as Executive Director of Zhejiang Qingya Culture Art Communication Co., Ltd., Executive Director of Hangzhou Proya Snail Fitness Co., Ltd., Executive Director and General Manager of Hangzhou Yizhuo Culture Media Co., Ltd., Executive Director and General Manager of Hangzhou Weiluohe Cosmetics Co., Ltd., Executive Director and General Manager of Hangzhou Oumisi Trading Co., Ltd., Director of Japan OR, Executive Director and General Manager of Guangzhou Qianxi Network Technology Co., Ltd., Director of Ningbo Xiyou Mutual Entertainment Cultural Media Co., Ltd., Director of Shanghai Healthlong Biochemical Technology Co., Ltd., Executive Director and General Manager of Huzhou Poyun Electronic Commerce Co., Ltd., Executive Director of Xuzhou Proya Information Technology Co., Ltd., Director of Shanghai Weiman Cosmetics Co., Ltd., and Executive Director and General Manager of Ningbo Weiman Cosmetics Co., Ltd.
Wang Li	Wang Li worked in Nanjing Branch of Guangzhou Yingtai Digital Power Technology Co., Ltd., CELLSTAR of the United States, Nanjing Branch of Shanghai Ruili Sports Co., Ltd., Nanjing Biancheng Sports Co., Ltd., Vgrass Fashion Co., Ltd., Zhuoshang Clothing (Hangzhou) Co., Ltd. and Nanjing Rituo Photovoltaic Co., Ltd. Since May 2018, Wang Li has served the Chief Financial Officer of the Company.
Zhang Yefeng	Zhang Yefeng worked in Zhejiang Modern Industry and Trade Group Co., Ltd., Guangdong Robust Group Co., Ltd., Hangzhou Aupu Electric Appliance Co., Ltd., Hangzhou Proya Cosmetics Co., Ltd. and Hangzhou Proya Holding Co., Ltd. Since 2007, Zhang Yefeng has been working in the Company and its predecessor; since August 2012, Zhang Yefeng has served as the Board Secretary and Director of Public Relations Management Department of the Company and its predecessor; since December 2015, Zhang Yefeng has served as the Deputy General Manager of the Company. As at the end of the Reporting Period, she concurrently serves as Internal Director of

Hapsode (Korea).
------------------

Particulars on other information

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

Unit: Share

Name	Position	Number of restricted shares at the beginning of the year	Number of new restricted shares during the Reporting Period	Granted price of the restricted shares (RMB)	Locked shares	Locked shares	Number of the restricted shares at the end of the period	Market price at the end of the Reporting Period (Yuan)
Jin Yanhua	Deputy General Manager	97,481	0	17.95	28,671	68,810	68,810	12,248,180.00
Wang Li	Financial Leader	58,900	0	17.95	17,670	41,230	41,230	7,338,940.00
Zhang Yefeng	Deputy General Manager, Board Secretary	47,770	0	17.95	13,750	34,020	34,020	6,055,560.00
Total	/	204,151	0	/	60,091	144,060	144,060	25,642,680.00

**II Employment of directors, supervisors and senior management currently employed and retired during the Reporting Period****(I) Employment in shareholders' companies** Applicable  Not applicable

Name of person employed	Name of shareholder's company	Position held in shareholder's company	From	To
-------------------------	-------------------------------	--	------	----

Jin Yanhua	Weifang Zhengyi	Executive Partner	August 2019	
Particulars on employment in shareholders' companies	None			

**(II) Employment in other companies**√ Applicable  Not applicable

Name of person employed	Name of other companies	Position held in other companies	From	To
Hou Juncheng	Proya Trade	Executive Director and General Manager	June 2011	
	Meiligu	Executive Director	November 2012	
	Chuangdai E-commerce	Executive Director	December 2016	
	Yueqing Laiya	Executive Director	September 2015	
	Korea Hanna	Internal Director and Representative Director	November 2011	
	Hapsode (Hangzhou)	Executive Director and General Manager	February 2018	
	Huzhou Hapsode	Executive Director and General Manager	May 2016	
	Danyang Hapsode	Executive Director and General Manager	December 2016	
	Mijing Siyu (Hangzhou)	Executive Director and General Manager	February 2018	
	Hangzhou Kunyi Industrial Co., Ltd.	Chairman and General Manager	April 2014	
	Huzhou Meizhuang Town Science and Technology Incubation Park Co., Ltd.	Executive Director and General Manager	January 2019	
	Huzhou Younimi	Chairman	March 2019	

	Cosmetics Industry (Huzhou) Investment Development Co., Ltd.	Chairman	December 2018	
	Xinjiang Huanyu New Silk Road Investment Development Co., Ltd.	Director	March 2021	
Fang Yuyou	Meiligu	General Manager	November 2012	
	Yueqing Laiya	General Manager	September 2015	
	Korea Hanna	Internal Director	November 2011	
	Hangzhou Kunyi Industrial Co., Ltd.	Director	April 2014	
	Hangzhou Tairentang Biotechnology Co., Ltd.	Director	December 2014	
	Hangzhou Fangxiake Investment Co., Ltd.	Executive Director and General Manager	May 2018	
	Huzhou Younimi	Director	March 2019	
	Hong Kong Xinghuo	Director	March 2019	
Cao Liangguo	Korea Hanna	Supervisor	November 2011	
	Hangzhou Kunyi Industrial Co., Ltd.	Director	February 2013	
	Hangzhou Tairentang Biotechnology Co., Ltd.	Director	December 2014	
	Korea Hapsode,	Internal Director and General Manager	August 2017	
	Shanghai Zhongwen	Director	April 2019	January 2021
	Huzhou Younimi	Director	March 2019	
	HONGKONG KESHI	Director	March 2019	
	Ningbo Keshi	Director	September 2019	
	Ningbo Segu Brand Management Co., Ltd.	Director	June 2019	January 2021
	Hong Kong Zhongwen	Director	July 2019	
	Hong Kong Wanyan	Director	October 2019	
	Japan OR	Director	August 2020	
Chu Xiuqi	Zhejiang Aokang Shoes Co., Ltd.	Independent Director	July 2015	
	Tianjin Yishang Friendly Co., Ltd.	Independent Director	October 2011	
	Reed Huabai Exhibitions (Beijing) Co., Ltd.	Vice Chairman	July 2018	
Chen Yan	Huzhou Haoyu Investment Management Partnership (Limited Partnership)	Executive Partner	March 2018	

	ZhongWang Fabric. Co., Ltd.	Independent Director	November 2017	June 2020
	Hangzhou Quanzhimai Electronic Commerce Co., Ltd.	Supervisor	March 2018	
	Huzhou Jingrui Management Consulting Co., Ltd.	Supervisor	November 2019	
	Huzhou Haorui Enterprise Management Consulting Partnership (Limited Partnership)	Executive Partner	August 2019	
	Shanghai Beiikebo Technology Co., Ltd.	Supervisor	April 2019	
	Huzhou Shengshun Trading Co., Ltd.	Executive Director and General Manager	March 2020	
Jin Yanhua	Anya (Hangzhou)	Executive Director	December 2016	
	Huzhou UZERO	Executive Director	January 2018	
	Chuangdai E-commerce	Manager	February 2018	
	Proya Commercial	Executive Director and General Manager	September 2018	
	Huzhou Niuke	Executive Director and General Manager	December 2018	
	Huzhou Tizhi	Executive Director and General Manager	September 2018	
	Hangzhou Wanyan	Executive Director and General Manager	January 2019	
	Hong Kong Wanyan	Director	October 2019	
	Zhejiang Biyouiti	Executive Director and General Manager	March 2019	
	Shanghai Zhongwen	Chairman	April 2019	
	Hong Kong Zhongwen	Director	July 2019	
	Ningbo Segu Brand Management Co., Ltd.	Director	June 2019	
	HONGKONG KESHI	Chairman	March 2019	
	Ningbo Keshi	Chairman	September 2019	
	Ningbo TIMAGE	Chairman	July 2019	
	Weifang Zhengyi	Executive Partner	August 2019	
	Zhejiang Qingya	Executive Director	May 2020	

	Snail Fitness	Executive Director	August 2020	
	Hangzhou Yizhuo	Executive Director and General Manager	July 2020	
	Hangzhou Weiluo	Executive Director and General Manager	July 2020	
	Hangzhou Oumisi	Executive Director and General Manager	August 2020	
	Hangzhou Qingyan Cosmetics Co., Ltd.	Chairman	August 2020	December 2020
	Japan OR	Director	August 2020	
	Guangzhou Qianxi	Executive Director and General Manager	October 2020	
	Ningbo Xiyu Mutual Entertainment Cultural Media Co., Ltd.	Director	September 2020	
	Shanghai Healthlong	Director	November 2020	
	Huzhou Poyun	Executive Director and General Manager	September 2020	
	Xuzhou Proya Information Technology Co., Ltd.	Executive Director	January 2021	
	Shanghai Weiman Cosmetics Co., Ltd.	Director	August 2020	
	Ningbo Weiman Cosmetics Co., Ltd.	Executive Director and General Manager	February 2021	
<b>Zhang Yefeng</b>	Hapsode (Korea)	Internal Director	August 2017	
<b>Ye Nana</b>	Huzhou Younimi	Supervisor	March 2019	
Particulars on employment in other companies	None			

### III Remuneration of directors, supervisors and senior management

✓ Applicable  Not applicable

Decision-making procedures for the remuneration of directors, supervisors and senior management	The remuneration of directors and supervisors of the Company shall be submitted to the general shareholders' meeting for approval after passing the review by the Remuneration and Appraisal Committee of the Board of Directors, the Board of Directors and the Board of Supervisors; the remuneration of senior management shall be subject to the review by the Board of Directors and the Remuneration and Appraisal Committee of the Board of Directors.
Determination basis for the remuneration of directors, supervisors and senior management	The annual remuneration of directors, supervisors and senior management of the Company shall be based on the basic remuneration and performance appraisal.
Actual payment of the remuneration of directors, supervisors and senior management	Already paid
Total remuneration actually received by all directors, supervisors and senior management at the end of the Reporting Period	The total amount of remuneration received by all directors, supervisors and senior management of the Company during the Reporting Period was RMB 7,348,700.

#### **IV Changes in directors, supervisors and senior management of the Company**

Applicable  Not applicable

#### **V Particulars on punishments by securities regulatory authorities in the past three years**

Applicable  Not applicable

**VI Employees of the parent company and major subsidiaries****(I) Employees**

Number of employees in the parent company	948
Number of employees in major subsidiaries	1,950
Number of employees	2,898
Number of retirees of whom the parent company and major subsidiaries are responsible for the expenses	6
Professional structure	
Category	Number
Production personnel	239
Sales personnel	2,002
Management personnel	461
R&D personnel	196
Total	2,898
Education background	
Category	Number (person)
Undergraduate and above	799
Junior college	616
High school and below	1,483
Total	2,898

**(II) Remuneration policy**

√ Applicable  Not applicable

Value creation is the basis of the Company's remuneration distribution, and performance is the intuitive embodiment of value. Based on a comprehensive and objective performance evaluation system, the remuneration distribution and performance evaluation of employees are combined to comprehensively guide and motivate employees create greater value.

**(III) Training plan**

√ Applicable  Not applicable

To gather elite talents and develop outstanding talents in the industry, the Company has always taken the learning and growth of employees as its primary task, to continuously innovate and optimize training research, training topics, training forms, training implementation, training evaluation and improvement, teacher management, etc. The Company has provided offline teaching and online platform learning as well as sharing to enhance participation of employees, thus enabling employees to learn more pertinently and autonomously.

**(IV) Labor outsourcing**

√ Applicable  Not applicable

Unit:Yuan Currency:RMB

Total working hours of labor outsourcing	
Total remuneration paid for labor outsourcing	26,126,382.48

Huzhou Branch of Proya Cosmetics Co., Ltd. signed the *Service Project Contract Agreement* with Jiangxi Zhilian Outsourcing Service Co., Ltd. in January 2017. Huzhou



Branch outsourced auxiliary services such as canteen, greening, cleaning, goods handling, loading and unloading and packaging to Jiangxi Zhilian Outsourcing Service Co., Ltd. and paid remuneration according to the agreed business volume. As the Company adjusted its sales strategy, the number of urgent orders increased. In October 2019, in order to ensure timely shipment and other purposes, Huzhou Branch signed the *Service Project Contract Agreement* with Yancheng Dafeng Xinxinyuan Enterprise Management Co., Ltd. Huzhou Branch outsourced some work such as goods handling, loading and unloading, packaging and facial mask folding to Yancheng Dafeng Xinxinyuan Enterprise Management Co., Ltd. and paid remuneration according to the agreed business volume.

## VII Others

Applicable  Not applicable

## Section IX Corporate Governance

### I Particulars on corporate governance

Applicable  Not applicable

During the Reporting Period, the Company continuously improved its standard operation level and corporate governance structure based on the actual situation in accordance with the provisions of the *Company Law*, *Securities Law*, *Share Listing Rules of Shanghai Stock Exchange*, *Code of Corporate Governance for Listed Companies* and other applicable laws and regulations as well as the *Articles of Association*. The Company has set up the general shareholders' meeting, Board of Directors, Board of Supervisors and special committees under the Board of Directors as required, and developed the corresponding rules of procedure. It defines the duties and authorities, procedures and obligations of the institutions at all levels in terms of decision-making, supervision and implementation, so as to form a scientific and effective governance structure featuring clear rights and responsibilities, mutual checks and balances and mutual coordination. During the Reporting Period, the Company consciously fulfilled the obligation of information disclosure and managed investor relationship to continuously improve the standard operation level. The corporate governance of the Company conforms to the normative documents published by China Securities Regulatory Commission in connection with governance of the listed company.

Whether there are significant differences between corporate governance and the requirements of the relevant regulations of the China Securities Regulatory Commission; if there are significant differences, the reasons should be explained

Applicable  Not applicable

### II Brief introduction to general shareholders' meetings

Session number	Convening date	Query index of the designated website on which the resolution is published	Disclosure date when the resolution is published
First extraordinary general shareholders' meeting in 2020	20 March 2020	No. 2020-010 Announcement on the website of Shanghai Stock Exchange (www.sse.com.cn)	21 March 2020
2019 annual general	22 April 2020	No. 2020-024	23 April 2020

meeting		Announcement on the website of Shanghai Stock Exchange (www.sse.com.cn)	
Second extraordinary general shareholders' meeting in 2020	6 July 2020	No. 2020-035 Announcement on the website of Shanghai Stock Exchange (www.sse.com.cn)	7 July 2020
Third extraordinary general shareholders' meeting in 2020	28 October 2020	No. 2020-055 Announcement on the website of Shanghai Stock Exchange (www.sse.com.cn)	29 October 2020

Particulars on general shareholders' meetings

Applicable  Not applicable

### III Performance of functions and duties by directors

#### (I) Attendance of directors at board meetings and general shareholders' meetings

Name of director	Independent director	Attendance at board meetings						Attendance at general shareholders' meetings
		Number of attendance required	Number of attendance in person	Number of attendance by communication	Number of attendance by proxy	Number of absence	Two consecutive absences in person	Number of attendance at general shareholders' meetings
Hou Juncheng	No	7	7	0	0	0	No	4
Fang Yuyou	No	7	7	1	0	0	No	4
Cao Liangguo	No	7	7	0	0	0	No	4
Chu Xiuqi	Yes	7	7	7	0	0	No	4
Chen Yan	Yes	7	7	7	0	0	No	4

Particulars on two consecutive absences in person from board meetings

Applicable  Not applicable

Number of board meetings held during the year	7
---	---

Where: Number of on-site meeting	0
by communication	0
on site and by communication	7

**(II) Independent directors' objections to the Company's related matters**

Applicable  Not applicable

**(III) Others**

Applicable  Not applicable

**IV If there is any objection to important opinions and suggestions put forward by the special committees under the Board of Directors in performing its functions and duties during the Reporting Period, the specific situation should be disclosed**

Applicable  Not applicable

**V Particulars on risks in the Company identified by the Board of Supervisors**

Applicable  Not applicable

**VI Particulars on the situations that the Company and its controlling shareholders cannot guarantee independence and cannot maintain self-operation ability in the aspects of business, personnel, assets, organization and finance**

Applicable  Not applicable

The corresponding solutions, work progress and follow-up work plan of the Company in case of horizontal competition

Applicable  Not applicable

**VII Establishment and implementation of appraisal mechanism and the incentive mechanism for senior management during the Reporting Period**

Applicable  Not applicable

During the Reporting Period, the appraisal of General Manager and other senior management of the Company was conducted based on the performance indicator requirements, and the annual performance remuneration was submitted, by Remuneration and Appraisal Committee of the Board of Directors, to the Board of Directors for review.

**VIII Whether to disclose the self-appraisal report on internal control**

Applicable  Not applicable

See *2020 Appraisal Report on Internal Control* disclosed by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on the same day for details

Particulars on major defects in the internal control during the Reporting Period

Applicable  Not applicable

**IX Particulars on the audit report on internal control**

Applicable  Not applicable

During the Reporting Period, Pan-China Certified Public Accountants LLP, the internal control audit organization of the Company, issued the *Audit Report on Internal Control* (TJS [2021] No. [3599]), and believed that the Company maintained effective internal

control related to financial reports in all major aspects in accordance with the *General Guidelines on Enterprise Internal Control* System and relevant provisions on 31 December 2020.

Whether to disclose the Audit Report on Internal Control: Yes

Opinion types of the Audit Report on Internal Control: Standard and unqualified opinions

**X Others**

Applicable ✓ Not applicable

**Section X Corporate Bonds**

Applicable ✓ Not applicable

## Section XI Financial Report

### I Auditor's Report

√ Applicable  Not applicable

Auditor's Report

TJS [2021] No. 3598

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

#### I. Audits' opinion

We have audited the accompanying financial statements of Proya Cosmetics Co., Ltd. (hereinafter referred to as "Proya"), which comprise the consolidated and parent company's balance sheets as at 31 December 2020, the consolidated and parent company's income statements, the consolidated and parent company's cash flow statements, and the consolidated and parent company's statements of changes in owners' equity for the year of 2020, as well as notes to financial statements.

In our opinion, the attached financial statements are prepared in accordance with the provisions of the Accounting Standards for Business Enterprises in all major aspects, and fairly reflect Proya's consolidated and parent company's financial position as at 31 December 2020, as well as the consolidated and parent company's operating results and cash flows in 2020.

#### II. Basis of auditors' opinion

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

#### III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These

matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

(I) Revenue recognition

1. Item description

Refer to V. 38, VII. 61 and XVI. 6 in “Section XI Financial Report” herein for relevant information disclosure.

The operating revenue of Proya mainly came from the sale of cosmetics. According to the financial statements, the operating revenue of Proya was RMB 3,752,386,800 in 2020.

Pursuant to the sales contract between Proya and its customer, under the distribution mode, Proya recognizes the sales revenue after the its product delivery to the purchaser and acceptance by the purchaser; under the proxy mode, Proya delivers the products to the trustee and recognizes the sales revenue when the trustee achieves sales and issues the proxy list; under the direct sales mode, Proya delivers the products to the consumer and recognizes the sales revenue after the consumer confirms the receipt and makes the payment.

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

2. Audit response

Our main audit procedures for revenue recognition include the followings:

(1) Understand the key internal controls related to the revenue recognition, evaluate the design of these controls, determine the feasibility, and test the effectiveness of the relevant internal controls;

(2) Send letter to the main customers to confirm the sales volume in 2020 and the balance of accounts receivable at the end of 2020;

(3) Perform the test of details, carry out spot check over the supporting documents for revenue recognition (including sales contract, delivery document, receipt, proxy list, sales invoice, etc.), in order to understand major contract terms or conditions, evaluate whether the revenue recognition method is appropriate, and check the recovery of accounts receivable;

(4) Implement analysis procedures, including monthly income fluctuation analysis in 2020 and sales revenue change analysis of main customers;

(5) Obtain the rebate and subsidy policy, rebate and subsidy calculation sheet and other information to check whether the withholding amount of rebate and subsidy at the end of 2020 was sufficient; and meanwhile, analyze whether the amount of rebate and subsidy and the withholding amount were reasonable based on the rebate and subsidy policy as well as the income in 2020; check the settlement after rebate and subsidy withholding period at the end of 2020;

(6) Obtain the return and exchange policy, estimated balance sheet and other information, and check whether the estimated future return and exchange rate was reasonable; check the return and exchange situation after the period, and compare with the estimated return and exchange data;

(7) Understand the inventory and stock age of the dealer at the end of 2020, and check whether the inventory amount and structure of the deal were reasonable;

(8) Analyze the sales data of main online direct stores, calculate the consumption per capita, consumption per time, purchase times and repurchase information of customers of direct online stores to compare with the selling price and normal consumption of Proya products, judge the rationality of the above data in combination with normal consumption habits, and analyze the authenticity and rationality of the income of direct online stores;

(9) Compare the background transaction data, Alipay receipts data and sales revenue data on financial accounts of direct online stores, analyze the matching attribute of data, and check the authenticity of sales from the direct online stores.

(II) Inventory falling price reserve

1. Item description

Refer to V.15 and VII.9 in “Section XI Financial Report” herein for relevant information disclosure.

As at 31 December 2020, the book balance of inventory of Proya amounted to RMB 494,268,000, inventory falling price reserve amounted to RMB 25,627,000, and the carrying value of inventory amounted to RMB 468,641,000. Proya measures inventories on the basis of the lower one between the cost and net realizable value, and the inventory falling price reserve is withdrawn in accordance with the difference between the single inventory cost and the net realizable value. The management needs to estimate the net realizable value of inventories and make provision for inventory falling price reserve. Therefore, we identify this item as a key audit matter.

2. Audit response

Our main audit procedures for inventory falling price reserve include the followings:

(1) Understand the key internal controls related to the provision for inventory falling price reserve, evaluate the design of these controls, determine the feasibility, and test the effectiveness of the relevant internal controls;

(2) Obtain the provision policy for inventory falling price reserve and calculation process prepared by Proya, and recheck the calculation process;

(3) Obtain the inventory stock age sheet, and check whether provision for inventory falling price reserve was sufficient in combination with the inventory stock age, shelf life and post-period inventory sales;

(4) Obtain a list of products that are no longer for sale, make statistics about the inventory of offline products and the corresponding raw materials, and pay attention to whether this part of the inventory made provision for inventory falling price reserve;

(5) Monitor the inventory, check the quantity and condition of the inventory, and pay attention to whether the inventory with signs of impairment made provision for falling price reserve.

#### **IV. Other information**

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

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

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

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

#### **V. Responsibilities of the management and governing bodies for the financial statements**

The management shall be responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises to enable them to be fairly reflected, and to design, implement and maintain the necessary internal controls



so that there is no material misstatement due to fraud or error in the financial statements.

In the preparation of the financial statements, the management is responsible for assessing Proya' s continuous operating capacity, disclosing matters relating to continuous operations (if applicable), and applying the continuing operating assumptions unless the management plans to perform liquidation, cease operation or otherwise has no realistic choice.

The governing bodies of Proya (hereinafter referred to as “governing bodies” ) are responsible for overseeing the financial reporting process of Proya.

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

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

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

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

(II) to understand the internal control related to the audit to design the appropriate audit procedures.

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

(IV) to draw a conclusion on the appropriateness of the management' s use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the ability of Proya to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause Proya to cease to continue as a going concern.

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

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

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

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

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

Pan-China Certified Public Accountants LLP Certified Public Accountant:  
(Project Partner)

Hangzhou, China

Certified Public Accountant:

21 April 2021

## II Financial Statements

## Consolidated Balance Sheet

31 December 2020

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	31 December 2020	31 December 2019
<b>Current assets:</b>			
Cash and equivalents	VII. 1	1,416,654,640.93	1,246,901,218.99
Transaction settlement funds			
Lending funds			
Held-for-trading financial assets	VII. 2		71,450,000.00
Derivative financial assets			
Bills receivable			
Accounts receivable	VII. 5	284,878,419.58	198,409,249.19
Receivables financing	VII. 6	5,531,997.32	2,150,000.00
Prepayment	VII. 7	82,742,815.92	53,313,963.76
Premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	VII. 8	48,733,527.35	15,269,949.97
Where: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	VII. 9	468,641,017.75	313,649,003.07
Contract assets			
Held for sale assets			
Non-current assets due within one year			
Other current assets	VII. 13	35,235,811.27	11,723,268.59
Total current assets		2,342,418,230.12	1,912,866,653.57
<b>Non-current assets:</b>			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	VII. 17	58,220,059.60	14,728,003.68

Investments in other equity instruments	VII. 18	20,580,000.00	
Other non-current financial assets			
Investment real estate	VII. 20	72,237,610.10	71,622,083.18
Fixed assets	VII. 21	565,864,152.62	550,329,145.07
Construction in progress	VII. 22	47,324,523.36	31,894,658.49
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	VII. 26	314,643,323.97	328,564,563.33
Development expenses			
Goodwill	VII. 28	31,034,161.20	
Long-term prepaid expenses	VII. 29	50,576,793.53	26,378,564.50
Deferred income tax assets	VII. 30	46,660,550.76	27,975,258.51
Other non-current assets	VII. 31	87,322,780.03	15,006,146.49
Total non-current assets		1,294,463,955.17	1,066,498,423.25
Total assets		3,636,882,185.29	2,979,365,076.82
<b>Current liabilities:</b>			
Short-term borrowings	VII. 32	299,280,435.09	129,047,396.51
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable	VII. 35	64,580,000.00	41,830,948.53
Accounts payable	VII. 36	515,832,031.27	347,316,843.39
Accounts received in advance	VII. 37		40,913,490.55
Contract liabilities	VII. 38	30,618,778.99	
Financial assets sold under repurchase agreements			
Deposits from customers and other banks			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	VII. 39	70,828,239.70	66,684,151.98

Taxes payable	VII. 40	71,335,290.77	71,833,700.61
Other payables	VII. 41	75,546,323.32	91,444,673.31
Where: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsured accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	VII. 43		85,258,247.69
Other current liabilities	VII. 44	1,439,262.02	
Total current liabilities		1,129,460,361.16	874,329,452.57
<b>Non-current liabilities:</b>			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Where: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities	VII. 50	10,190,099.22	10,102,532.74
Deferred income	VII. 51	8,495,353.33	19,743,036.56
Deferred income tax liabilities	VII. 30	6,874,105.45	5,132,011.38
Other non-current liabilities			
Total non-current liabilities		25,559,558.00	34,977,580.68
Total liabilities		1,155,019,919.16	909,307,033.25
<b>Owner's equity (or shareholders' equity):</b>			
Share capital	VII. 53	201,116,925.00	201,269,560.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserve	VII. 55	837,034,836.69	835,353,615.48
Less: Treasury shares	VII. 56	12,653,905.25	15,769,051.20
Other comprehensive income	VII. 57	-269,066.13	-212,628.22
Special reserve			
Surplus reserve	VII. 59	100,634,780.00	100,634,780.00

General risk provision			
Undistributed profit	VII. 60	1,265,671,865.63	908,411,607.62
Total equity attributable to the owners of the parent company		2,391,535,435.94	2,029,687,883.68
Minority equity		90,326,830.19	40,370,159.89
Total owners' equity (or shareholders' equity)		2,481,862,266.13	2,070,058,043.57
Total liabilities and owner's equity (or shareholders' equity)		3,636,882,185.29	2,979,365,076.82

Legal Representative: Hou Juncheng CFO of the Company: Wang Li Head of the public accountant: Wang Li

### Balance Sheet of Parent Company

31 December 2020

Prepared by: Proya Cosmetics Co., Ltd.

Unit: Yuan Currency: RMB

Item	Notes	31 December 2020	31 December 2019
<b>Current assets:</b>			
Cash and equivalents		498,358,108.55	403,072,398.35
Held-for-trading financial assets			70,000,000.00
Derivative financial assets			
Bills receivable			
Accounts receivable	XVII. 1	565,037,411.15	614,081,454.90
Receivables financing			
Prepayment		9,389,481.27	13,257,712.52
Other receivables	XVII. 2	236,585,409.48	31,800,093.90
Where: Interest receivable			
Dividend receivable			
Inventories		227,126,018.70	157,614,679.78
Contract assets			
Held for sale assets			
Non-current assets due within one year			
Other current assets		15,543,206.01	
Total current assets		1,552,039,635.16	1,289,826,339.45
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity	XVII. 3	347,372,956.06	159,882,467.38

investments			
Investments in other equity instruments		20,580,000.00	
Other non-current financial assets			
Investment real estate		339,018,465.70	336,462,349.68
Fixed assets		291,193,420.67	283,156,520.47
Construction in progress		46,993,562.96	31,877,256.59
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		308,401,627.24	318,477,880.56
Development expenses			
Goodwill			
Long-term prepaid expenses		34,817,495.54	1,177,831.47
Deferred income tax assets		15,889,636.90	18,414,499.56
Other non-current assets		87,545,799.42	15,006,146.49
Total non-current assets		1,491,812,964.49	1,164,454,952.20
Total assets		3,043,852,599.65	2,454,281,291.65
<b>Current liabilities:</b>			
Short-term borrowings		200,163,972.59	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable		64,580,000.00	41,830,948.53
Accounts payable		403,605,887.84	300,820,130.33
Accounts received in advance			13,628,235.50
Contract liabilities		10,212,194.96	
Employee benefits payable		29,624,549.78	23,436,531.67
Taxes payable		34,953,057.88	49,102,562.13
Other payables		24,771,086.23	27,706,157.37
Where: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			85,258,247.69
Other current liabilities			
Total current liabilities		767,910,749.28	541,782,813.22

<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Where: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		8,495,353.33	8,491,110.00
Deferred income tax liabilities		6,283,428.68	4,986,605.71
Other non-current liabilities			
Total non-current liabilities		14,778,782.01	13,477,715.71
Total liabilities		782,689,531.29	555,260,528.93
<b>Owner's equity (or shareholders' equity):</b>			
Share capital		201,116,925.00	201,269,560.00
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserve		837,075,425.32	834,592,133.74
Less: Treasury shares		12,653,905.25	15,769,051.20
Other comprehensive income			
Special reserve			
Surplus reserve		100,634,780.00	100,634,780.00
Undistributed profit		1,134,989,843.29	778,293,340.18
Total owners' equity (or shareholders' equity)		2,261,163,068.36	1,899,020,762.72
Total liabilities and owner's equity (or shareholders' equity)		3,043,852,599.65	2,454,281,291.65

Legal Representative: Hou Juncheng CFO of the Company: Wang Li Head of the public accountant: Wang Li

### Consolidated Income Statement

January - December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Total operating income		3,752,386,849.02	3,123,520,211.77
Where: Revenue	VII. 61	3,752,386,849.02	3,123,520,211.77
Interest income			



Premium received			
Handling fee and commission income			
II. Total operating costs		3,160,438,371.03	2,636,811,936.85
Where: Cost of sales	VII. 61	1,367,561,949.78	1,125,573,226.23
Interest expenses			
Handling fee and commission expenses			
Payment on surrenders			
Net compensation expenses			
Net provision drawn for insurance contract			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	VII. 62	32,945,185.99	27,839,165.28
Selling expenses	VII. 63	1,497,058,943.34	1,223,031,824.07
Administrative expenses	VII. 64	204,279,378.68	195,259,927.02
R&D expenses	VII. 65	72,200,028.77	74,602,606.55
Financial expenses	VII. 66	-13,607,115.53	-9,494,812.30
Where: Interest expense		9,190,674.26	8,565,736.81
Interest income		20,740,463.77	18,108,947.26
Add: Other income	VII. 67	13,491,509.72	8,415,457.68
Income from investment (“-” refers to loss)	VII. 68	1,769,391.50	2,123,024.87
Where: Investment income from associates and joint ventures		-646,615.60	-2,530,337.96
Derecognition of income from financial assets at amortized cost			
Exchange gains (“-” refers to loss)			
Net gain on exposure hedging (“-” refers to loss)			
Gain on change in fair value (“-” refers to loss)			
Losses on credit impairment (“-” refers to loss)	VII. 71	-23,908,722.39	-8,542,539.16
Losses on assets impairment (“-” refers to loss)	VII. 72	-28,234,605.50	-27,139,408.88
Gains from asset disposal (“-” refers to loss)	VII. 73	854.57	43,245.67
III. Operating profits (“-” refers to loss)		555,066,905.89	461,608,055.10
Add: Non-operating profits	VII. 74	1,542,594.25	778,978.15
Less: Non-operating expenses	VII. 75	9,037,929.71	6,144,076.84
IV. Total profits (“-” refers to total loss)		547,571,570.43	456,242,956.41
Less: Income tax expenses	VII. 76	95,962,016.20	89,874,756.94

V. Net profits (“-” refers to net loss)		451,609,554.23	366,368,199.47
(I) Classified by operation continuity			
1. Net profits from continuing activities (“-” refers to net loss)		451,609,554.23	366,368,199.47
2. Net profits from discontinuing activities (“-” refers to net loss)			
(II) Classified by ownership			
1. Net profits attributable to shareholders of the parent company (“-” refers to net loss)		476,009,298.41	392,681,976.58
2. Profit or loss attributable to minority shareholders (“-” refers to net loss)		-24,399,744.18	-26,313,777.11
VI. Net amount of other comprehensive income after tax	VII. 77	-56,437.91	117,952.25
(I) Net amount of other comprehensive income after tax attributable to owners of the parent company		-56,437.91	117,952.25
1. Other comprehensive income not to be reclassified into profit or loss			
(1) Change in re-measurement of defined benefit plans			
(2) Other comprehensive income that may not be reclassified to profit or loss under equity method			
(3) Change in fair value of investments in other equity instruments			
(4) Change in fair value of enterprise’s own credit risk			
2. Other comprehensive income to be reclassified into profit or loss		-56,437.91	117,952.25
(1) Other comprehensive income that may be reclassified to profit or loss under equity method			
(2) Change in fair value of other debt investments			
(3) Amount included in other comprehensive income on reclassification of financial			

assets			
(4) Credit impairment provisions of other debt investments			
(5) Cash flow hedging reserve			
(6) Exchange differences from translation of financial statements		-56,437.91	117,952.25
(7) Others			
(II) Net amount of other comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		451,553,116.32	366,486,151.72
(I) Total comprehensive income attributable to owners of the parent company		475,952,860.50	392,799,928.83
(II) Total comprehensive income attributable to minority shareholders		-24,399,744.18	-26,313,777.11
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)		2.37	1.96
(II) Diluted earnings per share (Yuan/share)		2.37	1.96

In case of business merger under common control, net profit realized by the acquiree before the merger in the current period was: RMB 0; net profit realized by the acquiree in the prior period was: RMB 0.

Legal Representative: Hou Juncheng CFO of the Company: Wang Li Head of the public accountant: Wang Li

### Income Statement of Parent Company

January - December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Revenue	XVII. 4	1,950,969,218.93	1,770,795,873.74
Less: Cost of sales	XVII. 4	918,617,344.96	870,410,762.03
Taxes and surcharges		17,071,963.70	17,659,284.56
Selling expenses		208,262,239.67	190,509,676.67
Administrative expenses		144,076,974.98	145,490,559.40
R&D expenses		77,218,796.44	79,845,015.25
Financial expenses		-7,606,803.28	-3,225,179.42
Where: Interest expense		5,563,830.24	7,093,653.17
Interest income		19,588,179.32	10,371,466.14
Add: Other income		9,703,059.04	7,156,047.42
Income from investment (“-” refers to loss)	XVII. 5	1,039,199.20	1,784,206.96

Where: Investment income from associates and joint ventures		-1,112,228.47	-2,869,155.87
Derecognition of income from financial assets at amortized cost			
Net gain on exposure hedging (“-” refers to loss)			
Gain on change in fair value (“-” refers to loss)			
Losses on credit impairment (“-” refers to loss)		-30,085,608.30	-56,884,503.83
Losses on assets impairment (“-” refers to loss)		-11,111,698.11	-12,656,887.41
Gains from asset disposal (“-” refers to loss)		-3,727.50	43,245.67
II. Operating profits (“-” refers to loss)		562,869,926.79	409,547,864.06
Add: Non-operating profits		783,184.91	29,722.00
Less: Non-operating expenses		8,378,795.22	4,974,545.09
III. Total profits (“-” refers to total loss)		555,274,316.48	404,603,040.97
Less: Income tax expenses		79,828,772.97	61,812,795.82
IV. Net profits (“-” refers to net loss)		475,445,543.51	342,790,245.15
(I) Net profits from continuing activities (“-” refers to net loss)		475,445,543.51	342,790,245.15
(II) Net profits from discontinuing activities (“-” refers to net loss)			
V. Net amount of other comprehensive income after tax			
(I) Other comprehensive income not to be reclassified into profit or loss			
1. Change in re-measurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method			
3. Change in fair value of investments in other equity instruments			
4. Change in fair value of enterprise’s own credit risk			
(II) Other comprehensive income to be reclassified into profit or loss			

1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Credit impairment provisions of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences from translation of financial statements			
7. Others			
VI. Total comprehensive income		475,445,543.51	342,790,245.15
VII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/share)			

Legal Representative: Hou Juncheng CFO of the Company: Wang Li Head of the public accountant: Wang Li

### Consolidated Cash Flow Statement

January - December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
<b>I. Cash flow from operating activities:</b>			
Cash received from sales of goods or rendering of services		3,884,361,008.59	3,156,670,977.79
Net increase in customer and interbank deposits			
Net increase in borrowings from central bank			
Net increase in placements from banks and other financial institutions			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of			

policy holders and investments			
Cash received from interest, fees and commissions			
Net increase in borrowings			
Net increase in repurchase business capital			
Net cash received from securities trading agency services			
Tax rebates		1,344,632.09	1,215,639.09
Other cash received from operating activities	VII. 78(1)	81,739,953.02	27,439,741.01
Sub-total of cash inflows from operating activities		3,967,445,593.70	3,185,326,357.89
Cash paid for goods and services		1,455,030,507.05	1,283,742,313.97
Net increase in customer loans and advances			
Net increase in deposits with PBOC and interbank deposits			
Cash paid for compensation payments under original insurance contract			
Net increase in funds for lending			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		376,790,463.82	366,291,357.36
Taxes and fees paid		381,109,475.93	359,884,531.17
Cash paid for other operating activities	VII. 78(2)	1,422,965,037.76	939,446,827.05
Sub-total of cash outflows from operating activities		3,635,895,484.56	2,949,365,029.55
Net cash flow generated from operating activities		331,550,109.14	235,961,328.34
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		213,200,000.00	380,000,000.00
Cash received from returns on investments		2,266,301.37	4,653,362.83
Net cash received from		37,500.00	72,000.00

disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities	VII. 78(3)	66,052,759.40	2,500,000.00
Sub-total of cash inflows from investing activities		281,556,560.77	387,225,362.83
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		184,057,255.67	163,733,333.52
Cash paid for investment		81,930,000.00	275,588,295.00
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities	VII. 78(4)	1,035,148.02	2,500,000.00
Sub-total of cash outflows from investing activities		267,022,403.69	441,821,628.52
Net cash flow generated from investing activities		14,534,157.08	-54,596,265.69
<b>III. Cash flow from financing activities:</b>			
Proceeds received from financing activities		2,266,300.00	21,085,273.44
Where: Cash received by subsidiaries from minority shareholders' investment		2,266,300.00	21,085,273.44
Cash received from borrowings		299,000,000.00	128,939,749.33
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities		301,266,300.00	150,025,022.77
Cash repayments of borrowings		214,230,868.48	259,800,000.00
Dividends paid, profit distributed or interest paid		127,734,055.29	97,824,202.19
Where: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities	VII. 78(6)	2,684,110.55	1,657,699.80

Sub-total of cash outflows from financing activities		344,649,034.32	359,281,901.99
Net cash flow from financing activities		-43,382,734.32	-209,256,879.22
<b>IV. Effects of exchange rate fluctuations on cash and cash equivalents</b>		56,437.91	117,952.25
<b>V. Net increase in cash and cash equivalents</b>		302,757,969.81	-27,773,864.32
Add: Cash and cash equivalents at the beginning of the period		1,099,092,785.07	1,126,866,649.39
<b>VI. Cash and cash equivalents at the end of the period</b>		1,401,850,754.88	1,099,092,785.07

Legal Representative: Hou Juncheng CFO of the Company: Wang Li Head of the public accountant: Wang Li

### Cash Flow Statement of Parent Company

January - December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
<b>I. Cash flow from operating activities:</b>			
Cash received from sales of goods or rendering of services		2,223,396,958.25	1,818,365,238.11
Tax rebates			8,126.42
Other cash received from operating activities		20,551,684.95	10,032,566.19
Sub-total of cash inflows from operating activities		2,243,948,643.20	1,828,405,930.72
Cash paid for goods and services		922,769,531.45	900,766,094.66
Cash paid to and on behalf of employees		142,663,372.92	116,744,546.33
Taxes and fees paid		226,100,654.30	215,181,333.30
Cash paid for other operating activities		332,949,353.49	280,174,037.91
Sub-total of cash outflows from operating activities		1,624,482,912.16	1,512,866,012.20
Net cash flow generated from operating activities		619,465,731.04	315,539,918.52
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		211,750,000.00	230,000,000.00



Cash received from returns on investments		2,266,301.37	4,653,362.83
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,000.00	72,000.00
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities		1,000,000.00	2,500,000.00
Sub-total of cash inflows from investing activities		215,021,301.37	237,225,362.83
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		174,825,452.05	139,077,372.86
Cash paid for investment		200,190,000.00	353,787,528.61
Net cash paid for acquiring subsidiaries and other operating entities			
Other cash paid relating to investing activities		219,330,066.00	9,500,000.00
Sub-total of cash outflows from investing activities		594,345,518.05	502,364,901.47
Net cash flow generated from investing activities		-379,324,216.68	-265,139,538.64
<b>III. Cash flow from financing activities:</b>			
Proceeds received from financing activities			
Cash received from borrowings		200,000,000.00	
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities		200,000,000.00	
Cash repayments of borrowings		85,130,289.87	199,800,000.00
Dividends paid, profit distributed or interest paid		124,276,855.87	96,380,324.63
Other cash paid for financing-related activities		2,584,110.55	1,657,699.80
Sub-total of cash outflows from financing activities		211,991,256.29	297,838,024.43
Net cash flow from financing activities		-11,991,256.29	-297,838,024.43

<b>IV. Effects of exchange rate fluctuations on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		228,150,258.07	-247,437,644.55
Add: Cash and cash equivalents at the beginning of the period		255,868,964.43	503,306,608.98
<b>VI. Cash and cash equivalents at the end of the period</b>		484,019,222.50	255,868,964.43

Legal Representative: Hou Juncheng CFO of the Company: Wang Li Head of the public accountant: Wang Li

**Consolidated Statements of Changes in Owners' Equity**  
January - December 2020

Unit: Yuan Currency: RMB

Item	2020														
	Equity attributable to owners of the parent company												Minority equity	Total equity attributable to owners	
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Others			Sub-total
Preference shares		Perpetual bonds	Others												
I. Balance at the end of last year	201,269,560.00				835,353,615.48	15,769,051.20	-212,628.22		100,634,780.00		908,411,607.62		2,029,687,883.68	40,370,159.89	2,070,058,043.57
Add: Changes in accounting policies															
Correction for previous errors															
Enterprise															

2020 ANNUAL REPORT

merger under the same control														
Others														
II. Balance at the beginning of the year	201,269,560.00			835,353,615.48	15,769,051.20	-212,628.22		100,634,780.00		908,411,607.62		2,029,687,883.68	40,370,159.89	2,070,058,043.57
III. Increase and decrease for the period (“-” for decrease)	-152,635.00			1,681,221.21	-3,115,145.95	-56,437.91				357,260,258.01		361,847,552.26	49,956,670.30	411,804,222.56
(I) Total comprehensive income						-56,437.91				476,009,298.41		475,952,860.50	-24,399,744.18	451,553,116.32
(II) Owners' contribution and capital	-152,635.00			1,761,845.32	-3,115,145.95							4,724,356.27	2,266,300.00	6,990,656.27

2020 ANNUAL REPORT

reduction																
1. Ordinarily shares contributed by the owners	-152,635.00				-2,431,475.55	-3,115,145.95								531,035.40	2,266,300.00	2,797,335.40
2. Capital contributions by other equity instrument holders																
3. Amount of share-based payments credited to owners' equity					4,193,320.87									4,193,320.87		4,193,320.87
4. Others																
(III) Profit distrib														-118,749,040.40	-118,749,040.40	-118,749,040.40

ution															
1. Withdra wal of surplus reserve															
2. Withdra wal of general risk provisi on															
3. Distrib ution to owners (or shareho lders)										-118, 749, 040. 40		-118, 749, 040. 40			-118, 749, 040. 40
4. Others															
(IV) Interna l carry-f orward of owners ' equity															
1. Transfe r 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 plan carried forward to retained earnings															
5.															

2020 ANNUAL REPORT

Carry-forward of other comprehensive income to retained earnings															
6. Others															
(V) Special reserve															
1. Withdrawal for the current period															
2. Utilization for the current period															
(VI) Others					-80,624.11							-80,624.11	72,090,114.48	72,009,490.37	
IV. Balance at the end of the period	201,116,925.00				837,034,836.69	12,653,905.25	-269,066.13		100,634,780.00		1,265,671,865.63		2,391,535,435.94	90,326,830.19	2,481,862,266.13



2020 ANNUAL REPORT

Item	2019														
	Equity attributable to owners of the parent company												Minority equity	Total equity attributable to owners	
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Others			Sub-total
Preference shares		Perpetual bonds	Others												
I. Balance at the end of last year	201,362,300.00				814,814,724.28	24,453,285.00	-330,580.47		68,469,076.91		634,448,228.13		1,694,310,463.85	4,000,273.68	1,698,310,737.53
Add: Changes in accounting policies															
Correction for previous errors															
Enterprise merger under the same control															
Others															
II.	201,362,300.00				814,814,724.28	24,453,285.00	-330,580.47		68,469,076.91		634,448,228.13		1,694,310,463.85	4,000,273.68	1,698,310,737.53

2020 ANNUAL REPORT

Balance at the beginning of the year	300.00				724.28	85.00	.47		76.91		28.13		463.85	3.68	737.53
III. Increase and decrease for the period ( "-" for decrease )	-92,740.00				20,538,891.20	-8,684,233.80	117,952.25		32,165,703.09		273,963,379.49		335,377,419.83	36,369,886.21	371,747,306.04
(I) Total comprehensive income							117,952.25				392,681,976.58		392,799,928.83	-26,313,777.11	366,486,151.72
(II) Owner's contribution and capital reduction	-92,740.00				15,299,196.19	-8,684,233.80							23,890,689.99	21,085,273.44	44,975,963.43
1. Ordinary shares contributed by the owners	-92,740.00				-1,564,959.80	-8,684,233.80							7,026,534.00	21,085,273.44	28,111,807.44
2. Capital contribu															

2020 ANNUAL REPORT

tions by other equity instrument holders															
3. Amount of share-based payments credited to owners' equity					16,864,155.99									16,864,155.99	16,864,155.99
4. Others															
(III) Profit distribution								32,165,703.09		-118,718,597.09			-86,552,894.00		-86,552,894.00
1. Withdrawal of surplus reserve								32,165,703.09		-32,165,703.09					
2. Withdrawal of general risk provision															
3. Distribution to										-86,552,894.00			-86,552,894.00		-86,552,894.00

owners (or sharehol ders)															
4. Others															
(IV) Internal carry-fo rward 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 plan carried forward to retained earnings															
5. Carry-fo rward of other comprehe nsive income to retained earnings															
6. Others															
(V) Special reserve															
1. Withdraw al for the current period															
2. Utilizat ion for the current															

2020 ANNUAL REPORT

period															
(VI) Others					5,239,695.01								5,239,695.01	41,598,389.88	46,838,084.89
IV. Balance at the end of the period	201,269,560.00				835,353,615.48	15,769,051.20	-212,628.22		100,634,780.00		908,411,607.62		2,029,687,883.68	40,370,159.89	2,070,058,043.57

Legal Representative: Hou Juncheng

CFO of the Company: Wang Li

Head of the public accountant: Wang Li

Statements of Changes in Owners' Equity of Parent Company

January - December 2020

Unit: Yuan Currency: RMB

Item	2020										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
I. Balance at the end of last year	201,269,560.00				834,592,133.74	15,769,051.20			100,634,780.00	778,293,340.18	1,899,020,762.72
Add: Changes in accounting policies											
Correction for previous errors											
Others											
II. Balance at the beginning of the year	201,269,560.00				834,592,133.74	15,769,051.20			100,634,780.00	778,293,340.18	1,899,020,762.72
III. Increase and decrease for the period ("-" for decrease)	-152,635.00				2,483,291.58	-3,115,145.95				356,696,503.11	362,142,305.64
(I) Total comprehensive income										475,445,543.51	475,445,543.51
(II) Owner's	-152,635.00				-2,431,47.58	-3,115,145.95					531,035.4

2020 ANNUAL REPORT

contribution and capital reduction	00				5.55	5.95					0
1. Ordinary shares contributed by the owners	-152,635.00				-2,431,475.55	-3,115,145.95					531,035.40
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity											
4. Others											
(III) Profit distribution										-118,749,040.40	-118,749,040.40
1. Withdrawal of surplus reserve											
2. Distribution to owners (or shareholders)										-118,749,040.40	-118,749,040.40
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover loss											
4. Changes in defined benefit plan carried forward to retained earnings											
5. Carry-forward of other comprehensive income to retained earnings											
6. Others											

2020 ANNUAL REPORT

(V) Special reserve											
1. Withdrawal for the current period											
2. Utilization for the current period											
(VI) Others					4,914,767 .13						4,914,767 .13
IV. Balance at the end of the period	201,116,9 25.00				837,075,4 25.32	12,653,90 5.25			100,634, 780.00	1,134,98 9,843.29	2,261,163 ,068.36

Item	2019										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
I. Balance at the end of last year	201,362,3 00.00				814,053,2 42.54	24,453,28 5.00			68,469,0 76.91	554,221, 692.12	1,613,653 ,026.57
Add: Changes in accounting policies											
Correction for previous errors											
Others											
II. Balance at the beginning of the year	201,362,3 00.00				814,053,2 42.54	24,453,28 5.00			68,469,0 76.91	554,221, 692.12	1,613,653 ,026.57
III. Increase and decrease for the period (“-” for decrease)	-92,740.0 0				20,538,89 1.20	-8,684,23 3.80			32,165,7 03.09	224,071, 648.06	285,367,7 36.15
(I) Total comprehensive income										342,790, 245.15	342,790,2 45.15
(II) Owner's contribution and capital reduction	-92,740.0 0				15,299,19 6.19	-8,684,23 3.80					23,890,68 9.99
1. Ordinary shares contributed by the owners	-92,740.0 0				-1,564,95 9.80	-8,684,23 3.80					7,026,534 .00



2020 ANNUAL REPORT

2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					16,864,155.99						16,864,155.99
4. Others											
(III) Profit distribution									32,165,703.09	-118,718,597.09	-86,552,894.00
1. Withdrawal of surplus reserve									32,165,703.09	-32,165,703.09	
2. Distribution to owners (or shareholders)										-86,552,894.00	-86,552,894.00
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 plan carried forward to retained earnings											
5. Carry-forward of other comprehensive income to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the current period											

2020 ANNUAL REPORT

2. Utilization for the current period											
(VI) Others					5,239,695.01						5,239,695.01
IV. Balance at the end of the period	201,269,560.00				834,592,133.74	15,769,051.20			100,634,780.00	778,293,340.18	1,899,020,762.72

Legal Representative: Hou Juncheng

CFO of the Company: Wang Li

Head of the public accountant: Wang Li

### III General Information about the Company

#### 1. Company profile

√ Applicable  Not applicable

Proya Cosmetics Co., Ltd. (hereinafter referred to as “Company” or “the Company”), formerly known as Proya (Huzhou) Cosmetics Co., Ltd., was registered in Wuxing Branch of Huzhou Municipal Administration for Industry and Commerce on 24 May 2006. The Company is headquartered in Hangzhou, Zhejiang Province. At present, the Company holds a business license with the unified social credit code of 91330100789665033F. The current registered capital is RMB 201,116,900, and the number of shares totals 201,116,925 (with a par value of RMB 1 per share). Among them, the number of restricted circulating shares is 747,425 (A-share), and the number of non-restricted circulating shares is 200,369,500 (A-share). The Company was listed on Shanghai Stock Exchange on 15 November 2017.

The Company is an enterprise of the beauty and personal care industry, mainly engaged in the research and development, production and sales of cosmetics products. The main product is: cosmetics.

The financial statements were approved for external disclosure by the 19<sup>th</sup> meeting of the second session of the Board of Directors on 21 April 2021.

#### 2. Scope of consolidated financial statements

√ Applicable  Not applicable

The Company has incorporated 49 subsidiaries, including Hangzhou Proya Trade Co., Ltd., Anya (Huzhou) Cosmetics Co., Ltd., Zhejiang Meiligu Electronic Commerce Co., Ltd., Huzhou Chuangdai E-commerce Co., Ltd., Yueqing Laiya Trading Co., Ltd. and Hapsode (Hangzhou) Cosmetics Co., Ltd., into the consolidated financial statements of the Reporting Period. See “VIII. Change in Consolidation Scope” and “IX. Equity in Other Entities” in “Section XI Financial Report” of this report for details.

### IV Preparation basis of financial statements

#### 1. Preparation basis

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

#### 2. Going concern

√ Applicable  Not applicable

There are no matters or situations that may cause a major doubt in respect of the going-concern ability of the Company within 12 months since the end of the Reporting Period.

**V Significant accounting policies and accounting estimates**

Notes to specific accounting policies and accounting estimates:

√ Applicable  Not applicable

Refer to “44. Changes in significant accounting policies and accounting estimates” in “V. Significant accounting policies and accounting estimates” of “Section XI Financial Report” .

**1. Statement of compliance of accounting standards for business enterprises**

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

**2. Accounting period**

The accounting period of the Company is from 1 January to 31 December 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. Reporting currency**

The reporting currency of the Company is RMB.

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

√ Applicable  Not applicable

**1. Accounting treatments for enterprise merger under common control**

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

**2. Accounting treatments for enterprise merger not under common control**

Where the cost of merger is higher than the fair value proportion of the net identifiable assets acquired from the acquiree in the merger on the acquisition date, the Company recognizes such difference as goodwill. Where the combination cost is less than the fair value of the net identifiable assets acquired from the acquiree in the merger,

the measurement of the obtained fair values of the acquiree's identifiable assets, liabilities or contingent liabilities, as well as the combination cost shall be checked firstly; if the combination cost is still less than the fair value proportion of the net identifiable assets acquired from the acquiree in the merger after the recheck, the difference will be included in the current profit or loss.

#### **6. Preparation of consolidated financial statements**

√ Applicable  Not applicable

The parent company incorporates all its 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*.

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

√ Applicable  Not applicable

1. Jointly venture arrangement can be divided into joint operation and joint venture.  
2. When the Company is a joint venture party of joint operation, the following items that are related to the quantum of interest in joint operation are recognized:

(1) Assets held alone, and recognize the jointly owned assets according to the holding shares;

(2) Liabilities undertaken alone, and jointly undertaken liabilities according to the holding shares;

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

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

(5) Cost incurred alone; and cost incurred from joint operation according to the Company's share;

#### **8. Determination of cash and cash equivalents**

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

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

√ Applicable  Not applicable

**1. Translation of foreign currency transactions**

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

**2. Translation of foreign-currency financial statements**

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

**10. Financial instruments**

√ Applicable  Not applicable

**1. Classification of financial assets and financial liabilities**

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

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

described (1) above; (4) financial liabilities measured at amortized cost.

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

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

One financial assets or financial liabilities are recognized when the Company becomes one party of financial instrument contract. The financial assets and financial liabilities are measured at the fair value during initial recognition. For financial assets and financial liabilities measured at fair value through current profit or loss, relevant transaction expenses are directly included into the current profit or loss; for other kinds of financial assets or financial liabilities, relevant transaction expenses are included into the amount of initial recognition. However, where the accounts receivable initially recognized by the company do not include significant financing components or the subsidiary does not take into account the financing components in the contract for no more 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 method for financial assets

1) Financial assets measured at amortized cost

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

2) Debt instrument investment at fair value through other comprehensive income

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

3) Equity instrument investment at fair value through other comprehensive income

The method of subsequent measurement with the fair value is adopted. The dividends obtained (except for the part of investment cost recovery) shall be included in the current

profit or loss, and other gains or losses are included in other comprehensive income. When the recognition is terminated, the accumulated gains or losses previously included in other comprehensive income is transferred from other comprehensive income and included in retained earnings.

4) Financial assets measured at fair value through current profit or loss

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

(3) Subsequent measurement method for financial liabilities

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

Such financial liabilities include the trading financial liabilities (including derivative instruments belonging to financial liabilities) and those designated as financial liabilities measured at fair value through current profit or loss. As for such financial liabilities, the method of subsequent measurement with the fair value is adopted. The fair value changes of financial liabilities measured at fair value through current profit or loss arising from the credit risk change of the Company are included into other comprehensive income, unless the wrong accounting distribution in the profit or loss will be caused or expanded by this. Other gains or losses (including interest, except the fair value changes arising from the credit risk change of the Company) shall be included in the current profit or loss, unless the financial liabilities belong to part of the hedging relationship. When the recognition is terminated, the accumulated gains or losses previously included in other comprehensive income is 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) Loan commitments given at a rate lower than market interest rate, not belonging to the financial guarantee contracts mentioned in 1) or 2) above and not in the case described in 1) above.

The subsequent measurement is made by the higher of the following two amounts after initial recognition: ① loss provisions determined according to regulations on impairment of financial instruments; ② balance of the initially recognized amount after deducting cumulative amortization recognized in accordance with the regulations set out in the



*Accounting Standards for Business Enterprises No. 14 - Revenue.*

## 4) Financial liabilities measured at amortized cost

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

## (4) Derecognition of financial assets and financial liabilities

## 1) Financial assets in conformity to one of the following conditions are derecognized:

① The contract right to collect cash flow for the financial asset has terminated;

② The financial assets have been transferred in accordance with the provisions for derecognition of financial assets in the *Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets*.

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

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

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

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the two amounts below shall be included in the current profit or loss: (1) Carrying value of the transferred financial assets at the date of derecognition; (2) The sum of consideration received for the transfer of financial assets, plus the corresponding derecognized portion of accumulated change in fair value

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

#### 4. Method of determining the fair values 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 used by the estimation technique into the following levels and uses them in turn:

(1) The input value 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 value of the second level is the directly or indirectly observable input value of related assets or liabilities except the input value 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 input values other than quotation, such as the interest rate and yield curves that can be observed during the normal quotation intervals; and the input values for market validation;

(3) The third level input value is the unobservable input value of the related assets or liabilities, including interest rate that cannot be observed directly or cannot be verified according to observable market data, stock volatility, future cash flows of retirement obligations borne during the business merger, and financial forecasts based on its own data.

#### 5. Impairment of financial instruments

##### (1) Impairment measurement and accounting treatment of financial instruments

Based on the expected credit loss, the Company carries out accounting treatment for impairment and recognizes the loss provision for the financial assets measured at

amortized cost, the debt instrument investment measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitment other than financial liabilities measured at fair value through current profit or loss, and the financial guarantee contracts of financial liabilities not measured at fair value through 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 on the weight of default risk. Credit loss refers to the balance between all contractual cash flows discounted according to the original effective interest rate and receivable under the contract by the Company and all cash flows as expected, i.e. the present value of all cash shortages. The purchased or underlying financial assets of the Company with credit impairment incurred shall be discounted according to their effective interest rate upon credit adjustment.

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

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

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

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

since the initial recognition, the Company will measure the loss provision based on the amount of expected credit loss for the financial instruments in the next 12 months.

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

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

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

The Company re-measures the expected credit loss on each balance sheet date, and the increased or reversed amount of the loss provision arising therefrom, as losses or gains from impairment, shall be included in 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 through other comprehensive income, the Company recognizes its loss provision in other comprehensive income without deducting the carrying value of the financial assets.

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

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

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

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

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

## 2) Accounts receivable - Comparison between account age of account age portfolio and expected credit loss rate in the whole duration

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

## 6. Offset of financial assets and 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 executable; (2) the Company plans to settle by net amount

or simultaneously realize the financial assets and clear off the financial liabilities.

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

#### 11. Notes receivable

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

Applicable  Not applicable

#### 12. Accounts receivable

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

Applicable  Not applicable

See IV “10. Financial instruments” in “Section XI Financial Report” of this report for details

#### 13. Receivables financing

Applicable  Not applicable

See IV “10. Financial instruments” in “Section XI Financial Report” of this report for details

#### 14. Other receivables

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

Applicable  Not applicable

See IV “10. Financial instruments” in “Section XI Financial Report” of this report for details.

#### 15. Inventories

Applicable  Not applicable

##### 1. Classification of inventories

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

##### 2. Valuation method for delivered inventories

Moving weighted average method is adopted for delivered inventories.

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

On the balance sheet date, the inventories shall be measured on the basis of the lower one between the cost and net realizable value, and the inventory falling price reserve shall be withdrawn in accordance with the difference between the single inventory cost and the net realizable value. The net realizable value of inventories directly for sale

is determined by the amount of the estimated selling price after subtracting the estimated selling expenses and relevant taxes during the normal production and operation; the net realizable value of inventories required to be processed is determined by the amount of the estimated selling price of the finished products after subtracting the estimated cost by the end of processing, the estimated selling expenses and relevant taxes during the normal production and operation. On the balance sheet date, the net realizable value is determined separately for the two parts of the same inventory with or without contract price, and is compared with the relevant costs to separately determine the amount withdrawn or reversed for inventory falling price reserve.

#### 4. Inventory system

The inventory system is the perpetual inventory system.

#### 5. Amortization of low-value consumables and packaging materials

##### (1) Low-value consumables

Amortization is performed by the one-off write-off method.

##### (2) Packaging materials

Amortization is performed by the one-off write-off method.

### 16. Contract assets

#### (1). Recognition methods and standards of contract assets

Applicable  Not applicable

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

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

Applicable  Not applicable

### 17. Held-for-sale assets

Applicable  Not applicable

### 18. Debt investment

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

**21. Long-term equity investment**

Applicable  Not applicable

**1. Joint control or significant influence criterion**

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

**2. Determination of investment cost**

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

The Company judges whether the item is a "package deal" via long-term equity investment formed by enterprise merger under common control through multiple transactions. For "package deal", multiple deals are subject to accounting treatment as one deal that has acquired control right. For items that do not belong to the "package deal", the initial investment cost is determined on the basis of the share with reference to the carrying value of the net asset of the acquiree in the consolidated financial statements of the ultimate controlling party on the date of merger. The difference between initial investment cost of long-term equity investment at the date



of merger and the carrying amount of long-term equity investment before merger and the sum of carrying value of newly paid consideration for additional shares acquired on the date of merger is to adjust capital reserve. If the balance of capital reserve is insufficient to offset the difference, the retained earnings are adjusted.

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

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

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

2) In the consolidated financial statements, the item is determined whether it is a “package deal”. For “package deal”, multiple deals are subject to accounting treatment as one deal that has acquired control right. 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 merger: If it is obtained through paying cash, the initial investment cost shall be the actual payment; if it is obtained through issuing equity securities, the initial investment cost is the fair value of the equity securities; if it is obtained through debt restructuring, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring*; if it is obtained through the exchange of non-monetary assets, the initial investment cost is determined based on the *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets*.

### 3. Subsequent measurement and recognition of profit or loss

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

equity method is adopted for accounting.

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

(1) Individual financial statements

For disposal of equity, the difference between the carrying value and the consideration actually received is included in the current profit or loss. The accounting of residual equity is completed by equity method in case of significant influence on the investee or implementation of joint control with other parties; but in case of no control, joint control or significant influence on the investee, the accounting of residual 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

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

Before losing the control, for the difference between the price of disposal and the subsidiary’s net assets entitled from the disposal of long-term equity investment cumulatively calculated from the acquisition date or the date of merger, the capital reserve (capital premium) is adjusted. 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 remeasured at fair value as at the date on which the control is lost. The difference between the sum of the consideration received from equity disposal and the fair value of the remaining equity and the net assets of the original subsidiary proportionate to the original shareholding accumulated from the date of acquisition or merger is included in investment gains of the period during which the control is lost, and meanwhile, the goodwill is offset. Other comprehensive income related to the equity investment in the original subsidiary is transferred to investment gains of the period during which the control is lost.

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

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

loss of the period during which the control is lost upon loss of control.

## 22. Investment real estate

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

Depreciation or amortization method

1. The investment real estate includes leased land use right, land use right held for transfer upon appreciation, and rental building.

2. Cost method is employed for initial measurement of investment real estate, and cost model for subsequent measurement; depreciation or amortization shall be withdrawn using the same method as that for fixed assets and intangible assets.

## 23. Fixed assets

### (1). Conditions for recognition

Applicable  Not applicable

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

### (2). Method for depreciation

Applicable  Not applicable

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

### (3). Recognition basis, valuation and depreciation method of fixed assets under finance lease

Applicable  Not applicable

## 24. Construction in progress

Applicable  Not applicable

1. The construction in progress is recognized when following conditions are satisfied at the same time: the economic benefits are likely to inflow to the Company; the costs

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

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

## **25. Borrowing costs**

√ Applicable  Not applicable

### 1. Criteria for recognition of capitalized borrowing costs

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

### 2. Capitalization period of borrowing costs

(1) Capitalization of borrowing costs begins when the following three conditions are fully satisfied: 1) expenditures for the assets have been incurred; 2) borrowing costs have been incurred; 3) acquisition and construction or production that are necessary to enable the assets reach the intended usable or saleable conditions have commenced.

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

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

### 3. Capitalization rate and amount of borrowing costs

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

depreciation or amortization of premium under effective interest method) actually incurred in the current period of specific borrowing; for general borrowing occupied for the acquisition and construction or production of assets meeting the capitalization conditions, the interest amount to be capitalized shall be determined by the result obtained by multiplying the capitalization rate of occupied general borrowing with the weighted average value of the asset expenditure for the accumulated expenditure exceeding the specific borrowing portion.

**26. Biological assets**

Applicable  Not applicable

**27. Oil and gas assets**

Applicable  Not applicable

**28. Right-of-use assets**

Applicable  Not applicable

**29. Intangible assets**

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

Applicable  Not applicable

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

2. Amortization for the intangible assets with limited useful life is reasonably performed in the expected realization pattern according to economic benefits related to the intangible assets within its useful life; if the expected realization pattern cannot be reliably determined, the straight-line method shall be adopted for amortization. The specific year information are shown as below:

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

**(2). Accounting policy regarding the expenditure on the internal research and development**

✓ Applicable  Not applicable

Expenses incurred during the research phase of the internal research and development projects are included in the current profit or loss. Expenses in the development phase 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 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.

**30. Impairment of long-term assets**

✓ Applicable  Not applicable

For such long-term assets as long-term equity investment, investment real estate measured by the cost model, fixed assets, construction in progress and intangible assets with limited useful life, in 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 enterprise merger and intangible assets with indefinite useful life is tested for impairment each year. The impairment test on goodwill is carried out in combination with its related asset group or asset group portfolio.

In 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 into current profit or loss.

**31. Long-term prepaid expenses**

✓ Applicable  Not applicable

The long-term prepaid expenses involve all expenses already paid with amortization period of more than 1 year (excluding 1 year). Long-term prepaid expenses are entered in an account at the actual amounts, and are amortized by even amortization within the benefit period or prescribed amortization period. If the long-term deferred expenses

cannot provide benefit to the future accounting period, then all of the amortized value of the unamortized long-term deferred expenses are transferred into the current profit or loss.

### **32. Contract liabilities**

#### **(1). Recognition method of contract liabilities**

√ Applicable  Not applicable

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

### **33. Employee remuneration**

#### **(1). Accounting treatment for short-term remuneration**

√ Applicable  Not applicable

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

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

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

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

the defined benefit plan. When the defined benefit plan has surplus, the net assets of the defined benefit plan are measured at the lower of the surplus of defined benefit plan and the upper limit of the assets;

3) At the end of the period, the employee 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 methods of termination benefits**

√ Applicable  Not applicable

If termination benefits are provided to employees, the employee remuneration liabilities arising from the termination benefits are recognized on the earlier date of the following and included in the current profit or loss: (1) when the Company cannot unilaterally withdraw the termination benefits provided due to termination of 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 benefit plan. In order to simplify related accounting treatment, the generated employee remuneration costs are recognized as the service cost. The total net amount of item composed of the net interest of net liabilities or net assets of other long-term employee benefits and the changes generated from re-measuring net liabilities or net assets of other long-term employee benefits is included in the current profit or loss or the costs of the related assets.



**34. Lease liabilities**

Applicable  Not applicable

**35. Estimated liabilities**

Applicable  Not applicable

1. The obligations imposed by contingencies, such as providing external guarantee, lawsuits, product quality assurance and onerous contract, 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.

**36. Share-based payments**

Applicable  Not applicable

1. Types of share-based payments

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

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

(1) Equity-settled share-based payments

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

The equity-settled share-based payments exchanged for services of other parties are measured as per the fair value of the services of other parties on the date of acquiring if its reliable measurement is possible, and as per the fair value of the equity instruments on the date of acquiring the services if the reliable measurement of the fair value of the services of other parties is impossible, but that of the equity instruments

is possible, they are included in relevant costs or expenses, and the owner's equity is increased accordingly.

(2) Cash-settled share-based payments

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

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

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

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

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

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

Applicable  Not applicable

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

Applicable  Not applicable

**1. Revenue recognition principle**

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

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

For the obligations performed within a period, the Company shall recognize the revenue according to the performance progress in that period. If the performance progress cannot be determined in a reasonable way, but the incurred costs are expected to be reimbursed, the revenue shall be recognized according to the incurred amount of costs until the performance progress can be determined in a reasonable way. For the obligations performed at a time point, the revenue shall be recognized at the time of the customer's acquiring the control of related commodities or services. The Company shall take into account the following when judging whether the customer has acquired 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 acquired the same; (3) the Company has transferred the physical commodity to the customer, namely the customer has physical possession of the commodity; (4) the Company has passed the main risks and return on the commodity's title to the customer, namely the customer has acquired the same; (5) the customer has accepted the commodity; and (6) there are other signs indicating that the customer has acquired the commodity control.

## 2. Revenue measurement principle

(1) The Company shall measure the revenue according to the transaction price apportioned to the individual performance obligations. The transaction price refers to the 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 incur, while the transaction price including the variable consideration shall not exceed the amount under the circumstance where the accumulatively recognized revenue will not be highly likely 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). Difference in accounting policy for revenue recognition resulting from different business models for similar businesses**

√ Applicable  Not applicable

The Company 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.

**39. Contract cost**

√ Applicable  Not applicable

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

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

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 include the same in the current profit or loss.

If the carrying value of the assets related to the contract cost is more than the surplus consideration expected to be acquired for transferring the commodities or services in connection with the assets minus the cost expected to incur, the Company 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 the current profit or loss, provided that the reversed carrying value of the assets is no more than that on the reversal date without making the provision for impairment.

#### **40. Government grant**

✓ 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 method 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 and 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 the current profit or loss. If related assets are sold, transferred, scrapped or damaged before the end of their useful life, related deferred income balance unallocated shall be transferred into the profit and loss in the current period of assets disposal.

3. Basis of determination and accounting treatment method 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 the current profit or loss or offset relevant costs in the period in which relevant costs or losses are recognized; those used for compensation for relevant costs or losses that have incurred shall be directly included in the current profit or loss or offset relevant costs.

4. The government grants related to daily business activities of the Company shall be included in other incomes 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.

#### **41. Deferred income tax assets/liabilities**

√ Applicable  Not applicable

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

2. Deferred income tax assets are recognized to the extent that it is very likely to obtain the taxable income to deduct the deductible temporary differences. If on the balance sheet date, there are conclusive evidences 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 the

current profit or loss as the income tax expense or income, except for the income tax arising from the following circumstances: (1) Business merger; (2) transaction or matters recognized directly in the owner' s equity.

#### 42. Lease

##### (1). Accounting treatment method of operating lease

Applicable  Not applicable

If the Company is the lessee, the rent is included in relevant asset cost or recognized as the current profit or loss according to the straight-line method during each period of the lease term, and the initial direct expenses incurred are directly included in the current profit or loss. The contingent rent is included in the current profit or loss at the time of actually incurring.

If the Company is the lessor, the rent is recognized as the current profit or loss according to the straight-line method during each period of the lease term, and the initial direct expenses incurred are directly included in the current profit or loss, except for the large amount which is capitalized and included in the profit and loss in stages. The contingent rent is included in the current profit or loss at the time of actually incurring.

##### (2). Accounting treatment method of financing lease

Applicable  Not applicable

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

Applicable  Not applicable

#### 43. Other significant accounting policies and accounting estimates

Applicable  Not applicable

#### 44. Changes in significant accounting policies and accounting estimates

##### (1). Changes in significant accounting policies

Applicable  Not applicable

Contents and reasons of changes in accounting policies	Review and approval procedure	Remarks (name and amount of report items affected materially)
The Company has implemented the revised <i>Accounting Standards for Business Enterprises No. 14 – Revenue</i> of the Ministry of Finance (hereinafter referred to as	For <i>Resolutions at the 12<sup>th</sup> meeting of the Second Session of the Board of Directors in 2020</i> , refer to Company Notice No. : 2020-012	In accordance with the link-up rules for relevant new and old standards, the information in the comparable periods shall not be adjusted, and the



“new revenue standards” ) since 1 January 2020.		cumulative effects of implementing the new standards on the first implementation date shall be used for retroactive adjustment of the retained earnings at the beginning of the Reporting Period as well as the amount of other related items in the financial statements. See “other particulars” below for details.

## Other particulars

1. The major impact of the implementation of new revenue standards on the Company’s financial statements on 1 January 2020 is as follows:

Item	Balance sheet		
	31 December 2019	Impact from adjustment of new revenue standards	1 January 2020
Other current assets	11,723,268.59	7,122,566.88	18,845,835.47
Accounts received in advance	40,913,490.55	-40,913,490.55	
Contract liabilities		50,216,613.89	50,216,613.89
Other current liabilities		1,948,803.22	1,948,803.22
Estimated liabilities	10,102,532.74	7,122,566.88	17,225,099.62
Deferred income	19,743,036.56	-11,251,926.56	8,491,110.00

2. The Company has implemented the *Interpretation No. 13 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance in 2019 since 1 January 2020, and prospective application was adopted for this accounting policy change.

**(2). Changes in significant accounting estimates**

Applicable  Not applicable

**(3). Particulars on adjustment to the financial statements at the beginning of the year for the first implementation of new standards for revenues and new standards for lease from 2020**

√ Applicable □ Not applicable

Combined Balance Sheet

Unit: Yuan Currency: RMB

Item	31 December 2019	1 January 2020	Adjusted amount
<b>Current assets:</b>			
Cash and equivalents	1,246,901,218.99	1,246,901,218.99	
Transaction settlement funds			
Lending funds			
Held-for-trading financial assets	71,450,000.00	71,450,000.00	
Derivative financial assets			
Bills receivable			
Accounts receivable	198,409,249.19	198,409,249.19	
Receivables financing	2,150,000.00	2,150,000.00	
Prepayment	53,313,963.76	53,313,963.76	
Premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	15,269,949.97	15,269,949.97	
Where: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	313,649,003.07	313,649,003.07	
Contract assets			
Held for sale assets			
Non-current assets due within one year			
Other current assets	11,723,268.59	18,845,835.47	7,122,566.88
Total current assets	1,912,866,653.57	1,919,989,220.45	7,122,566.88
<b>Non-current assets:</b>			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	14,728,003.68	14,728,003.68	
Investments in other equity instruments			
Other non-current financial assets			
Investment real estate	71,622,083.18	71,622,083.18	

## 2020 ANNUAL REPORT

Fixed assets	550,329,145.07	550,329,145.07	
Construction in progress	31,894,658.49	31,894,658.49	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	328,564,563.33	328,564,563.33	
Development expenses			
Goodwill			
Long-term prepaid expenses	26,378,564.50	26,378,564.50	
Deferred income tax assets	27,975,258.51	27,975,258.51	
Other non-current assets	15,006,146.49	15,006,146.49	
Total non-current assets	1,066,498,423.25	1,066,498,423.25	
Total assets	2,979,365,076.82	2,986,487,643.7	7,122,566.88
<b>Current liabilities:</b>			
Short-term borrowings	129,047,396.51	129,047,396.51	
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable	41,830,948.53	41,830,948.53	
Accounts payable	347,316,843.39	347,316,843.39	
Accounts received in advance	40,913,490.55		-40,913,490.55
Contract liabilities		50,216,613.89	50,216,613.89
Financial assets sold under repurchase agreements			
Deposits from customers and other banks			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	66,684,151.98	66,684,151.98	
Taxes payable	71,833,700.61	71,833,700.61	
Other payables	91,444,673.31	91,444,673.31	
Where: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsured accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	85,258,247.69	85,258,247.69	
Other current liabilities		1,948,803.22	1,948,803.22

## 2020 ANNUAL REPORT

Total current liabilities	874,329,452.57	885,581,379.13	11,251,926.56
<b>Non-current liabilities:</b>			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Where: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities	10,102,532.74	17,225,099.62	7,122,566.88
Deferred income	19,743,036.56	8,491,110.00	-11,251,926.56
Deferred income tax liabilities	5,132,011.38	5,132,011.38	
Other non-current liabilities			
Total non-current liabilities	34,977,580.68	30,848,221.00	-4,129,359.68
Total liabilities	909,307,033.25	916,429,600.13	7,122,566.88
<b>Owner's equity (or shareholders' equity):</b>			
Share capital	201,269,560.00	201,269,560.00	
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserve	835,353,615.48	835,353,615.48	
Less: Treasury shares	15,769,051.20	15,769,051.20	
Other comprehensive income	-212,628.22	-212,628.22	
Special reserve			
Surplus reserve	100,634,780.00	100,634,780.00	
General risk provision			
Undistributed profit	908,411,607.62	908,411,607.62	
Total equity attributable to the owners of the parent company	2,029,687,883.68	2,029,687,883.68	
Minority equity	40,370,159.89	40,370,159.89	
Total owners' equity (or shareholders' equity)	2,070,058,043.57	2,070,058,043.57	
Total liabilities and owner's equity (or shareholders' equity)	2,979,365,076.82	2,986,487,643.70	7,122,566.88

Description on adjustment to relevant items:

Applicable  Not applicable

Balance Sheet of Parent Company

Unit: Yuan Currency: RMB

Item	31 December 2019	1 January 2020	Adjusted amount
------	------------------	----------------	-----------------

<b>Current assets:</b>			
Cash and equivalents	403,072,398.35	403,072,398.35	
Held-for-trading financial assets	70,000,000.00	70,000,000.00	
Derivative financial assets			
Bills receivable			
Accounts receivable	614,081,454.90	614,081,454.90	
Receivables financing			
Prepayment	13,257,712.52	13,257,712.52	
Other receivables	31,800,093.90	31,800,093.90	
Where: Interest receivable			
Dividend receivable			
Inventories	157,614,679.78	157,614,679.78	
Contract assets			
Held for sale assets			
Non-current assets due within one year			
Other current assets			
Total current assets	1,289,826,339.45	1,289,826,339.45	
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	159,882,467.38	159,882,467.38	
Investments in other equity instruments			
Other non-current financial assets			
Investment real estate	336,462,349.68	336,462,349.68	
Fixed assets	283,156,520.47	283,156,520.47	
Construction in progress	31,877,256.59	31,877,256.59	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	318,477,880.56	318,477,880.56	
Development expenses			
Goodwill			
Long-term prepaid expenses	1,177,831.47	1,177,831.47	
Deferred income tax assets	18,414,499.56	18,414,499.56	
Other non-current assets	15,006,146.49	15,006,146.49	
Total non-current assets	1,164,454,952.20	1,164,454,952.20	
Total assets	2,454,281,291.65	2,454,281,291.65	
<b>Current liabilities:</b>			
Short-term borrowings			
Held-for-trading financial liabilities			

Derivative financial liabilities			
Bills payable	41,830,948.53	41,830,948.53	
Accounts payable	300,820,130.33	300,820,130.33	
Accounts received in advance	13,628,235.50		-13,628,235.50
Contract liabilities		12,060,385.40	12,060,385.40
Employee benefits payable	23,436,531.67	23,436,531.67	
Taxes payable	49,102,562.13	49,102,562.13	
Other payables	27,706,157.37	27,706,157.37	
Where: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	85,258,247.69	85,258,247.69	
Other current liabilities		1,567,850.10	1,567,850.10
Total current liabilities	541,782,813.22	541,782,813.22	
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Where: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	8,491,110.00	8,491,110.00	
Deferred income tax liabilities	4,986,605.71	4,986,605.71	
Other non-current liabilities			
Total non-current liabilities	13,477,715.71	13,477,715.71	
Total liabilities	555,260,528.93	555,260,528.93	
<b>Owner's equity (or shareholders' equity):</b>			
Share capital	201,269,560.00	201,269,560.00	
Other equity instruments			
Where: Preference shares			
Perpetual bonds			
Capital reserve	834,592,133.74	834,592,133.74	
Less: Treasury shares	15,769,051.20	15,769,051.20	
Other comprehensive income			
Special reserve			
Surplus reserve	100,634,780.00	100,634,780.00	
Undistributed profit	778,293,340.18	778,293,340.18	
Total owners' equity (or shareholders' equity)	1,899,020,762.72	1,899,020,762.72	

Total liabilities and owner's equity (or shareholders' equity)	2,454,281,291.65	2,454,281,291.65	
--	------------------	------------------	--

Description on adjustment to relevant items:

Applicable  Not applicable

**(4). Description on retrospective adjustment to previous comparative data for the first implementation of new standards for revenues and new standards for lease from 2020**

Applicable  Not applicable

**45. 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%
Consumption tax	Taxable sales (volume)	15%
Business tax		
Urban maintenance and construction tax	Actual turnover tax paid	7%, 5%
Enterprise income tax	Taxable income	[Note]
Property tax	In 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%
Education surcharge	Actual turnover tax paid	3%
Local education surcharge	Actual turnover tax paid	2%

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

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

√ Applicable □ Not applicable

Name of taxpayer	Income tax rate (%)
The Company	15%
Huzhou Niuke Technology Co., Ltd.	20%
Korea Younimi Cosmetics Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in South Korea
Hanna Cosmetics Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in South Korea
Hapsode Co., Ltd.	Relevant taxes are calculated and paid according to local tax regulations in South Korea
HONGKONG KESHI TRADING LIMITED	Relevant taxes are calculated and paid according to local tax regulations in Hong Kong, China
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
P.R. O CO., LTD.	Relevant taxes are calculated and paid according to local tax regulations in Japan
Tax payers other than the above	25%

## 2. Tax preference

√ Applicable □ Not applicable

The Company was reviewed as the high-tech enterprise on 1 December 2020 and obtained the high-tech enterprise certificate, with the validity of certification of 3 years and the grace period for enterprise income tax in 2020-2022. The Company was subject to the enterprise income tax at the preferential rate of 15% in 2020.

According to the *Notice of the Ministry of Finance and the State Taxation*



*Administration on the Implementation of Inclusive Tax Relief Policy for Small and Micro Enterprises* (CS [2019] No.13) and the *Announcement of the State Taxation Administration on Relevant Issues on the Implementation of Inclusive Tax Relief Policy for Small and Micro Enterprises* (Announcement No. 2 of the State Taxation Administration in 2019), Huzhou Niuke Technology Co., Ltd. complies with the criteria for tax payment of small and micro enterprises and would pay the enterprise income tax as per the tax rate of 20% in 2020.

In accordance with the provisions of the *Announcement on Clarifying Policies for Accrual and Deduction of Value-Added Tax for Life Service Industry* jointly issued by the Ministry of Finance and the State Taxation Administration (Announcement No. 87 of the Ministry of Finance and the State Taxation Administration in 2019), Hangzhou Proya Commercial Management Co., Ltd., a subsidiary of the Company, complies with the conditions for general tax payers engaged in production and consumer-oriented service industries, and the input tax deductible in the current period plus 15% would be used for deducting the tax payable from 1 October 2019 to 31 December 2021.

### 3. Others

Applicable  Not applicable

## VII Notes to the Items in Consolidated Financial Statements

### 1 Cash and equivalents

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	26,853.58	42,499.65
Cash at bank	1,368,800,012.77	1,230,772,238.87
Other cash and equivalents	47,827,774.58	16,086,480.47
Total	1,416,654,640.93	1,246,901,218.99
Where: Total cash deposited outside China	83,771,568.02	27,200,237.51

Other particulars

At the end of the period, the scope of restricted use covered the margin for fixed-term deposits of transformer of RMB 293,481.72 in bank deposits, as well as the land construction deposit of RMB 7,036,404.33, L/C deposit of RMB 7,000,000.00, ETC vehicle deposit of RMB 69,000.00, and Tmall and Alipay deposits of RMB 405,000.00 in other monetary capitals.

At the beginning of the period, the scope of restricted use covered the structured

deposits of RMB 140,000,000.00 and margin for fixed-term deposits of transformer of RMB 293,481.72 in bank deposits, as well as the land construction deposit of RMB 6,909,952.20 and Tmall and Alipay deposits of RMB 605,000.00 in other monetary capitals.

## 2 Held-for-trading financial assets

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through current profit or loss		71,450,000.00
Where:		
Wealth management products		71,450,000.00
Financial asset designated as at fair value through profit or loss		
Where:		
Total		71,450,000.00

Other particulars:

Applicable  Not applicable

## 3 Derivative financial assets

Applicable  Not applicable

## 4 Notes receivable

(1). Notes receivable presented 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 but not due yet at the balance sheet date

Applicable  Not applicable

(4). Notes transferred by the Company into accounts receivable at the end of the period due to the note issuer's failure of performance

Applicable  Not applicable

(5). Disclosure by accruing method for bad debt provisions

Applicable  Not applicable

Bad debt provisions accrued separately:

Applicable  Not applicable

Bad debt provisions accrued according to the combination:

Applicable  Not applicable

If bad debt provisions are accrued according to the general model of expected credit losses, please refer to the disclosure on other receivables:

Applicable  Not applicable

**(6). Particulars on bad debt provisions**

Applicable  Not applicable

**(7). Particulars on notes receivable actually written-off in the current period**

Applicable  Not applicable

Other particulars

Applicable  Not applicable

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

Applicable  Not applicable

Unit: Yuan Currency: RMB

Account age	Carrying balance at the end of the period
Within 1 year	
Where: Subitems within 1 year	
Sub-total within 1 year	298,778,494.35
1-2 years	14,593,734.48
2-3 years	4,710,807.60
Above 3 years	1,840,662.14
3-4 years	
4-5 years	
Above 5 years	
Total	319,923,698.57

**(2). Disclosure by accruing method for bad debt provisions**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Carrying balance		Bad debt provisions		Carrying value	Carrying balance		Bad debt provisions		Carrying value
	Amount	Percentage (%)	Amount	Accruing percentage (%)		Amount	Percentage (%)	Amount	Accruing percentage (%)	
Bad debt provisions accrued separately	16,916,210.88	5.29	16,916,210.88	100.00		130,187.88	0.06	130,187.88	100.00	
Where:										

Bad debt provisions accrued according to the combination	303,007,487.69	94.71	18,129,068.11	5.98	284,878,419.58	212,019,218.48	99.94	13,609,969.29	6.42	198,409,249.19
Where:										
Total	319,923,698.57	/	35,045,278.99	/	284,878,419.58	212,149,406.36	/	13,740,157.17	/	198,409,249.19

Bad debt provisions accrued separately:

Applicable  Not applicable

Unit: Yuan Currency: RMB

Name	Closing balance			
	Carrying balance	Bad debt provisions	Accruing percentage (%)	Accruing reason
Bad debt provisions accrued separately	16,916,210.88	16,916,210.88	100.00	Not expected to be recovered
Total	16,916,210.88	16,916,210.88	100.00	/

Description on bad debt provisions accrued separately:

Applicable  Not applicable

Bad debt provisions accrued according to the combination:

Applicable  Not applicable

Items of portfolio provision: Account age combination

Unit: Yuan Currency: RMB

Name	Closing balance		
	Accounts receivable	Bad debt provisions	Accruing percentage (%)
Account age combination	303,007,487.69	18,129,068.11	5.98
Total	303,007,487.69	18,129,068.11	5.98

Recognition standards and descriptions on bad debts in portfolio provision:

Applicable  Not applicable

In the account age combination, accounts receivable with bad debt provisions were withdrawn according to the comparison of account age loss rate

Account age	Closing balance
-------------	-----------------

	Carrying balance	Bad debt provisions	Accruing percentage (%)
Within 1 year	297,087,692.51	14,854,383.70	5.00
1-2 years	2,702,251.55	810,675.46	30.00
2-3 years	1,507,069.37	753,534.69	50.00
Above 3 years	1,710,474.26	1,710,474.26	100.00
Subtotal	303,007,487.69	18,129,068.11	5.98

If bad debt provisions are accrued according to the general model of expected credit losses, please refer to the disclosure on other receivables:

Applicable  Not applicable

### (3). Particulars on bad debt provisions

Applicable  Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Change of the current period				Closing balance
		Accrued	Recovered or reversed	Resold or written-off	Other changes	
Bad debt provisions accrued separately	130,187.88	16,786,023.00				16,916,210.88
Bad debt provisions accrued according to the combination	13,609,969.29	7,506,093.38		3,593,624.01	606,629.45	18,129,068.11
Total	13,740,157.17	24,292,116.38		3,593,624.01	606,629.45	35,045,278.99

Significant bad debt provision amounts recovered or reversed in the current period:

Applicable  Not applicable

### (4). Particulars 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	3,593,624.01

Writing-off of significant accounts receivable

Applicable  Not applicable

Description on writing-off of accounts receivable:

Applicable  Not applicable

**(5). Particulars on top 5 accounts receivable in terms of the balance at the end of the period based on debtors**

Applicable  Not applicable

Company name	Carrying balance	Proportion (%) of the balance of accounts receivable	Bad debt provisions
Beijing Jingdong Century Trading Co., Ltd.	66,863,696.90	20.90	3,343,184.85
Zhejiang Youcaihua Network Technology Co., Ltd.	35,000,003.20	10.94	1,750,000.16
Quzhou Mingbo Century Trading Co., Ltd. [Note]	24,108,668.27	7.54	1,205,433.41
Vipshop (China) Co., Ltd.	18,795,189.86	5.87	939,759.49
Shandong Chengtian Trading Co., Ltd.	13,339,122.10	4.17	666,956.11
Subtotal	158,106,680.33	49.42	7,905,334.02

[Note] The amount of Quzhou Mingbo Century Trading Co., Ltd. refers to the consolidated amount of Quzhou Mingbo Century Trading Co., Ltd., Quzhou Jiaomei Trading Co., Ltd., Quzhou Yumei Trading Co., Ltd. and Quzhou Ruoxi Cosmetics Co., Ltd. under the control of the same person.

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

Applicable  Not applicable

**(7). Amount of assets and liabilities formed due to the transfer and continuous involvement of accounts receivable**

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

**6 Receivables financing**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bills receivable	5,531,997.32	2,150,000.00
Total	5,531,997.32	2,150,000.00

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

Applicable  Not applicable

If bad debt provisions are accrued according to the general model of expected credit losses, please refer to the disclosure on other receivables:

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

Notes receivable endorsed or discounted by the Company at the end of the period and unexpired at the balance sheet date

Item	Amount derecognized at the end of the period
Bank acceptance	2,750,000.00
Subtotal	2,750,000.00

The acceptor of bank acceptance is the commercial bank. Due to higher credit of commercial bank, the possibility of nonpayment when the banker acceptance is expired is low. Therefore, the Company has terminated the recognition for the endorsed or discounted bank acceptance. However, in case of nonpayment when such bank acceptance is expired, as stipulated in the *Law of Negotiable Instruments*, the Company will still bear the joint liability for the bearer.

## 7 Advance payment

### (1). Advance payment presented by account age

Applicable  Not applicable

Unit: Yuan Currency: RMB

Account age	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	81,149,897.32	98.07	52,483,348.55	98.44
1-2 years	802,393.47	0.97	830,615.21	1.56
2-3 years	790,525.13	0.96		
Above 3 years				
Total	82,742,815.92	100.00	53,313,963.76	100.00

Description on the reasons for failure to settle the advance payment with an account age over one year and a significant amount:

None

(2). Particulars on top 5 advance payments in terms of the balance at the end of the period according to the concentration of parties to which the advance payments are made

✓ Applicable  Not applicable

Company name	Carrying balance	Percentage (%) in the balance of prepayment
Zhuhai Healthlong Biotechnology Co., Ltd.	21,432,452.28	25.90
Beauty Hi-tech Innovation Co., Ltd.	9,196,896.04	11.12
Alipay (China) Network Technology Co., Ltd.	6,201,918.15	7.50
Shanghai Mamamiya Mutual Entertainment Network Technology Co., Ltd.	4,443,396.10	5.36
Shanghai Xunmeng Information Technology Co., Ltd.	3,490,744.72	4.22
Subtotal	44,765,407.29	54.10

Other particulars

Applicable ✓ Not applicable

## 8 Other receivables

Presented by item

✓ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	48,733,527.35	15,269,949.97
Total	48,733,527.35	15,269,949.97

Other particulars:

Applicable ✓ Not applicable

### Interest receivable

(1). Classification of interest receivable

Applicable ✓ Not applicable

(2). Important overdue interest

Applicable ✓ Not applicable

(3). Particulars on accruing of bad debt provisions

Applicable ✓ Not applicable

Other particulars:



Applicable ✓ Not applicable

### Dividend receivable

#### (1). Dividend receivable

Applicable ✓ Not applicable

#### (2). Important dividend receivable with the account age over one year

Applicable ✓ Not applicable

#### (3). Particulars on accruing of bad debt provisions

Applicable ✓ Not applicable

Other particulars:

Applicable ✓ Not applicable

### Other receivables

#### (1). Disclosure by account age

✓ Applicable  Not applicable

Unit: Yuan Currency: RMB

Account age	Carrying balance at the end of the period
Within 1 year	
Where: Subitems within 1 year	
Sub-total within 1 year	42,822,248.80
1-2 years	10,571,067.64
2-3 years	1,305,284.32
Above 3 years	1,009,369.58
3-4 years	
4-5 years	
Above 5 years	
Total	55,707,970.34

#### (2). Particulars on classification by amount nature

✓ Applicable  Not applicable

Unit: Yuan Currency: RMB

Amount nature	Carrying balance at the end of the period	Carrying balance at the beginning of the period
Deposit and margin	15,177,436.77	10,024,373.00
Provisional receivables	39,073,769.81	6,892,173.88
Petty cash	712,751.90	539,361.62
Others	744,011.86	27,000.00
Total	55,707,970.34	17,482,908.50

#### (3). Particulars on accruing of bad debt provisions

✓ Applicable  Not applicable

Unit: Yuan Currency: RMB

Bad debt provisions	Phase 1	Phase 2	Phase 3	Total
	Expected	Expected credit	Expected credit	

	credit losses in the next 12 months	loss for the entire duration (no credit impairment occurred)	loss for the entire duration (credit impairment occurred)	
Balance as at 1 January 2020	716,693.59	514,051.50	982,213.44	2,212,958.53
Balance as at 1 January 2020 in the current period				
-- Transferred into Phase 2	-528,553.38	528,553.38		
-- Transferred into Phase 3		-391,585.29	391,585.29	
-- Reversed into Phase 2				
-- Reversed into Phase 1				
Accrued in the current period	-376,997.57	-25,638.37	19,241.95	-383,393.99
Reserved in the current period				
Resold in the current period				
Written-off in the current period			56,484.22	56,484.22
Other changes	2,329,968.32	2,545,939.07	325,455.28	5,201,362.67
Balance as at 31 December 2020	2,141,110.96	3,171,320.29	1,662,011.74	6,974,442.99

Particulars on the significant changes in the carrying balance of other receivables in which changes in loss provisions occurred in the current period:

Applicable  Not applicable

The basis for adopting the amount of bad debt provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable  Not applicable

#### (4). Particulars on bad debt provisions

Applicable  Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Change of the current period				Closing balance
		Accrued	Recovere d or reversed	Resold or written-of f	Other changes	
Account age	2,212,958. 53	-383,393.9 9		56,484.22	5,201,362. 67	6,974,442. 99

combination						
Total	2,212,958.53	-383,393.99		56,484.22	5,201,362.67	6,974,442.99

Significant bad debt provision amounts reversed or recovered in the current period:

Applicable  Not applicable

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

Applicable  Not applicable

**(6). Particulars on top 5 other receivables in terms of the balance at the end of the period based on debtors**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Company name	Amount nature	Closing balance	Account age	Percentage (%) in the total balance at the end of the period of other receivables	Bad debt provisions Closing balance
EURL PHARMATICA [Note 1]	Provisional receivables	24,167,639.75	Within 1 year	43.38	1,208,381.99
SIKEROM EUROPE GMBH	Provisional receivables	8,204,225.54	Within 1 year	14.73	410,211.28
Hangzhou Property Maintenance Fund Management Center	Deposit and margin	4,708,614.72	1-2 years	8.45	1,412,584.42
Shanghai Zhicheng Heli Network Media Development Co., Ltd.	Provisional receivables	1,500,000.00	[Note 2]	2.69	443,955.00
Zhejiang ZTO Jixiang Express Service Co., Ltd.	Provisional receivables	1,412,036.00	Within 1 year	2.53	70,601.80
Total	/	39,992,516.01	/	71.78	3,545,734.49

[Note 1] The amount of EURL PHARMATICA refers to the consolidated amount of EURL PHARMATICA, PARISEZHAN HK LIMITED, SARL ORTUS and S. A. S AREDIS under the control of the

same person.

[Note 2] Within 1 year: RMB 24,180.00; 1-2 years: RMB 1,475,820.00.

**(7). Receivables involving government grants**

Applicable  Not applicable

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

Applicable  Not applicable

**(9). Amount of assets and liabilities formed due to the transfer and continuous involvement of other receivables**

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

**9 Inventories**

**(1). Classification of inventories**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Inventory depreciation provisions/impairment provisions for contract performance cost	Carrying value	Carrying balance	Inventory falling price reserves/impairment provisions for contract performance cost	Carrying value
Raw materials	25,023,198.10	790,191.51	24,233,006.59	16,474,644.08	801,848.85	15,672,795.23
Work-in-process	19,699,809.41	333,215.45	19,366,593.96	8,767,643.14	1,331,381.19	7,436,261.95
Finished products	402,419,036.40	21,221,419.14	381,197,617.26	280,160,075.99	16,867,854.46	263,292,221.53
Revolving materials						
Expendable biological assets						
Contract performance cost						
Packaging materials	32,988,469.32	1,383,453.99	31,605,015.33	18,042,228.43	1,623,844.55	16,418,383.88

Low-value consumables	2,643,028.64	268,617.88	2,374,410.76	1,918,233.68	95,937.86	1,822,295.82
Purchased gift	11,494,429.58	1,630,055.73	9,864,373.85	12,946,644.82	3,939,600.16	9,007,044.66
Total	494,267,971.45	25,626,953.70	468,641,017.75	338,309,470.14	24,660,467.07	313,649,003.07

**(2). Inventory falling price reserves and impairment provisions for contract performance cost**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase amount of the current period		Decrease amount of the current period		Closing balance
		Accrued	Others	Reversed or resold	Others	
Raw materials	801,848.85	695,497.96	166.09	707,321.39		790,191.51
Work-in-process	1,331,381.19	182,647.57		1,180,813.31		333,215.45
Finished products	16,867,854.46	24,751,870.03	378,553.97	20,776,859.32		21,221,419.14
Revolving materials						
Expendable biological assets						
Contract performance cost						
Packaging materials	1,623,844.55	1,057,784.09		1,298,174.65		1,383,453.99
Low-value consumables	95,937.86	178,070.31	17,532.14	22,922.43		268,617.88
Purchased gift	3,939,600.16	1,368,735.54		3,678,279.97		1,630,055.73
Total	24,660,467.07	28,234,605.50	396,252.20	27,664,371.07		25,626,953.70

Other increase of RMB 396,252.20 of inventory falling price reserve in the current period came from the equity of Shanghai Healthlong Biochemical Technology Co., Ltd., and its inventory falling price reserve was transferred in correspondingly.

At the end of the current period, the net realizable value of some products was lower than the corresponding cost, so the inventory falling price reserve shall be withdrawn in accordance with the difference between the cost and the net realizable value.

**(3). Description on the capitalization amount of the borrowing expenses included in the balance of inventories at the end of the period** Applicable  Not applicable**(4). Description of amortization amount of the contract performance cost in the current period** Applicable  Not applicable

Other particulars

 Applicable  Not applicable**10 Contract assets****(1). Contract assets** Applicable  Not applicable**(2). Amount of and reasons for material changes in the carrying value in the Reporting Period** Applicable  Not applicable**(3). Impairment provisions accrued from the contract assets in the current period** Applicable  Not applicable

If bad debt provisions are accrued according to the general model of expected credit losses, please refer to the disclosure on other receivables:

 Applicable  Not applicable

Other particulars:

 Applicable  Not applicable**11 Held-for-sale assets** Applicable  Not applicable**12 Non-current assets due within one year** Applicable  Not applicable

Important debt investment and other debt investment at the end of the period:

 Applicable  Not applicable

Other particulars

None

**13 Other current assets** Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Contract acquisition cost		
Return cost receivable	4,434,684.01	7,122,566.88
VAT input tax to be deducted	24,162,220.64	7,126,880.88
Advance payment of taxes	6,638,906.62	4,596,387.71
Total	35,235,811.27	18,845,835.47

Other particulars

Refer to the particulars of V.44 in “Section XI Financial Report” of this report for the difference between the opening balance and closing balance of prior period (31 December 2019).

#### 14 Debt investment

##### (1).Particulars on debt investment

Applicable ✓ Not applicable

##### (2).Important debt investment at the end of the period

Applicable ✓ Not applicable

##### (3).Particulars on accruing of impairment provisions

Applicable ✓ Not applicable

The basis for adopting the amount of impairment provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable ✓ Not applicable

Other particulars

Applicable ✓ Not applicable

#### 15 Other debt investments

##### (1).Particulars on other debt investments

Applicable ✓ Not applicable

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

Applicable ✓ Not applicable

##### (3).Particulars on accruing of impairment provisions

Applicable ✓ Not applicable

The basis for adopting the amount of impairment provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable ✓ Not applicable

Other particulars:

Applicable ✓ Not applicable

#### 16 Long-term receivables

##### (1).Long-term receivables

Applicable ✓ Not applicable

##### (2).Particulars on accruing of bad debt provisions

Applicable ✓ Not applicable

The basis for adopting the amount of bad debt provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable ✓ Not applicable

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

 Applicable  Not applicable

## (4). Amount of assets and liabilities formed due to the transfer and continuous involvement of long-term receivables

 Applicable  Not applicable

Other particulars

 Applicable  Not applicable

## 17 Long-term equity investment

 Applicable  Not applicable

Unit: Yuan Currency: RMB

Invested company	Opening balance	Change of the current period								Closing balance	Balance of impairment provisions at the end of the period
		Additional investment	Withdrawal investment	Investment gains and losses recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Declaration on distribution of cash dividends or profits	Accruing of impairment provisions	Others		
I. Joint venture											
Huzhou Panrui Industrial Investment Partnership (Limited Partnership)	3,314,489.57			-7,859.00						3,306,630.57	
Sub-total	3,314,489.			-7,859.00						3,306,630.	



	57									57	
II. Associate											
Xiong ke Cultu re Media (Hang zhou) Co., Ltd.	2,999 ,955. 82			-14,4 44.47						2,985 ,511. 35	
Beiji ng Mitan gpai Cosme tics Co., Ltd. [Note 1]											
Ningbo Segu Brand Manag ement Co., Ltd. [Note 2]	2,574 ,740. 38		1,86 1,32 8.48	-713, 411.9 0							
Metis Info Tech (Guan gzhou ) Co., LTD.	5,838 ,817. 91			465,6 12.87						6,304 ,430. 78	
Jiaxi ng Woyon g Inves tment Partn ershi p (Limi ted Partn ershi		46,00 0,000 .00		-376, 513.1 0						45,62 3,486 .90	

p)											
Sub-t	11,41	46,00	1,86	-638,						54,91	
otal	3,514	0,000	1,32	756.6						3,429	
	.11	.00	8.48	0						.03	
Total	14,72	46,00	1,86	-646,						58,22	
	8,003	0,000	1,32	615.6						0,059	
	.68	.00	8.48	0						.60	

Other particulars

[Note 1] The original investment, by the Company, on Beijing Mitangpai Cosmetics Co., Ltd. was RMB 5,638,295.00, the investment gains and losses recognized under the equity method was RMB -1,561,584.17, and the accruing of impairment provisions amounted to RMB 4,076,710.83. This company was canceled in August 2020.

[Note 2] The Company transferred 35% equity of Ningbo Segu Brand Management Co., Ltd. to Liu Wei at a consideration of RMB 1.75 million in November 2020, and the investment income of RMB -111,328.48 was recognized.

## 18 Investments in other equity instruments

### (1).Particulars on other equity instrument investments

Applicable  Not applicable

Unit: Yuan Currency: RMB

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

### (2).Particulars on non-trading equity instrument investment

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

Based on the strategic investment purpose, the Company made foreign equity investment, and the investee will obtain the investment of the Company as equity instrument. Therefore, this part of equity instrument investment was designated, by the Company, as financial assets measured at fair value through other comprehensive income.

## 19 Other non-current financial assets

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

## 20 Investment real estate

Measurement model of investment real estate

## (1). Investment real estate applying cost measurement model

Unit: Yuan Currency: RMB

Item	Buildings and constructions	Land use rights	Construction in progress	Total
I. Original carrying value				
1. Balance at the beginning of the period	73,788,298.77			73,788,298.77
2. Increase amount of the current period	3,071,733.33			3,071,733.33
(1) Acquisition				
(2) Transfer in of inventories\fixed assets\projects under construction	3,071,733.33			3,071,733.33
(3) Increase for business combination				
3. Decrease amount of the current period				
(1) Disposal				
(2) Other transfer out				
4. Balance at the end of the period	76,860,032.10			76,860,032.10
II. Accumulated depreciation and accumulated amortization				
1. Balance at the beginning of the period	2,166,215.59			2,166,215.59
2. Increase amount of the current period	2,456,206.41			2,456,206.41
(1) Accrual or amortization	2,456,206.41			2,456,206.41
3. Decrease amount of the current period				
(1) Disposal				
(2) Other transfer out				
4. Balance at the end of the period	4,622,422.00			4,622,422.00
III. Impairment provisions				
1. Balance at the beginning of the period				
2. Increase amount of the current period				
(1) Accruing				
3. Decreased amount in the current period				
(1) Disposal				
(2) Other transfer out				
4. Balance at the end				

of the period				
IV. Carrying value				
1. Carrying value at the end of the period	72,237,610.10			72,237,610.10
2. Carrying value at the beginning of the period	71,622,083.18			71,622,083.18

**(2). Investment real estate with the property ownership certificate unsettled**

Applicable  Not applicable

Other particulars

Applicable  Not applicable

**21 Fixed assets****Presented by item**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	565,864,152.62	550,329,145.07
Disposal of fixed assets		
Total	565,864,152.62	550,329,145.07

Other particulars:

Applicable  Not applicable

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

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Property and buildings	Machinery and equipment	Means of transportation	General equipment	Total
I. Original carrying value:					
1. Balance at the beginning of the period	512,551,045.14	154,267,432.04	17,017,117.58	55,344,021.49	739,179,616.25
2. Increase amount of the current period	21,138,093.20	23,392,008.60	4,619,284.66	7,242,158.10	56,391,544.56
(1) Acquisition		7,666,292.13	3,690,879.37	3,928,467.69	15,285,639.19

n					
(2) Transfer-in from constructi on in progress	21,138,093.2 0	15,725,716.4 7		1,617,977.3 4	38,481,787.0 1
(3) Increase for business combinatio n			928,405.29	1,695,713.0 7	2,624,118.36
3. Decrease amount of the current period		6,837.61	411,428.99	335,243.75	753,510.35
(1) Disposal or scraping		6,837.61	411,428.99	335,243.75	753,510.35
4. Balance at the end of the period	533,689,138. 34	177,652,603. 03	21,224,973.2 5	62,250,935. 84	794,817,650. 46
II. Accumulati ve depreciati on					
1. Balance at the beginning of the period	72,724,807.3 5	87,465,399.0 2	10,683,650.7 4	17,976,614. 07	188,850,471. 18
2. Increase amount of the current period	16,496,264.7 4	14,109,195.8 9	2,209,396.57	8,000,920.4 3	40,815,777.6 3
(1) Accruing	16,496,264.7 4	14,109,195.8 9	1,921,346.50	6,963,029.5 6	39,489,836.6 9
Othe r transfer-i n [Note]			288,050.07	1,037,890.8 7	1,325,940.94
3. Decrease amount of		6,170.94	387,106.96	319,473.07	712,750.97

the current period					
(1) Disposal or scraping		6,170.94	387,106.96	319,473.07	712,750.97
4. Balance at the end of the period	89,221,072.09	101,568,423.97	12,505,940.35	25,658,061.43	228,953,497.84
III. Impairment provisions					
1. Balance at the beginning of the period					
2. Increase amount of the current period					
(1) Accruing					
3. Decrease amount of the current period					
(1) Disposal or scraping					
4. Balance at the end of the period					
IV. Carrying value					
1. Carrying value at the end of the period	444,468,066.25	76,084,179.06	8,719,032.90	36,592,874.41	565,864,152.62
2. Carrying value at the beginning	439,826,237.79	66,802,033.02	6,333,466.84	37,367,407.42	550,329,145.07

of the period					
---------------	--	--	--	--	--

[Note] Other transfer-in of original value of fixed assets of RMB 2,624,118.36 and other transfer-in of accumulated depreciation of RMB 1,325,940.94 came from the equity of Shanghai Healthlong Biochemical Technology Co., Ltd., and its original value of fixed assets and accumulated depreciation were transferred in correspondingly.

**(2).Particulars on temporary idle fixed assets**

Applicable  Not applicable

**(3).Particulars on fixed assets leased in under financing leases**

Applicable  Not applicable

**(4).Fixed assets leased out under operating leases**

Applicable  Not applicable

**(5).Particulars on fixed assets with the property ownership certificate unsettled**

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

**Disposal of fixed assets**

Applicable  Not applicable

**22 Construction in progress**

**Presented by item**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	47,324,523.36	31,894,658.49
Engineering materials		
Total	47,324,523.36	31,894,658.49

Other particulars:

Applicable  Not applicable

**Construction in progress**

**(1).Particulars on projects under construction**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Impairment provisions	Carrying value	Carrying balance	Impairment provisions	Carrying value

Decoration works	1,725,308.02		1,725,308.02	10,299,774.68		10,299,774.68
Make-up factory	28,236,822.35		28,236,822.35	9,919,160.47		9,919,160.47
Proya Building						
Other miscellaneous works	17,362,392.99		17,362,392.99	11,675,723.34		11,675,723.34
Total	47,324,523.36		47,324,523.36	31,894,658.49		31,894,658.49

## (2). Changes in important projects under construction in the current period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Budget	Opening balance	Increase amount of the current period	Amount of fixed assets transferred in the current period	Other decrease amounts in the current period	Closing balance	Proportion of cumulative investment in the project to the budget (%)	Progress of works	Accumulated amount of interest capitalization	Where: Amount of interest capitalization in the current period	Interest capitalization rate (%) in the current period	Source of fund
Proya Building	RMB 458,936,300		23,927,348.65	23,927,348.65			82.22	100.00%	9,206,186.05			Self-raised
Make-up factory		9,919,160.47	36,937,789.50	5,271,730.94	13,348,396.68	28,236,822.35	89.92	96.47%				Self-raised



To	RMB	9,91	60,8	29,1	13,3	28,2	/	/	9,206		/	/
ta	458	9,16	65,1	99,0	48,3	36,8			,186.			
1	,93	0.47	38.1	79.5	96.6	22.3			05			
	6,3		5	9	8	5						
	00											

[Note] Other decreases in the current period were transferred long-term prepaid expenses.

**(3). Particulars on impairment provisions accrued for projects under construction in the current period**

Applicable ✓ Not applicable

Other particulars

Applicable ✓ Not applicable

**Engineering materials**

**(1). Particulars on engineering materials**

Applicable ✓ Not applicable

**23 Productive biological assets**

**(1). Productive biological assets applying cost measurement model**

Applicable ✓ Not applicable

**(2). Productive biological assets applying fair value measurement model**

Applicable ✓ Not applicable

Other particulars

Applicable ✓ Not applicable

**24 Oil and gas assets**

Applicable ✓ Not applicable

**25 Right-of-use assets**

Applicable ✓ Not applicable

**26 Intangible assets**

**(1). Particulars on intangible assets**

✓ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Land use rights	Software	Patent right	Unpatented technology	Customer resources	Trademark right	Total
I. Original carrying value							
1. Balance at the beginning	376,212,928.47	18,390,998.71	420,000.00	532,600.00	12,833,684.00	120,640.00	408,510,851.18

g of the period							
2. Increase amount of the current period		1,168,132 .13		126,900 .00		16,491. 75	1,311,523. 88
(1) ) Acquisition		740,165.5 2				16,491. 75	756,657.27
(2) ) R&D							
(3) ) Increase for business combination		427,966.6 1		126,900 .00			554,866.61
3. Decrease amount of the current period							
(1) ) Disposal							
4. Balance at the end of the period	376,212,928.47	19,559,130.84	420,000.00	659,500.00	12,833,684.00	137,131.75	409,822,375.06
2. Cumulative amortization							
1. Balance at the beginning of the period	59,724,558.17	16,060,001.34	420,000.00	525,265.00	3,208,421.00	8,042.34	79,946,287.85
2. Increase amount of	9,230,473.82	1,704,823.03		3,260.00	4,277,894.67	16,311.72	15,232,763.24

the current period							
(1 ) Accruing	9,230,473. 82	1,454,410 .50		3,260.0 0	4,277,894 .67	16,311. 72	14,982,350 .71
22 ) Other transfer -in [Note]		250,412.5 3					250,412.53
3. Decrease amount of the current period							
(1) Disposal							
4. Balance at the end of the period	68,955,031 .99	17,764,82 4.37	420,000 .00	528,525 .00	7,486,315 .67	24,354. 06	95,179,051 .09
III. Impairme nt provisio ns							
1. Balance at the beginnin g of the period							
2. Increase amount of the current period							
(1 ) Accruing							
3. Decrease amount of							

the current period							
(1) ) Disposal							
4. Balance at the end of the period							
IV. Carrying value							
1. Carrying value at the end of the period	307,257,89 6.48	1,794,306 .47		130,975 .00	5,347,368 .33	112,777 .69	314,643,32 3.97
2. Carrying value at the beginning of the period	316,488,37 0.30	2,330,997 .37		7,335.0 0	9,625,263 .00	112,597 .66	328,564,56 3.33

[Note] Other transfer-in of original value of intangible assets of RMB 554,866.61 and other transfer-in of accumulated amortization of RMB 250,412.53 came from the equity of Shanghai Healthlong Biochemical Technology Co., Ltd., and its original value of intangible assets and accumulated amortization were transferred in correspondingly. The proportion of intangible assets formed by the Company's internal R&D at the end of the current period in the balance of intangible assets was 0

**(2). Particulars on land use rights with the property ownership certificate unsettled**

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

**27 Development expenses**

Applicable  Not applicable

**28 Goodwill****(1). Original carrying value of goodwill**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Name of invested company or event forming goodwill	Opening balance	Increase of the current period		Decrease of the current period		Closing balance
		Formed due to business combination		Disposal		
Shanghai Healthlong Biochemical Technology Co., Ltd.		31,034,161.20				31,034,161.20
Total		31,034,161.20				31,034,161.20

**(2). Impairment provisions of goodwill**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Name of invested company or event forming goodwill	Opening balance	Increase of the current period		Decrease of the current period		Closing balance
		Accrued		Disposal		
Shanghai Healthlong Biochemical Technology Co., Ltd.						
Total						

**(3). Information regarding the asset group or the combination of asset groups to which goodwill belongs**√ Applicable  Not applicable

Composition of asset group or combination of asset groups	Operating assets and liabilities of Shanghai Healthlong Biochemical Technology Co., Ltd.
Carrying value of the asset group or the combination of asset groups	146,178,528.82
Carrying value and apportionment method of goodwill apportioned to the asset group or the combination of asset groups	The Company held 52% equity of Shanghai Healthlong Biochemical Technology Co., Ltd., and the goodwill value apportioned to its asset group was RMB 59,681,079.23
Carrying value of the asset group or the combination of asset groups including goodwill	205,859,608.05

Whether the asset group or the combination of asset groups is consistent with that determined in goodwill impairment test on the acquisition date and in previous years	Yes
---	-----

(4). Describe the goodwill impairment test process, key parameters (such as growth rate in the forecast period, growth rate in the stable period, profit margin, discount rate, forecast period, etc. when estimating the present value of the estimated future cash flow, if applicable) and the recognition method for impairment losses of goodwill

Applicable  Not applicable

The recoverable amount of goodwill is calculated at the present value of the expected future cash flow. The expected cash flow is based on the 2021 cash flow forecast approved by the Company, with the discount rate of 17.77% for cash flow forecast. The cash flow after the forecast period is calculated by the growth rate of 0%.

Other key data used in impairment test include: estimated selling price, sales volume, production cost and other related expenses.

The Company determines the above key data according to the historical experience and the market development forecast. The discount rate adopted by the Company is the pre-tax rate reflecting the time value of money in current market and special risks of relevant asset groups.

The forecast on the above recoverable amount indicates no impairment loss in goodwill.

(5). Effect of goodwill impairment test

Applicable  Not applicable

Other particulars

Applicable  Not applicable

## 29 Long-term prepaid expenses

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase amount of the current period	Amortization amount of the current period	Other decrease amounts	Closing balance
Decoration and rental fee	25,303,734.19	23,795,756.26	15,887,393.25		33,212,097.20
Endorsement fee	488,145.15	31,132,074.61	14,757,013.06		16,863,206.70

Garage use fee	578,850.40		192,949.92		385,900.48
Mould	7,834.76		7,834.76		
Software service fee		134,423.63	18,834.48		115,589.15
Total	26,378,564.50	55,062,254.50	30,864,025.47		50,576,793.53

Other particulars:

In the current period, the decoration and rental fee increased by RMB 640,613.07, and the software service fee increased by RMB 134,423.63, which came from the equity of Shanghai Healthlong Biochemical Technology Co., Ltd.; its long-term prepaid expenses were transferred in correspondingly.

### 30 Deferred income tax assets/liabilities

#### (1). Non-offset deferred income tax assets

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax Assets	Deductible temporary differences	Deferred income tax assets
Impairment provisions of assets				
Unrealized profits from internal transactions	28,021,116.50	7,005,279.12	34,435,895.93	8,608,973.98
Deductible losses	14,342,610.24	3,585,652.56		
Bad debt provisions for accounts receivable	27,188,715.77	6,796,972.50	8,107,969.05	2,025,703.32
Devaluation provisions of inventories	15,796,150.28	2,634,264.73	14,868,791.08	2,571,107.32
Impact from share-based payment	103,953,760.07	22,803,327.25	61,640,988.02	9,246,148.20
Government grants related to assets	8,495,353.33	1,274,303.00	8,491,110.00	1,273,666.50
Unredeemed member points	4,487,591.14	1,121,897.79	6,896,104.00	1,724,026.00
Expected return loss	5,755,415.21	1,438,853.81	10,102,532.74	2,525,633.19
Total	208,040,712.54	46,660,550.76	144,543,390.82	27,975,258.51

#### (2). Non-offset deferred income tax liabilities

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------

	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Assets appreciation for business combination not under the common control				
Changes in fair value of other debt investments				
Changes in fair value of other equity instrument investments				
One-time deduction of depreciation of fixed assets	44,252,231.66	6,874,105.45	33,825,660.75	5,132,011.38
Total	44,252,231.66	6,874,105.45	33,825,660.75	5,132,011.38

**(3). Deferred income tax assets or liabilities presented on a net basis after offsetting**
 Applicable  Not applicable
**(4). Details of unrecognized deferred income tax assets**
 Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	25,362,258.78	23,305,078.22
Deductible losses	379,300,493.32	275,181,937.40
Total	404,662,752.10	298,487,015.62

**(5). The deductible losses of unrecognized deferred income tax assets will expire in the following years**
 Applicable  Not applicable

Unit: Yuan Currency: RMB

Year	Amount at the end of the period	Amount at the beginning of the period	Note
2021	48,812,246.22	48,812,246.22	
2022	62,924,802.76	63,135,622.67	
2023	63,485,783.30	63,485,783.30	
2024	99,748,285.21	99,748,285.21	
2025	104,329,375.83		
Total	379,300,493.32	275,181,937.40	/

Other particulars:

 Applicable  Not applicable



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

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Impairment provisions	Carrying value	Carrying balance	Impairment provisions	Carrying value
Contract acquisition cost						
Contract performance cost						
Return cost receivable						
Contract assets						
Prepayment for purchase of long-term assets	83,203,303.76		83,203,303.76	15,006,146.49		15,006,146.49
Other long-term assets	4,119,476.27		4,119,476.27			
Total	87,322,780.03		87,322,780.03	15,006,146.49		15,006,146.49

Other particulars:

RMB 81.6 million was used for land purchase in Longwu. As at 31 December 2020, the corresponding land delivery procedure has not been completed.

**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	99,116,462.50	
Credit borrowings	200,163,972.59	
Pledged and guaranteed borrowings		129,047,396.51
Total	299,280,435.09	129,047,396.51

Description on classification of short-term borrowings:

None

**(2).Particulars on overdue but outstanding short-term borrowings**

Applicable ✓ Not applicable

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

Applicable ✓ Not applicable

Other particulars

Applicable ✓ Not applicable

**33 Held-for-trading financial liabilities**

Applicable ✓ Not applicable

**34 Derivative financial liabilities**

Applicable ✓ Not applicable

**35 Notes payable**

**(1).Presentation of notes payable**

✓ Applicable  Not applicable

Unit: Yuan Currency: RMB

Type	Closing balance	Opening balance
Trade acceptance		
Bank acceptance	64,580,000.00	41,830,948.53
Total	64,580,000.00	41,830,948.53

The total amount of notes payable due but outstanding at the end of the current period was RMB 0.

**36 Accounts payable**

**(1).Presentation of accounts payable**

✓ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Payment for goods	428,697,891.17	277,377,279.70
Expenses payable	69,493,675.06	44,347,651.15
Payment for engineering equipment	17,640,465.04	25,591,912.54
Total	515,832,031.27	347,316,843.39

**(2).Significant accounts payable with the account age over one year**

Applicable ✓ Not applicable

Other particulars

Applicable ✓ Not applicable

**37 Prepayment received****(1). Presentation of advance received from customers**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Payment for goods		
Total		

**(2). Significant prepayment received with the account age over one year** Applicable √ Not applicable

Other particulars

√ Applicable  Not applicable

Refer to the particulars of V.44 in “Section XI Financial Report” herein for the difference between the opening balance and closing balance of prior year (31 December 2019).

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

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Advances on sales	25,430,738.70	38,964,687.33
Unredeemed member points	5,188,040.29	11,251,926.56
Total	30,618,778.99	50,216,613.89

**(2). Amount of and reasons for material changes in the carrying value in the Reporting Period** Applicable √ Not applicable

Other particulars:

√ Applicable  Not applicable

Refer to the particulars of V.44 in “Section XI Financial Report” herein for the difference between the opening balance and closing balance of prior year (31 December 2019).

**39 Employee benefits payable****(1). Presentation of employee benefits payable**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
I. Short-term benefits	65,565,250.54	375,017,339.68	370,327,967.4	70,254,622.82
II. Post-employment	1,118,901.44	5,863,903.93	6,409,188.49	573,616.88

benefits – Defined contribution plans				
III. Dismissal benefits		201,571.73	201,571.73	
IV. Other benefits due within one year				
Total	66,684,151.98	381,082,815.34	376,938,727.62	70,828,239.70

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

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
I. Salary, bonus, allowance and subsidy	63,909,902.04	334,251,903.28	329,517,966.72	68,643,838.60
II. Employee benefits		14,327,349.36	14,320,533.80	6,815.56
III. Social insurance	938,499.38	12,849,186.25	12,905,457.63	882,228.00
Where: Medical insurance premiums	789,484.39	12,246,181.23	12,259,474.67	776,190.95
Work-related injury insurance	62,603.91	167,745.13	172,489.71	57,859.33
Maternity insurance	86,411.08	435,259.89	473,493.25	48,177.72
IV. Housing provident fund	716,771.52	11,587,769.58	11,582,800.44	721,740.66
V. Labor union and employee education funds	77.6	2,001,131.21	2,001,208.81	
VI. Short-term compensated absences				
VII. Short-term profit sharing plan				
Total	65,565,250.54	375,017,339.68	370,327,967.40	70,254,622.82

**(3). Presentation of defined contribution plans**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
1. Basic pension	1,078,408.97	5,605,689.66	6,137,980.91	546,117.72
2. Unemployment insurance	40,492.47	258,214.27	271,207.58	27,499.16
3. Enterprise annuity payment				

Total	1, 118, 901. 44	5, 863, 903. 93	6, 409, 188. 49	573, 616. 88
-------	-----------------	-----------------	-----------------	--------------

Other particulars:

Applicable  Not applicable

#### 40 Taxes payable

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value added tax ( "VAT" )	25, 557, 167. 53	25, 197, 722. 01
Consumption tax	359. 31	4, 103. 80
Business tax		
Enterprise income tax	32, 994, 016. 76	35, 920, 176. 92
Personnel income tax	1, 193, 830. 42	1, 145, 293. 78
Urban maintenance and construction tax	2, 971, 080. 02	1, 711, 912. 59
Property tax	5, 822, 344. 89	6, 188, 353. 46
Education surcharge	1, 469, 430. 26	900, 330. 64
Local education surcharge	979, 620. 14	600, 220. 42
Stamp duty	330, 703. 60	154, 729. 52
Disabled security fund	16, 737. 84	10, 857. 47
Total	71, 335, 290. 77	71, 833, 700. 61

Other particulars:

None

#### 41 Other payables

Presented by item

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		
Dividend payable		
Other payables	75, 546, 323. 32	91, 444, 673. 31
Total	75, 546, 323. 32	91, 444, 673. 31

Other particulars:

Applicable  Not applicable

#### Interest payable

(1). Presentation by category

Applicable  Not applicable

#### Dividends payable

(1). Presentation by category

Applicable  Not applicable

**Other payables****(1). Other payables presented by amount nature**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deposit and margin	54,289,062.52	66,903,407.44
Repurchase obligation of restricted shares	12,653,905.25	15,769,051.20
Others	8,603,355.55	8,772,214.67
Total	75,546,323.32	91,444,673.31

**(2). Other payables with the account age over one year**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Reasons for outstanding amount or carry-over
Repurchase obligation of restricted shares	12,653,905.25	The repurchase obligation of restricted shares has not been fulfilled yet
Total	12,653,905.25	/

Other particulars:

 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		85,258,247.69
Bonds payable due within one year		
Long-term payables due within one year		
Lease liabilities due within one year		
Total		85,258,247.69

Other particulars:

None

**44 Other current liabilities**

Particulars on other current liabilities

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------

Short-term bonds payable		
Return refunds payable		
Output taxes to be transferred	1, 439, 262. 02	1, 948, 803. 22
Total	1, 439, 262. 02	1, 948, 803. 22

Changes in short-term bonds payable:

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

Refer to the particulars of V.44 in “Section XI Financial Report” herein for the difference between the opening balance and closing balance of prior year (31 December 2019).

#### 45 Long-term borrowings

##### (1). Classification of long-term borrowings

Applicable  Not applicable

Other particulars, including interest rate ranges:

Applicable  Not applicable

#### 46 Bonds payable

##### (1). Bonds payable

Applicable  Not applicable

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

Applicable  Not applicable

##### (3). Description on the conversion conditions and conversion time of convertible corporate bonds

Applicable  Not applicable

##### (4). Description on other financial instruments classified as financial liabilities

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

Applicable  Not applicable

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

Applicable  Not applicable

Description of the basis for other financial instruments classified as financial liabilities:

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

#### 47 Lease liabilities

Applicable  Not applicable

#### 48 Long-term payables

Presented by item

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

Long-term payables

(1). Long-term payables presented by amount nature

Applicable  Not applicable

Special payables

(1). Special payables presented by amount nature

Applicable  Not applicable

#### 49 Long-term employee remuneration payable

Applicable  Not applicable

#### 50 Estimated liabilities

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Cause of formation
External guarantee			
Pending actions			
Product quality assurance			
Restructuring obligation			
Onerous contract to be executed			
Return refunds payable	17,225,099.62	10,190,099.22	Estimate the possible return loss in the future
Others			
Total	17,225,099.62	10,190,099.22	/

Other particulars, including descriptions on relevant important assumptions and estimates of significant estimated liabilities:



Refer to the particulars of V.44 in “Section XI Financial Report” herein for the difference between the opening balance and closing balance of prior period (31 December 2019).

### 51 Deferred income

Particulars on deferred income

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance	Cause of formation
Government grant	8,491,110.00	2,000,000.00	1,995,756.67	8,495,353.33	Government allocations
Total	8,491,110.00	2,000,000.00	1,995,756.67	8,495,353.33	/

Refer to the particulars of V.44 in “Section XI Financial Report” of the report for the difference between the opening balance and closing balance of prior period (31 December 2019).

Items involving government subsidies:

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Liability items	Opening balance	Subsidy amount increased in the current period	Amount included in non-operating income of the current period	Amount included in other income of the current period	Other changes	Closing balance	Pertinent to assets/income
Subsidy for technological transformation of cosmetics	8,491,110.00	2,000,000.00		1,995,756.67		8,495,353.33	Pertinent to assets

Other particulars:

√ Applicable  Not applicable

Refer to the particulars of “VII. 84 Government grant” in “Section XI Financial Report” herein for the amount of government grant included in current profit or loss in the current period.

**52 Other non-current liabilities**

Applicable  Not applicable

**53 Share capital**

Applicable  Not applicable

Unit: Yuan Currency: RMB

	Opening balance	Increase or decrease (+ or -) due to this change					Closing balance
		Issue New shares	Bonus shares	Provident funds Transferred shares	Others	Sub-total	
Total shares	201,269,560				-152,635	-152,635	201,116,925

Other particulars:

According to the resolution at the 15<sup>th</sup> and 16<sup>th</sup> meetings of the Second Session of the Board of Directors in 2020, the 3<sup>rd</sup> extraordinary general shareholders' meeting in 2020 and the amended articles of association, the Company applied for repurchasing 152,635 restricted RMB ordinary shares (A-shares) that are authorized but not yet unlocked by cash, and the share repurchase payment totaled RMB 2,584,110.55, in which the share capital decreased by RMB 152,635.00 and the capital reserve (share premium) decreased by RMB 2,431,475.55. Pan-China Certified Public Accountants LLP has audited and verified the above matters, and issued the *Capital Verification Report* (TJY [2020] No. 496).

Statement of equity pledge

As at 31 December 2020, the breakdown for the shares of major shareholders of the Company was as follows:

Name of shareholder	Total number of shares held (share)	Number of frozen shares (share)	Freezing type
Fang Yuyou	46,830,632	23,120,000	Pledge
Subtotal	46,830,632	23,120,000	

**54 Other equity instruments**

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

Applicable  Not applicable

(2). Changes in financial instruments such as preferred shares and perpetual bonds outstanding at the end of the period

Applicable  Not applicable

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

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

## 55 Capital reserve

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
Capital premium (Share premium)	803,404,232.49	11,225,993.69	20,344,266.98	794,285,959.20
Other capital reserve	31,949,382.99	21,994,190.14	11,194,695.64	42,748,877.49
Total	835,353,615.48	33,220,183.83	31,538,962.62	837,034,836.69

Other particulars, including descriptions on changes of the current period and reasons for changes:

### 1) Increase or decrease of capital premium

The capital premium (share premium) increased by RMB 11,225,993.69 in the current period, due to the followings: ① the increase of RMB 11,194,695.64 was because that other capital reserve recognized in the waiting period of the unlocked part of restricted shares issued by equity incentive plan had been transferred to the share premium; the increase of RMB 31,298.05 was because that the minority shareholder increased the capital of Zhejiang Biyouiti Cosmetics Co., Ltd. (hereinafter referred to as “Biyouiti”) by 5%, and because of the difference between the share in carrying net asset of Biyouiti calculated according to the shareholding ratio of the Company after the capital increase and that before the capital increase.

The capital premium (share premium) decreased by RMB 20,344,266.98 in the current period, due to the followings: ① decreased by RMB 2,431,475.55; see the particulars of “VII.53 share capital” in “Section XI Financial Report” of this report for details; ② the decrease of RMB 3,065,227.01 was due to the purchase of minority shareholder equity of subsidiary – Huzhou UZERO Trading Co., Ltd., as well as the difference between the payment and the share of net identifiable assets of the subsidiary according to the new shareholding ratio; ③ the decrease of RMB 1,088,996.78 was due to the purchase of minority shareholder equity of subsidiary – Shanghai Zhongwen Electronic Commerce Co., Ltd., as well as the difference between the payment and the share of net identifiable assets of

the subsidiary according to the new shareholding ratio; ④ the decrease of RMB 110,459.96 was due to the purchase of minority shareholder equity of Hong Kong Zhongwen Electronic Commerce Co., Limited, as well as the difference between the payment and the share of net identifiable assets of the subsidiary according to the new shareholding ratio; ⑤ the decrease of RMB 13,648,107.68 was due to the purchase of minority shareholder equity of subsidiary – Ningbo TIMAGE Cosmetics Co., Ltd., as well as the difference between the payment and the share of net identifiable assets of the subsidiary according to the new shareholding ratio.

## 2) Increase and decrease of other capital reserve

The capital reserve increased by RMB 21,994,190.14 in the current period, due to the followings: ① the increase of RMB 19,832,803.09 was because that, according to the equity incentive plan of the Company, restricted shares incentive expense of RMB 4,193,320.87 was recognized in 2020 and included in other capital reserve; meanwhile, deferred income tax assets of RMB 15,639,482.22 were withdrawn and included in other capital reserve for the deductible amount before tax in the future that exceeded the recognized incentive expense of restricted shares; ② the increase of RMB 2,161,387.05 was due to the adjustment of capital reserve based on the difference between the actual deductible amount before tax of the unlocked part and the amount recognized in previous years.

The decrease of other capital reserve of RMB 11,194,695.64 in the current period was because that other capital reserve recognized in the waiting period of the unlocked part of restricted shares issued by equity incentive plan had been transferred to the share premium.

## 56 Treasury shares

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
Restricted shares with repurchase obligation	15,769,051.20		3,115,145.95	12,653,905.25
Total	15,769,051.20		3,115,145.95	12,653,905.25

Other particulars, including descriptions on changes of the current period and reasons for changes:

Main reasons for the decrease of RMB 3,115,145.95 in the current period: 1) the decrease of RMB 2,584,110.55 in the current period was due to the repurchase of 152,635

restricted RMB ordinary shares (A-shares) that are authorized but not yet unlocked by cash; 2) the decrease of RMB 531,035.40 in the current period was due to the offset of treasury shares for dividend distributed for 747,425 unlocked restricted shares and 152,635 restricted shares repurchased in the current period and corresponding adjustment of other payables.

### 57 Other comprehensive incomes

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	At the beginning of the period Balance	Amount accounted for in the current period					Attributable to the parent company after the tax	Attributable to minority shareholders after the tax	At the end of the period Balance
		Amount incurred before income tax for the current period	Less: Included in other comprehensive incomes in the prior period and transferred to profit and loss in the current period	Less: Included in other comprehensive incomes in the previous period and transferred to retained earnings in the current period	Less: Income tax expenses				
I. Other comprehensive income not to be reclassified into profit or loss									
Where: Re-measurement of the changes in the defined benefit plan									
Other comprehensive income that may									

not be reclassified to profit or loss under equity method								
Changes in fair value of other equity investments								
Change in fair value of enterprise's own credit risk								
II. Other comprehensive income to be reclassified into profit or loss	-212,628.22	-56,437.91				-56,437.91		-269,066.13
Where: Other comprehensive incomes to be reclassified to profits and losses via equity method								
Changes in fair value of other debt investments								
Amount included								

in other comprehensive income on reclassification of financial assets								
Credit impairment provisions of other debt investments								
Cash flow hedging reserve								
Exchange differences from translation of financial statements	-212,628.22	-56,437.91				-56,437.91		-269,066.13
Total other comprehensive income	-212,628.22	-56,437.91				-56,437.91		-269,066.13

Other particulars, including the adjustment of the effective portion of cash flow hedging profit or loss transferred to the initial recognition 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 of the current period	Decrease of the current period	Closing balance
Statutory surplus reserve	100,634,780.00			100,634,780.00
Arbitrary surplus reserve				
Reserve fund				
Enterprise				

development fund				
Others				
Total	100,634,780.00			100,634,780.00

Descriptions on surplus reserve, including descriptions on changes of the current period and reasons for changes:

In accordance with the *Company Law*, where the Company's accumulated amount of legal reserve exceeds 50% of the Company's registered capital, it can be no longer withdrawn.

## 60 Undistributed profit

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Pre-adjustment undistributed profits at the end of the previous period	908,411,607.62	634,448,228.13
Total adjustment amount of undistributed profits at the beginning of the period (“+” refers to increase by adjustment and “-” refers to decrease by adjustment)	908,411,607.62	634,448,228.13
Post-adjustment amount of undistributed profits at the beginning of the period		
Add: Net profit attributable to shareholders of the parent company in the current period	476,009,298.41	392,681,976.58
Less: Withdrawal of statutory surplus reserves		32,165,703.09
Arbitrary surplus reserve accrued		
Withdrawal of general risk provision		
Dividends on common shares payable	118,749,040.40	86,552,894.00
Dividends on common shares converted to stock capital		
Undistributed profit at the end of the period	1,265,671,865.63	908,411,607.62

According to the resolution at the 2019 annual general meeting of the Company, the Company distributed cash dividend of RMB 5.90 (tax inclusive) per 10 shares to all shareholders based on the total share capital of 201,269,560 shares registered on the registration date of dividend-paying equity, totaling RMB 118,749,040.40 (tax



inclusive).

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

1. Due to the retrospective adjustment based on the *Accounting Standards for Business Enterprises* and their related new regulations, the affected undistributed profit at the beginning of the period was RMB 0.
2. Due to changes in accounting policies, the affected undistributed profit at the beginning of the period was RMB0.
3. Due to correction of major accounting errors, the affected undistributed profit at the beginning of the period was RMB 0.
4. Due to changes in the scope of the consolidated financial statements caused by the business combination under common control, the affected undistributed profit at the beginning of the period was RMB 0.
5. Due to other adjustments, the affected undistributed profit at the beginning of the period was RMB 0.

## 61 Operating revenues and operating costs

### (1).Particulars on operating revenues and operating costs

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period		Amount accounted for in the previous period	
	Revenue	Costs	Revenue	Costs
Main operations	3,747,924,600.60	1,363,486,774.26	3,116,453,641.63	1,120,308,887.81
Other operations	4,462,248.42	4,075,175.52	7,066,570.14	5,264,338.42
Total	3,752,386,849.02	1,367,561,949.78	3,123,520,211.77	1,125,573,226.23

### (2).Particulars on revenues from contracts

Applicable  Not applicable

Description on revenues from contracts:

Applicable  Not applicable

### (3).Description on performance obligations

Applicable  Not applicable

### (4).Description on apportionment to remaining performance obligations

Applicable  Not applicable

Other particulars:

None

## 62 Taxes and surcharges

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the	Amount accounted for in the
------	-----------------------------	-----------------------------

	current period	previous period
Consumption tax	66,493.56	155,946.77
Business tax		
Urban maintenance and construction tax	13,634,530.33	10,717,040.55
Education surcharge	6,988,508.15	5,651,261.92
Resource tax		-527,984.00
Property tax	5,822,344.89	6,189,563.61
Land use tax		-527,984.00
Vehicle usage tax	15,600.00	356,788.50
Stamp duty	1,758,703.64	1,537,784.18
Local education surcharge	4,659,005.42	3,758,763.75
Total	32,945,185.99	27,839,165.28

Other particulars:

The land use tax was negative in the prior period, because the land use tax of RMB 527,984.00 in 2018 was exempted in accordance with the *Notice on Tax Matters* of Huzhou Wuxing District Taxation Bureau, State Taxation Administration.

### 63 Selling expenses

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Image promotion expense	1,226,430,935.32	839,023,707.19
Employee remuneration	216,021,800.31	233,027,016.74
Freight		76,246,332.91
Office expense	22,228,325.98	25,640,510.49
Travel expense	15,220,908.88	22,754,602.59
Conference fee	6,610,405.20	15,008,494.06
Research and consulting fee	7,764,271.67	9,052,048.12
Others	2,782,295.98	2,279,111.97
Total	1,497,058,943.34	1,223,031,824.07

Other particulars:

Due to the implementation of new revenue standards, the freight of RMB 117,852,735.96 was presented in the principal business cost in the current period.

### 64 Administrative expenses

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Employee remuneration and service fee	99,248,945.51	79,481,331.22
Office expense and business entertainment expense	33,851,704.91	37,535,967.80
Expenses for depreciation, amortization and lease	40,809,336.86	29,130,823.88

Equity incentive expense for restricted shares	4,193,320.87	16,864,155.99
Consulting and intermediary expenses	17,799,433.91	12,403,364.64
Travel expense and conference fee	3,368,329.40	10,784,663.99
Others	5,008,307.22	9,059,619.50
Total	204,279,378.68	195,259,927.02

Other particulars:

None

## 65 R&D expenses

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Labor charge	42,457,484.59	33,218,856.20
Outsourced R&D expense	22,198,043.50	28,528,937.23
Direct input expense	2,232,870.29	8,553,749.86
Expenses for depreciation, amortization and lease	3,976,173.74	3,179,228.45
Others	1,335,456.65	1,121,834.81
Total	72,200,028.77	74,602,606.55

Other particulars:

None

## 66 Financial expenses

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Interest expenses	9,190,674.26	8,565,736.81
Interest income	-20,740,463.77	-18,108,947.26
Handling fee	963,155.58	542,976.58
Exchange gains and losses	-3,020,481.60	-494,578.43
Total	-13,607,115.53	-9,494,812.30

Other particulars:

None

## 67 Other incomes

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Government grants related to assets [Note]	1,995,756.67	1,879,090.00
Government grants related to income [Note]	10,202,653.51	6,042,824.03
Return of handling fee for withholding individual	684,529.89	236,203.39

income tax		
Additional deduction of VAT input tax	608,569.65	257,340.26
Total	13,491,509.72	8,415,457.68

Other particulars:

[Note] Refer to the particulars of “VII. 84 Government grant” in “Section XI Financial Report” herein for the amount of government grant included in other income in the current period.

## 68 Investment income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Long-term equity investment income accounted for under the equity method	-646,615.60	-2,530,337.96
Investment income from disposal of long-term equity investment	149,705.73	
Investment income from 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		
Income from wealth management products	2,266,301.37	4,653,362.83
Total	1,769,391.50	2,123,024.87

Other particulars:

None

**69 Net exposure hedging income** Applicable  Not applicable**70 Income from changes in fair value** Applicable  Not applicable**71 Credit impairment losses** Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Bad debt losses of notes receivable		
Bad debt losses of accounts receivable	-24,292,116.38	-8,203,372.40
Bad debt losses of other receivables	383,393.99	-339,166.76
Impairment losses of debt investment		
Impairment losses of other debt investments		
Bad debt losses of long-term receivables		
Impairment losses of contract assets		
Total	-23,908,722.39	-8,542,539.16

Other particulars:

None

**72 Asset impairment losses** Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
I. Bad debt losses		
II. Inventory falling price loss and impairment losses of contract performance cost	-28,234,605.50	-23,062,698.05
III. Impairment losses of long-term equity investment		-4,076,710.83
IV. Impairment losses of investment real estate		
V. Impairment losses of fixed assets		
VI. Impairment losses of		

engineering materials		
VII. Impairment loss of projects under construction		
VIII. Impairment losses of productive biological assets		
IX. Impairment losses of oil and gas assets		
X. Impairment losses of intangible assets		
XI. Impairment losses of goodwill		
XII. Others		
Total	-28,234,605.50	-27,139,408.88

Other particulars:

None

### 73 Income from disposal of assets

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Income from disposal of fixed assets	854.57	43,245.67
Total	854.57	43,245.67

Other particulars:

None

### 74 Non-operating income

Non-operating profits

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period	Amount included in the current non-recurring gains and losses
Total gains from disposal of non-current assets			
Where: Gains from disposal of fixed assets			
Gains from disposal of intangible assets			
Gains from restructuring of debts			
Gains from exchange of non-currency			

assets			
Acceptance of donations			
Government grant			
Income from forfeiture and liquidated damages	1,438,505.28	576,749.36	1,438,505.28
Others	104,088.97	202,228.79	104,088.97
Total	1,542,594.25	778,978.15	1,542,594.25

Government subsidies included in current profit and loss

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

#### 75 Non-operating expenditure

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period	Amount included in the current non-recurring gains and losses
Total losses from disposal of non-current assets			
Where: Losses from disposal of fixed assets			
Losses from disposal of intangible assets			
Losses from restructuring of debts			
Losses from exchange of non-currency assets			
Offering of donations	8,419,034.02	4,950,639.40	8,419,034.02
Compensation expenditure		304,032.01	
Losses from retirement of non-current assets	4,113.95	4,831.73	4,113.95

Others	614,781.74	884,573.70	614,781.74
Total	9,037,929.71	6,144,076.84	9,037,929.71

Other particulars:

None

## 76 Income tax expenses

### (1). Table of income tax expenses

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Current income tax expenses	97,265,732.16	87,534,077.32
Deferred income tax expenses	-1,303,715.96	2,340,679.62
Total	95,962,016.20	89,874,756.94

### (2). Adjustment process of accounting profits and income tax expenses

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period
Total profits	547,571,570.43
Income tax expenses calculated at statutory/applicable tax rate	136,892,892.61
Effect of applying different tax rates to subsidiaries	-59,108,336.59
Effect of adjusting income taxes of the previous periods	918,095.21
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	224,499.02
Effect of deductible losses of deferred income tax assets not recognized in the previous period	-367,935.75
Effect of deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	24,833,284.65
Additional deduction of R&D expense	-7,430,482.95
Income tax expenses	95,962,016.20

Other particulars:

Applicable  Not applicable

## 77 Other comprehensive incomes

Applicable  Not applicable

Refer to V.57 in "Section XI Financial Report" of this report for details.



**78 Items of the cash flow statement****(1). Other cash received relating to operating activities**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Bank interest income	20,755,011.64	17,945,462.87
Government grant	12,198,410.18	6,034,656.66
Others related to operating activities	48,786,531.20	3,459,621.48
Total	81,739,953.02	27,439,741.01

Descriptions on other cash received from operating activities:

None

**(2). Other cash paid relating to operating activities**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Image promotion expense	1,146,440,191.10	712,065,545.72
Other cash expenses	241,438,672.23	216,134,626.98
Others related to operating activities	35,086,174.43	11,246,654.35
Total	1,422,965,037.76	939,446,827.05

Descriptions on cash paid for other operating activities:

None

**(3). Other cash received relating to investing activities**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Net cash received from subsidiaries	66,052,759.40	
Recovery of working capital provided to associates		2,500,000.00
Total	66,052,759.40	2,500,000.00

Description on other cash received relating to investing activities

None

**(4). Other cash paid relating to investing activities**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Net cash paid for disposal of	1,035,148.02	

subsidiaries		
Working capital provided to associates		2,500,000.00
Total	1,035,148.02	2,500,000.00

Description on other cash paid relating to investing activities

None

**(5). Other cash received relating to financing activities**

Applicable  Not applicable

**(6). Other cash paid relating to financing activities**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Payment for share repurchase	2,584,110.55	1,657,699.80
Amount for acquisition of minority shareholder equity	100,000.00	
Total	2,684,110.55	1,657,699.80

Descriptions on other cash paid for financing-related activities:

None

**79 Supplementary information for the cash flow statement**

**(1). Supplementary information for the cash flow statement**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Supplementary information	Amount in the current period	Amount in the last period
<b>1. Operating cash flow adjusted from net profits:</b>		
Net profit	451,609,554.23	366,368,199.47
Add: Impairment provisions of assets	23,908,722.39	8,542,539.16
Credit impairment losses	28,234,605.50	27,139,408.88
Depreciation of fixed assets, oil and gas assets, and productive biological assets	41,946,043.10	35,243,126.99
Amortization of right-of-use assets		
Amortization of intangible assets	14,982,350.71	14,015,243.08
Amortization of long-term prepaid expenses	30,864,025.47	25,913,102.37
Losses from disposal of fixed assets, intangible assets and other long-term assets (“-” refers to gains)	-854.57	-43,245.67

Losses from retirement of fixed assets (“-” refers to gains)	4,113.95	4,831.73
Losses from changes in fair value (“-” refers to gains)		
Financial expenses (“-” refers to income)	9,190,674.26	8,538,736.81
Investment losses (“-” refers to gains)	-1,769,391.50	-2,123,024.87
Decrease in deferred income tax assets (“-” refers to increase)	-3,045,810.03	-5,115,103.48
Increase in deferred income tax liabilities (“-” refers to decrease)	1,742,094.07	2,216,088.09
Decrease in inventories (“-” refers to increase)	-174,795,286.43	-103,933,904.36
Decrease in operating receivables (“-” refers to increase)	-145,846,608.97	-163,773,517.84
Increase in operating payables (“-” refers to decrease)	48,171,169.04	864,996.98
Others	6,354,707.92	22,103,851.00
Net cash flow generated from operating activities	331,550,109.14	235,961,328.34
<b>2. Major investment and financing activities involving no cash deposit and withdrawal:</b>		
Debts converted to capital		
Convertible company bonds due within one year		
Fixed assets acquired under financing leases		
<b>3. Net change in cash and cash equivalents:</b>		
Closing balance of cash	1,401,850,754.88	1,099,092,785.07
Less: Opening balance of cash	1,099,092,785.07	1,126,866,649.39
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	302,757,969.81	-27,773,864.32

## (2). Net cash amount paid for the acquisition of subsidiaries in the current period

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

	Amount
Cash or cash equivalents paid for the business combination of the current period in the current period	
Less: Cash and cash equivalents held by the subsidiaries	66,052,759.40

on the acquisition date	
Where: Shanghai Healthlong Biochemical Technology Co., Ltd.	66,052,759.40
Add: Cash or cash equivalents paid in the current period for the consolidation in the previous periods	
Net cash paid for acquiring subsidiaries	-66,052,759.40

Other particulars:

In the current period, the capital increase of RMB 110,500,000 was made, by the Company, to Shanghai Healthlong Biochemical Technology Co., Ltd. to acquire its 52% equity, and the cash and cash equivalents held by Shanghai Healthlong Biochemical Technology Co., Ltd. on the acquisition date were listed in “other cash received relating to investing activities”.

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

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

	Amount
Cash or cash equivalents received in the current period from the disposal of subsidiaries in the current period	2,445,612.19
Where: Huzhou Tizhi Cosmetics Co., Ltd.	2,445,612.19
Less: Cash and cash equivalents held by the subsidiaries on the date of losing the control	3,480,760.21
Where: Huzhou Tizhi Cosmetics Co., Ltd.	3,480,760.21
Add: Cash or cash equivalents received in the current period from the disposal of subsidiaries in the previous periods	
Net cash received from disposal of subsidiaries	-1,035,148.02

Other particulars:

The net cash was listed in “other cash paid relating to investing activities”.

### (4). Composition of cash and cash equivalents

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash	1,401,850,754.88	1,099,092,785.07
Where: Cash on hand	26,853.58	42,499.65
Bank deposits readily available for payment	1,368,515,531.05	1,090,478,757.15
Other cash and equivalents readily available for payment at any time	33,308,370.25	8,571,528.27
Due from central bank available for payment		
Due from placements with banks and other financial institutions		
Call loan to banks and other financial institutions		

II. Cash equivalents		
Where: Bond investment due in 3 months		
III. Closing balance of cash and cash equivalents	1, 401, 850, 754. 88	1, 099, 092, 785. 07
Where: Cash and cash equivalents the use of which by the parent company or any subsidiary of the Group is limited		

The amount of trade bills transferred by endorsement, involving no cash payment and expenses

Item	Amount in the current period	Balance in last period
Amount of trade bills transferred by endorsement	12, 176, 952. 00	58, 796, 965. 82
Where: Payment of goods	12, 176, 952. 00	58, 796, 965. 82

Other particulars:

√ Applicable  Not applicable

Supplementary information of cash flow statement

Time	Balance of monetary capital	Cash and cash equivalents	Amount difference	Causes of difference
31 December 2020	1, 416, 654, 640. 93	1, 401, 850, 754. 88	14, 803, 886. 05	The margin for fixed-term deposits of transformer was RMB 293, 481. 72, the ETC vehicle deposit was RMB 69, 000. 00, the land construction deposit was RMB 7, 036, 404. 33, the L/C deposit was RMB 7, 000, 000. 00, and Tmall and Alipay deposits were RMB 405, 000. 00.
31 December 2019	1, 246, 901, 218. 99	1, 099, 092, 785. 07	147, 808, 433. 92	The margin for fixed-term deposits of transformer was RMB 293, 481. 72, the land construction deposit was RMB 6, 909, 952. 20, Tmall and Alipay deposits were RMB 605, 000. 00, and the structured deposit was RMB 140, 000, 000. 00.

**80 Notes to items of the Statements of Changes in Owners' Equity**

Description on "other" item name and adjustment amount adjusted for balance at the end of the previous year:

Applicable  Not applicable

**81 Assets with restricted ownership or use rights**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Carrying value at the end of the period	Reason for restriction
Cash and equivalents	14,803,886.05	Land construction deposit, transformer deposit, L/C deposit, Tmall deposit, Alipay deposit, etc.
Bills receivable		
Inventories		
Fixed assets		
Intangible assets		
Total	14,803,886.05	/

Other particulars:

None

**82 Foreign currency monetary items****(1). Foreign currency monetary items**

Applicable  Not applicable

Unit: Yuan

Item	Foreign currency balance at the end of the period	Translation foreign exchange rate	RMB translated at the end of the period Balance
Cash and equivalents	-	-	84,925,396.80
Where: USD	910,161.83	6.5249	5,938,714.92
EUR	9,089,403.05	8.0250	72,942,459.48
HKD	4,707,222.42	0.84164	3,961,786.68
Japanese Yen	2,080.00	0.063236	131.53
Korean Won	318,899,153.00	0.005997	1,912,438.22
Swiss franc	22,953.00	7.4006	169,865.97
Accounts receivable	-	-	2,872,452.48
Where: USD			
EUR	331,984.86	8.0250	2,664,178.50
HKD	19,218.52	0.84164	16,175.08
Korean Won	32,032,500.00	0.005997	192,098.90
Long-term borrowings	-	-	
Where: USD			
EUR			
HKD			

Accounts payable	-	-	7,486,451.74
Where: USD	6,813.05	6.5249	44,454.47
EUR	897,119.52	8.0250	7,199,384.15
HKD	288,262.35	0.84164	242,613.12
Other receivables	-	-	29,027,874.26
Where: USD	29,565.13	6.5249	192,909.52
EUR	3,485,128.23	8.0250	27,968,154.05
HKD	737,060.97	0.84164	620,339.99
Korean Won	41,099,000.00	0.005997	246,470.70
Other payables	-	-	751,958.71
Where: Korean Won	99,667,602.97	0.005997	597,706.62
EUR	16,933.33	8.0250	135,889.97
HKD	21,817.07	0.84164	18,362.12

Other particulars:

None

(2). Descriptions on overseas operating entities, including, for important overseas business entities, their main overseas business locations, accounting currency and selection basis shall be disclosed; in case of any change in the accounting currency, the reasons for such change shall be also disclosed

Applicable  Not applicable

Hapsode Co., Ltd., Hanna Cosmetics Co., Ltd. and Korea Younimi Cosmetics Co., Ltd. are located in South Korea, with business income and expenditure dominated by Korean Won, which is used as the accounting currency; Hong Kong Xinghuo Industry Limited, Hong Kong Zhongwen Electronic Commerce Co., Limited, Hong Kong Xuchen Trading Limited, HONGKONG KESHI TRADING LIMITED, BOYA (Hong Kong) Investment Management Co., Limited and Hong Kong Wanyan Electronic Commerce Co., Limited are located in Hong Kong, with RMB as the accounting currency; P.R.O CO., LTD. is located in Japan, with business income and expenditure dominated by Japanese Yen, which is used as the accounting currency.

### 83 Hedging

Applicable  Not applicable

### 84 Government grant

(1). Basic information on government grant

Applicable  Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Presentation item	Amount included in current profit and loss
Government grants related to assets	1,995,756.67	Other income	1,995,756.67
Government grants	10,202,653.51	Other income	10,202,653.51

related to income			
-------------------	--	--	--

**(2). Return of government grant**
 Applicable  Not applicable

Other particulars:

## 1) Government grants related to assets

Item	Deferred income at the beginning of the period	Amount of subsidies increased in the current period	Amortization of the current period	Deferred income at the end of the period	Amortization items in the current period	the situation
Subsidy for technological transformation of cosmetics	8,491,110.00	2,000,000.00	1,995,756.67	8,495,353.33	Other income	
Subtotal	8,491,110.00	2,000,000.00	1,995,756.67	8,495,353.33		

According to the *Notice on the Award for Technical Transformation of Proya Cosmetics Co., Ltd. Huzhou Branch* issued by the People's Government of Daixi Town, Huzhou, the Company received technical transformation subsidy of RMB 14,561,400.00 from the Government of Daixi Town in 2014, relevant assets were allocated equally within the service life, and RMB 1,456,140.00 was included in the other income in the current period.

According to the *Notice on Issuing Construction and Development Fund (First Batch) for Powerful Industrial City in 2015* (HCQ [2015] No. 150) issued by Huzhou Finance and Huzhou Economy and Information Bureau, the technical transformation subsidy of RMB 2,350,000.00 was appropriated by Huzhou Finance in 2015, relevant assets were allocated equally within the service life, and RMB 235,000.00 was included in the other income in the current period.

According to the *Notice on Issuing Special Funds (Second Batch) for "Machine Substitution for Humans" Project in 2014* (WFG [2015] No. 18) issued by Development and Reform Commission of Wuxing District, Huzhou and Finance Bureau of Wuxing District, the technical transformation subsidy of RMB 500,000.00 was appropriated by Finance Bureau of Wuxing District, Huzhou in 2015, relevant assets were allocated equally within the service life, and RMB 50,000.00 was included in the other income in the current period.

According to the *Notice on Issuing Special Funds (Second Batch) for Industrial Development in Huzhou in 2018* (HCQ [2018] No. 319) issued by Huzhou Finance and Huzhou Economy and Information Bureau, the technical transformation subsidy of RMB 1,379,500.00 was appropriated by Huzhou Finance in December 2018, relevant assets were allocated equally within the service life, and RMB 137,950.00 was included in the other income in



the current period.

According to the *Notice on Appropriating Special Subsidy Fund for Demonstration Intelligent Workshop in Wuxing District in 2019* (WCQH [2020] No. 145) issued by Huzhou Finance and Development, Reform and Economic Information Technology Commission of Wuxing District, the technical transformation subsidy of RMB 2,000,000.00 was appropriated by Finance Bureau of Wuxing District, Huzhou in May 2020, relevant assets were allocated equally within the service life, and RMB 116,666.67 was included in the other income in the current period.

2) Government grants related to income, used to cover the accrued relevant costs or losses

Item	Amount	Presenta tion item	the situation
Utilization of municipal support funds for capital market in 2019	3,915,000.00	Other income	According to the <i>Supporting Opinions on Promoting the Financial Innovation and Development of "Internet Plus"</i> (XFG [2016] No. 1), it was appropriated by Xixi Sub-district Office and Liuxia Sub-district Office of the People's Government of Xihu District, Hangzhou
Enterprise scale award for municipal "Kunpeng Plan"	1,000,000.00	Other income	According to the <i>Notice on Declaration for Scale Award of Large Enterprises and Groups under "Kunpeng Plan" in 2019</i> issued by Hangzhou Municipal Bureau of Economy and Information Technology (HJXYX [2020] No. 98), it was appropriated by Hangzhou Municipal Bureau of Economy and Information Technology
Post stability subsidies	530,528.03	Other income	According to the <i>Opinions of CPC Zhejiang Provincial Committee and Zhejiang Provincial People's Government on Fight against COVID-19 as well as Stable Enterprises, Stable Economy and Stable Development, Notice of Zhejiang Province Human Resources and Social Security Department and Zhejiang Provincial Department of Finance on Implementation of the Policy for Steady Work and Refund with Unemployment Insurance in 2020, Notice on Further Implementation of the Work for Steady Work with Unemployment Insurance</i> (ZWF [2020] No. 4, ZRSF [2020] No. 10), it was appropriated by Hangzhou Employment Service Center
Special subsidy for municipal Industry and information technology, invention patent	4,757,125.48	Other income	Appropriated by Liuxia Sub-district Office of the People's Government of Xihu District, Hangzhou, Huzhou Finance, Hangzhou Finance Bureau, Finance Bureau of Qingpu District,

subsidy, special subsidy for e-commerce, financial support fund from Qingpu Finance Bureau, district subsidy for provincial leading innovation team, special subsidy for service industry, two-direct subsidy, etc.			Shanghai, Finance Bureau of Wuxing District, Huzhou, Human Resources and Social Security Bureau of Wuxing District, Huzhou, Market Supervision Administration of Xihu, Hangzhou, etc.
Subtotal	10,202,653.51		

(2) The government grant included in the current profit or loss was RMB 12,198,410.18 in the current period.

## 85 Others

Applicable  Not applicable

## VIII Change in Consolidation Scope

### 1 Consolidation not under common control

Applicable  Not applicable

#### (1). Consolidation not under common control occurring in the current period

Applicable  Not applicable

Unit: Yuan Currency: RMB

Name of acquiree	Equity acquisition time	Equity acquisition cost	Equity acquisition percentage (%)	Equity acquisition type	Date of acquisition	Basis for determining the acquisition date	Income of acquiree from the acquisition date to the end of the period	Net profit of acquiree from the acquisition date to the end of the period
Shanghai Healthlong Biochemical Technology Co., Ltd.	October 2020	110,500,000.00	52.00	Consolidation not under common control	October 2020	Completion of property right transfer and obtaining of control	181,257,879.50	-6,640,391.94

Other particulars:

None

**(2). Consolidation cost and goodwill**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Combination cost	Shanghai Healthlong Biochemical Technology Co., Ltd.
--Cash	110,500,000.00
--Fair value of non-cash assets	
--Fair value of the debts issued or assumed	
--Fair value of the equity securities issued	
--Fair value of contingent consideration	
--Acquisition-date fair value of the equity held before the acquisition date	
--Others	
Total combination cost	110,500,000.00
Less: Fair value share of the identifiable net assets acquired	79,465,838.80
Goodwill/Amount of the combination cost below fair value share of the identifiable net assets acquired	31,034,161.20

Description on determination method for fair value of combination cost, contingent consideration and its change:

None

Main reason for the formation of large-amount goodwill:

None

Other particulars:

The fair value share of the net identifiable assets acquired includes RMB 57.46 million entitled by the Company as per the shareholding ratio in the capital increase of RMB 110.5 million of the Company.

**(3). Identifiable assets and liabilities of the acquiree on the acquisition date**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

	Shanghai Healthlong Biochemical Technology Co., Ltd.	
	Fair value on the acquisition date	Carrying value on the acquisition
Assets:	171,243,990.12	171,243,990.12
Cash and equivalent	66,052,759.40	66,052,759.40
Receivables	5,746,539.14	5,746,539.14
Inventories	8,431,333.75	8,431,333.75
Fixed assets	1,298,177.42	1,298,177.42
Intangible assets	304,454.08	304,454.08
Long-term prepaid	775,036.70	775,036.70

expenses		
Prepayment	38,318,670.27	38,318,670.27
Other receivables	50,317,019.36	50,317,019.36
Liabilities:	128,925,069.36	128,925,069.36
Borrowings		
Payables	78,525,109.34	78,525,109.34
Deferred income tax liabilities		
Accounts received in advance	20,272,794.03	20,272,794.03
Other payables	16,504,326.42	16,504,326.42
Employee benefits payable	1,224,371.90	1,224,371.90
Taxes payable	12,398,467.67	12,398,467.67
Net assets	42,318,920.76	42,318,920.76
Less: Minority equity		
Net assets acquired	42,318,920.76	42,318,920.76

Determination method for fair value of identifiable assets and liabilities:

None

Contingent liabilities of acquiree assumed in the business combination:

None

Other particulars:

None

**(4). Gains or losses arising from the re-measurement of the equity held before the acquisition date as per the fair value**

Whether there is a transaction where a business combination is achieved stepwise through multiple transactions and the control is obtained within the Reporting Period

Applicable  Not applicable

**(5). Descriptions on the situation that it is unable to reasonably determine the consolidation consideration or the fair value of identifiable assets and liabilities of the acquiree on the acquisition date or at the end of the current consolidation period**

Applicable  Not applicable

**(6). Other particulars**

Applicable ✓ Not applicable

**2 Consolidation under common control**

Applicable ✓ Not applicable

**3 Reverse acquisition**

Applicable ✓ Not applicable

#### 4 Disposal of subsidiaries

Whether there is a loss of control upon a single disposal of investment to subsidiaries

Applicable  Not applicable

Unit: Yuan Currency: RMB

Name of subsidiaries	Equity disposal price	Equity disposal ratio (%)	Equity disposal method	Time point of losing the control	Basis of determination of the time point of losing the control	Balance of net assets shares of subsidiaries corresponded by disposal of price and disposal of investment at the level of consolidated financial statements	Proportion of the remaining equities on the day of losing the control (%)	Carrying value of the remaining equities on the date of losing the control	Fair value of the remaining equities on the date of losing the control	Gains or losses arising from re-measurement of the remaining equities pursuant to the fair value	Determination method and main assumption of the fair value of the remaining equities at the date of losing the control
Huzhou Tizhi Cosmetics Co., Ltd.	4,106,289.39	51.00	Sales	April 2020	Control loss upon completion of property right transfer	261,034.21					

Other particulars:

Applicable  Not applicable

## 5 Change in consolidation scope due to other reasons

Descriptions on changes in the scope of consolidated financial statements for other reasons (e.g., establishing subsidiaries, clearing subsidiaries, etc.) and their related circumstances:

√ Applicable □ Not applicable

### 1. Increase of consolidation scope

Company Name	Equity acquisition type	Equity acquisition time	Amount of contribution	Contribution ratio (%)
Hong Kong Xuchen Trading Limited	New subsidiaries	March 2020	0.00	100.00
BOYA (Hong Kong) Investment Management Co., Limited	New subsidiaries	March 2020	0.00	100.00
Proya Europe SARL	New subsidiaries	April 2020	90,685.20	100.00
Zhejiang Qingya Culture Art Communication Co., Ltd.	New subsidiaries	May 2020	550,000.00	55.00
Hangzhou Weiluohe Cosmetics Co., Ltd. [Note]	New subsidiaries	July 2020	3,907,664.00	100.00
Hangzhou Yizhuo Culture Media Co., Ltd.	New subsidiaries	July 2020	1,000,000.00	100.00
P.R.O CO., LTD.	New subsidiaries	August 2020	0.00	95.00

Hangzhou Tiedingxian Catering Management Co., Ltd.	New subsidiaries	August 2020	2,000,000.00	80.00
Hangzhou Tielexin Aini Catering Management Co., Ltd.	New subsidiaries	August 2020	500,000.00	100.00
Hangzhou Xiake Bar Catering Management Co., Ltd.	New subsidiaries	August 2020	2,500,000.00	100.00
Hangzhou Proya Snail Fitness Co., Ltd.	New subsidiaries	August 2020	1,000,000.00	100.00
Hangzhou Qingyan Cosmetics Co., Ltd.	New subsidiaries	August 2020	0.00	51.00
Hangzhou Oumisi Trading Co., Ltd.	New subsidiaries	August 2020	2,000,000.00	100.00
Huzhou Poyun Electronic Commerce Co., Ltd.	New subsidiaries	September 2020	1,200,000.00	60.00
Guangzhou Qianxi Network Technology Co., Ltd.	New subsidiaries	October 2020	1,000,000.00	100.00

[Note] Hangzhou Weiluoke Cosmetics Co., Ltd. is jointly contributed by the Company and Hong Kong Xinghuo Industry Limited, with the total amount of RMB 3,907,664.00.



## 2. Decrease of consolidation scope

Company Name	Equity disposal method	Time point of disposal of equity	Net assets on disposal date	Net profit from the beginning of the period to the disposal date
Hangzhou Qingyan Cosmetics Co., Ltd.	Cancellation	December 2020	993,316.79	-6,683.21

**6 Others** Applicable  Not applicable

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

√ Applicable □ Not applicable

Name of subsidiaries	Main place of business	Registered address	Nature of the business	Shareholding ratio (%)		Mode of acquisition
				Direct	Indirect	
Hangzhou Proya Trade Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail business	100.00		Establishment
Zhejiang Meiligu Electronic Commerce Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail business	100.00		Establishment
Huzhou Chuangdai E-commerce Co., Ltd.	Huzhou	Huzhou	Wholesale and retail business		100.00	Establishment
Hapsode (Hangzhou) Cosmetics Co., Ltd.	Hangzhou	Hangzhou	Wholesale and retail business	100.00		Establishment
Huzhou UZERO Trading Co., Ltd.	Huzhou	Huzhou	Wholesale and retail business	100.00		Establishment
Hong Kong Xinghuo Industry Limited	Hong Kong	Hong Kong	Wholesale and retail business	100.00		Establishment
HONGKONG KESHI TRADING LIMITED	Hong Kong	Hong Kong	Wholesale and retail business	52.00		Establishment
Ningbo Keshi Trading Limited	Ningbo	Ningbo	Wholesale and retail business	52.00		Establishment
Ningbo TIMAGE Cosmetics Co., Ltd.	Ningbo	Ningbo	Wholesale and retail business	61.36		Establishment
Shanghai Healthlong Biochemical Technology Co., Ltd.	Shanghai	Shanghai	Wholesale and retail business	52.00		Consolidation not under common control

Descriptions on the situation that the shareholding ratio in the subsidiary is different from the share of the voting rights:

None

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

None

Basis for controlling important structured entities included in the scope of consolidated financial statements:

None

Basis for determining whether the Company is an agent or a principal:

None

Other particulars:

None

## (2). Important non-wholly-owned subsidiaries

Applicable  Not applicable

Unit: Yuan Currency: RMB

Name of subsidiaries	Shareholding ratio of minority shareholders	Profits and losses attributable to minority shareholders in the current period	Dividends declared and distributed to minority shareholders in the current period	Minority equity balance at the end of the period
HONGKONG KESHI TRADING LIMITED	48.00%	-5,981,584.30		17,365,581.26
Ningbo Keshi Trading Limited	48.00%	-3,917,661.02		-5,614,155.64
Ningbo TIMAGE Cosmetics Co., Ltd.	38.64%	-5,345,955.31		-8,636,628.03
Shanghai Healthlong Biochemical Technology Co., Ltd.	48.00%	-3,187,388.13		70,165,693.83

Descriptions on the situation that the shareholding ratio of minority shareholders in the subsidiary is different from that of the voting rights:

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

## (3). Major financial information of important non-wholly-owned subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of subsidiaries	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
HONG KONG KESH I TRADING LIMITED	81,655,123.48		81,655,123.48	50,824,197.54		50,824,197.54	155,419,174.42		155,419,174.42	116,404,509.18		116,404,509.18
Ningbo Keshi Trading Limited	10,518,765.49		10,518,765.49	22,214,923.08		22,214,923.08	4,866,629.16	45,000.00	4,911,629.16	8,445,992.96		8,445,992.96
Ningbo TIMAGE Cosmetics Co., Ltd.	42,477,967.12	85,010.07	42,562,977.19	64,300,899.00		64,300,899.00	4,383,228.97		4,383,228.97	7,454,712.50		7,454,712.50
Shanghai Healthlong Bioc hemical Technology Co., Ltd.	163,008,518.70	3,945,885.57	166,954,404.27	20,775,875.45		20,775,875.45						

Name of	Amount accounted for in the current	Amount accounted for in the previous
---------	-------------------------------------	--------------------------------------

subsidiaries	period				period			
	Revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Revenue	Net profit	Total comprehensive income	Cash flow from operating activities
HONGKONG KESHI TRADING LIMITED	115,636,625.15	-8,183,739.30	-8,183,739.30	3,713,547.69	135,818,021.02	4,278,174.24	4,278,174.24	-13,269,802.15
Ningbo Keshi Trading Limited	11,342,789.14	-8,161,793.79	-8,161,793.79	-3,229,770.29	738,107.69	-4,534,363.80	-4,534,363.80	-235,670.94
Ningbo TIMAGE Cosmetics Co., Ltd.	176,461,811.57	-18,666,438.28	-18,666,438.28	4,907,611.95		-3,685,083.53	-3,685,083.53	794,443.17
Shanghai Healthlong Biochemical Technology Co., Ltd.	181,257,879.50	-6,640,391.94	-6,640,391.94	-72,438,611.71				

Other particulars:

None

**(4). Significant restrictions on the use of corporate group assets and the liquidation of corporate group debts**

Applicable  Not applicable

**(5). Financial support or other supports provided to structured entities included in the scope of consolidated financial statements**

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

**2 Transaction resulting in change of owner's equity proportion in subsidiaries but still in control of the subsidiaries**

Applicable  Not applicable

**(1). Description on change of owner's equity proportion in subsidiaries**

Applicable  Not applicable

Name of subsidiaries	Change date	Shareholding ratio before change	Shareholding ratio after change
Huzhou UZERO Trading Co., Ltd.	March 2020	95.00%	100.00%
Zhejiang Biyouiti Cosmetics Co., Ltd.	May 2020	100.00%	95.00%
Shanghai Zhongwen Electronic Commerce Co., Limited	September 2020	53.00%	83.00%
Hong Kong Zhongwen Electronic Commerce Co., Limited	September 2020	53.00%	83.00%
Ningbo TIMAGE Cosmetics Co., Ltd.	November 2020	55.22%	61.36%

**(2). Influence of transactions on minority shareholders' equity and equity attributable to shareholders of the parent company**

Applicable  Not applicable

Unit: Yuan Currency: RMB

	Huzhou UZERO Trading Co., Ltd.	Shanghai Zhongwen Electronic Commerce Co., Limited	Hong Kong Zhongwen Electronic Commerce Co., Limited	Ningbo TIMAGE Cosmetics Co., Ltd.
Purchase cost/disposal consideration		100,000.00		15,350,000.00
--Cash		100,000.00		15,350,000.00
--Fair value of non-cash assets				
Total purchase cost/disposal consideration		100,000.00		15,350,000.00
Less: Net assets of	-3,065,227.01	-988,996.78	-110,459.96	1,701,892.32

subsidiaries calculated as per the equity ratio of acquisition/disposal				
Difference	3,065,227.01	1,088,996.78	110,459.96	13,648,107.68
Where: Adjusted capital reserve	3,065,227.01	1,088,996.78	110,459.96	13,648,107.68
Adjusted surplus reserve				
Adjusted undistributed profits				

Other particulars

Applicable  Not applicable

On 26 May 2020, the Resolution of Shareholders Meeting of Zhejiang Biyouiti Cosmetics Co., Ltd. approved the registered capital increase of RMB 526,300 and the contribution of RMB 1.50 million by TEOH YONG WOOL, including RMB 526,300 as the paid-up capital and RMB 973,700 as the capital reserve. The difference between the share in carrying net asset of Biyouiti calculated according to the shareholding ratio of the Company after the capital increase and that before the capital increase was RMB 31,298.05 and included in the capital reserve.

### 3 Equity 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

	Balance at the end of the period/Amount accounted for in the current period	Balance at the beginning of the period/Amount accounted for in the previous period
Joint ventures:		
Total carrying value of investments	3,306,630.57	3,314,489.57
Total of the following items calculated according to the shareholding ratio		

--Net profits	-7,859.00	-882,267.90
--Other comprehensive income		
--Total comprehensive income	-7,859.00	-882,267.90
Associates:		
Total carrying value of investments	54,913,429.03	11,413,514.11
Total of the following items calculated according to the shareholding ratio		
--Net profits	-638,756.60	-1,648,070.06
--Other comprehensive income		
--Total comprehensive income	-638,756.60	-1,648,070.06

Other particulars

None

**(5). Descriptions on significant limitation of the ability of a joint venture or associate to transfer funds to the Company**

Applicable  Not applicable

**(6). Excess losses incurred by a joint venture or associate**

Applicable  Not applicable

**(7). Unrecognized commitments related to joint venture investment**

Applicable  Not applicable

**(8). Contingent liabilities related to joint venture or associate investment**

Applicable  Not applicable

**4 Important joint operations**

Applicable  Not applicable

**5 Equity in structured entities not included in the consolidated financial statements**

Descriptions on structured entities not included in the consolidated financial statements:

Applicable  Not applicable

**6 Others**

Applicable  Not applicable

**X Risks Associated with Financial Instruments**

Applicable  Not applicable



The Company's risk management objective is to achieve balance between risks and returns and minimize the negative impact of risks on our results of operations, so as to maximize interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Company's risk management is to identify and analyze the risks faced by the Company, establish appropriate baseline risk tolerance and carry out risk management, and monitor various risks in a timely and reliable manner, so as to control the risks within a limited range.

The Company is faced with different risks related to financial instruments during daily activities, mainly including credit risk, liquidity risk and market risk. The Company's management has examined and approved policies for managing these risks, which can be summarized as follows.

(I) Credit risk

Credit risk refers to the risk that may bring financial loss to one party of the financial instrument caused by the other party's failure to perform its obligations in the contract.

1. Practice of credit risk management

(1) Assessment method of credit risk

The Company, on each balance sheet date, assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition. In determining whether the credit risk has increased significantly since initial recognition, the Company takes into account the reasonable and well-founded information available without unnecessary additional costs or efforts, including qualitative and quantitative analysis based on historical data, external credit risk rating and forward-looking information. The Company determines the changes that may result in default risk of financial instruments within their expected duration by comparing the default risk of the financial instruments on the balance sheet date and the initial recognition date based on an individual financial instrument or the combined financial instruments with similar credit risk characteristics.

The Company deems that the credit risk of the financial instruments has increased significantly if any one or more of the following quantitative and qualitative standards are triggered:

1) The main quantitative standard is that the probability of default within the remaining duration on the balance sheet date has increased by more than certain proportion compared with that at the initial recognition;

2) The main qualitative standard is that there are material adverse changes occurring to the business or financial conditions of the debtor and changes in the existing or anticipated technology, market, economic or legal environment which have a material adverse effect on the debtor's ability to make repayment to the Company.

(2) Definitions of default and assets with credit impairment

If the financial instruments meet any one or more of the following conditions, the Company defines the financial assets as in default, with its standard consistent with the definition of credit impairment:

- 1) The debtor faces major financial difficulties;
- 2) The debtor breaches the governing provisions for it in the contract;
- 3) The debtor is very likely to become bankrupt or undergo 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 model 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. Refer to the particulars of VII. 5, VII. 6 and VII. 8 in "Section XI Financial Report" herein for the opening balance and closing balance reconciliation sheet of financial instrument loss provisions.

4. Credit risk exposure and credit risk concentration

The credit risk of the Company is mainly from the monetary capital and receivables. 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 at financial institutions with high credit rating; therefore, the credit risk was low.

(2) Receivables

The Company continuously carries out credit assessment on customers who trade in

credit. According to the result of credit assessment, the Company deals with the approved customers with good credit, and monitors the balance of its receivables, so as to prevent a significant risk of bad debt.

No guarantee is required as the Company only transacts with recognized and reputable third parties. Credit risk concentration is managed as per customers. As of 31 December 2020, there was certain credit risk concentration in the Company and 49.42% (31 December 2019: 56.80%) of the accounts receivable of the Company was from the customers with a balance ranking top 5. The Company had no guarantee or other credit enhancements 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 a shortage of funds of the Company when the Company is performing its obligation to settle in the form of delivery of cash or other financial assets. Liquidity risk may be from the inability to sell financial assets at fair value as soon as possible, the other party's inability to pay off its contractual debt, the debt due in advance or the inability to generate anticipated cash flow.

To control such risk, the Company applies various financing methods, such as clearing and bank loans, in appropriate combination of long and short-term financing ways to optimize the financing structure and keep the balance between financing sustainability and flexibility. The Company has obtained line of credit from several commercial banks to meet the working capital demand and capital expenditure.

Financial liabilities classified as per the remaining due date

Item	Closing balance				
	Carrying value	Undiscounted contract value	Within 1 year	1-3 years	Above 3 years
Bank loans	299,280,435.09	306,965,009.72	306,965,009.72		
Bills payable	64,580,000.00	64,580,000.00	64,580,000.00		
Accounts payable	515,832,031.27	515,832,031.27	515,832,031.27		
Other payables	75,546,323.32	75,546,323.32	75,546,323.32		

Subtotal	955,238,789.68	962,923,364.31	962,923,364.31		
----------	----------------	----------------	----------------	--	--

(Continued)

Item	Year-end balance of last year				
	Carrying value	Undiscounted contract value	Within 1 year	1-3 years	Above 3 years
Bank loans	214,305,644.20	217,020,041.44	217,020,041.44		
Bills payable	41,830,948.53	41,830,948.53	41,830,948.53		
Accounts payable	347,316,843.39	347,316,843.39	347,316,843.39		
Other payables	91,444,673.31	91,444,673.31	91,444,673.31		
Subtotal	694,898,109.43	697,612,506.67	697,612,506.67		

## (III) Market risk

Market risk refers to the risk of fluctuating fair value of the financial instruments or future cash flow due to the change of the market price. Market risk mainly includes interest rate risk and foreign exchange risk.

## 1. Interest rate risk

Interest rate risk refers to the risk of fluctuating fair value of the financial instruments or future cash flow due to the change of the market interest rate. The interest-bearing financial instruments with a fixed interest rate put the Company at the interest rate risk of fair value and those with a floating interest rate put the Company at the interest rate risk of cash flow. The Company determines the proportion of financial instruments with a fixed interest rate and 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 fluctuating fair value of the financial instruments or future cash flow due to the change of foreign exchange rate. The risk of foreign exchange rate changes 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, with the main activities valued in RMB. Therefore, the market risk of foreign exchange changes faced by the Company is not material.

See VII.82 in "Section XI Financial Report" of this report for particulars on the

foreign currency assets and liabilities of the Company at the end of the period.

## XI 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			
	Level-1 fair value measurement	Level-2 fair value measurement	Level-3 fair value measurement	Total
<b>I. Continuous fair value measurement</b>				
(I) Held-for-trading financial assets				
1. Financial assets at fair value through profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Financial asset designated as at fair value through profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(II) Other debt investments				
(III) Other equity instrument investments				
(IV) Investment real estate				
1. Land use rights used for rent				
2. Rental buildings				
3. Land use rights held and ready to be transferred after appreciation				
(V) Biological assets				
1. Consumable biological assets				
2. Productive				

biological assets				
(VI) Receivables financing			5,531,997.32	5,531,997.32
<b>Total assets continuously measured at fair value</b>			5,531,997.32	5,531,997.32
(VI) Held-for-trading financial liabilities				
1. Financial liabilities at fair value through profit or loss				
Where: Tradable bonds issued				
Derivative financial liabilities				
Others				
2. Financial liabilities designated to be measured as per fair value, with their changes included in the current profit or loss				
<b>Total liabilities continuously measured at fair value</b>				
<b>II. Non-continuous fair value measurement</b>				
(I) Assets held for sale				
<b>Total assets not continuously measured at fair value</b>				
<b>Total liabilities not continuously measured at fair value</b>				

2 Basis for determining market prices of items continuously and not continuously measured at the first-level fair value

Applicable  Not applicable

3 Qualitative and quantitative information on valuation techniques and important parameters adopted by items continuously and not continuously measured at the second-level fair value

Applicable  Not applicable

**4 Qualitative and quantitative information on valuation techniques and important parameters adopted by items continuously and not continuously measured at the third-level fair value**

Applicable  Not applicable

The fair value of the notes receivable held is determined by their nominal amount.

**5 Information on reconciliation between the beginning carrying value and the closing carrying value of items continuously measured at the third-level fair value and sensitivity analysis on unobservable parameters**

Applicable  Not applicable

**6 For items continuously measured at fair value, in case of any conversion between various levels in the current period, reasons for the conversion and policies to determine the conversion time should be provided**

Applicable  Not applicable

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

Applicable  Not applicable

**8 Particulars on fair value of financial assets and liabilities which are not measured at fair value**

Applicable  Not applicable

**9 Others**

Applicable  Not applicable

**XII Related Parties and Related-party Transactions**

**1 Particulars on the parent company of the Company**

Applicable  Not applicable

**2 Particulars on subsidiaries of the Company**

Particulars on subsidiaries of the Company are shown in the relevant notes

Applicable  Not applicable

See Note IX in Section XI of this Report for the particulars on subsidiaries of the Company.

**3 Particulars on joint ventures and associates of the Company**

For important joint ventures and associates of the Company, see the Notes for details

Applicable  Not applicable

Particulars on other joint ventures and associates which have related-party transactions with the Company in the current period or had related-party transactions with the Company in the previous period and form balances are as follows

Applicable  Not applicable

Other particulars

Applicable  Not applicable

**4 Particulars on other related parties**

Applicable  Not applicable

Name of other related parties	Relationship between other related parties and
-------------------------------	--

	the Company
Chu Xiuqi	Others
Zhejiang Yueqing Rural Commercial Bank Company Limited	Others
Huzhou Meizhuang Town Science and Technology Incubation Park Co., Ltd.	Others
Raohe Ussuri River Rice Industry Co., Ltd.	Others
China Commerce Association for General Merchandise	Others
Xiongke Culture Media (Hangzhou) Co., Ltd.	Others
Beijing Mitangpai Cosmetics Co., Ltd. [Note]	Others
Metis Info Tech (Guangzhou) Co., LTD.	Others
Hangzhou Regenovo Biotechnology., Ltd.	Others
Zhuhai Healthlong Biotechnology Co., Ltd.	Others
Shaoxing Keqiao Qingteng Culture Investment Co., Ltd.	Others
PARISEZHAN HK LIMITED	Others
EURL PHARMATICA	Others
SARL ORTUS	Others
S. A. S AREDIS	Others
Korea Youke Co., Ltd.	Others
Shanghai Youke Brand Management Co., Ltd.	Others
Pan Xiang	Others

Other particulars

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

## 5 Particulars on related-party transactions

### (1). Related-party transactions for the purchase and sales of goods and the rendering and receipt of services

Table of information on the purchase of goods/the receipt of services

√ Applicable □ Not applicable

Unit: RMB 0' 000 Currency: RMB

Related party	Related-party transaction content	Amount accounted for in the current period	Amount accounted for in the previous period
Zhuhai Healthlong Biotechnology Co., Ltd.	Procurement of goods	2,914.13	
EURL PHARMATICA [Note]	Procurement of goods	2,908.10	3,023.88



SARL ORTUS [Note]	Procurement of goods	959.72	962.16
Metis Info Tech (Guangzhou) Co., LTD.	Advertising and communication service fees	203.88	1,262.47
Hangzhou Regenovo Biotechnology., Ltd.	R&D and design fees	120.00	
S. A. S AREDIS [Note]	Procurement of goods	117.16	274.11
Shaoxing Keqiao Qingteng Culture Investment Co., Ltd.	Procurement of goods	54.08	
Beijing Mitangpai Cosmetics Co., Ltd.	Procurement of goods	10.00	
Xiongke Culture Media (Hangzhou) Co., Ltd.	Consulting fees, video production services	0.53	164.18
China Commerce Association for General Merchandise	Membership fee	0.50	0.50
PARISEZHAN HK LIMITED [Note]	Procurement of goods		8,198.96
Korea Youke Co., Ltd.	Procurement of goods		744.54
Raohe Ussuri River Rice Industry Co., Ltd.	Purchase of rice		7.49

[Note] The Company and PARISEZHAN HK LIMITED entered into the *Investment Cooperation Contract* and a Supplementary Agreement (hereinafter collectively referred to as “Investment Agreement”) in 2019. According to the Investment Agreement, the Parties will jointly found HONGKONG KESHI TRADING LIMITED, to which PARISEZHAN HK LIMITED and its shareholders agree to transfer its brand agency services (including Boiron and Puressentiel), cross-border e-commerce business, online Tmall International Store, etc. After founding HONGKONG KESHI TRADING LIMITED, the Parties completed the business handover and transferred the online store to HONGKONG KESHI TRADING LIMITED for operation. Before completion of the change of registration information of the store, HONGKONG KESHI TRADING LIMITED carries out sales through the online store, with the payment for goods and promotion expenses collected and paid by PARISEZHAN HK LIMITED. PARISEZHAN HK LIMITED has collected the sales volume of RMB 10,296,200 through the online store and paid the store promotion expenses of RMB 675,300 in the current period.

Meanwhile, pursuant to the investment agreement, PARISEZHAN HK LIMITED agreed that the business of EURL PHARMATICA, SARL ORTUS and S. A. S AREDIS controlled by PARISEZHAN

HK LIMITED and its shareholders would be transferred into HONGKONG KESHI TRADING LIMITED within 12 months from the date of officially becoming a shareholder of HONGKONG KESHI TRADING LIMITED (subject to the industrial and commercial registration), and EURL PHARMATICA, SARL ORTUS and SARL ORTUS would no longer engage in business competing with the Company and HONGKONG KESHI TRADING LIMITED. As at 31 December 2020, EURL PHARMATICA, SARL ORTUS and S.A.S AREDIS have not transferred related business to HONGKONG KESHI TRADING LIMITED due to overseas COVID-19 pandemic situation, business direction adjustment of the Company, etc.

Table of information on the sale of goods/the rendering of services

Applicable  Not applicable

Unit: RMB 0' 000 Currency: RMB

Related party	Related-party transaction content	Amount accounted for in the current period	Amount accounted for in the previous period
Shanghai Youke Brand Management Co., Ltd.	Sales of goods	5,672.40	
Korea Youke Co., Ltd.	Sales of goods	630.03	813.22
Beijing Mitangpai Cosmetics Co., Ltd.	Sales of goods, agent operation services	224.53	139.44
Shaoxing Keqiao Qingteng Culture Investment Co., Ltd.	Sales of goods	0.71	
PARISEZHAN HK LIMITED	Sales of goods		248.09

Particulars on related-party transactions for the purchase and sales of goods and the rendering and receipt of services

Applicable  Not applicable

**(2).Particulars on related-party entrusted management/contracting and entrusting management/outsourcing**

Table of information on the Company's entrusted management/contracting:

Applicable  Not applicable

Particulars on related-party entrusting/contracting

Applicable  Not applicable

Table of information on the Company's entrusting management/outsourcing

Applicable  Not applicable

Particulars on related-party management/outsourcing

Applicable  Not applicable

**(3).Particulars on related-party leases**

The Company as the lessor:

Applicable  Not applicable

The Company as the lessee:

Applicable  Not applicable

Unit: RMB 0' 000 Currency: RMB

Name of lessor	Types of leased assets	Rental fee recognized in the current period	Rental fee recognized in the previous period
Huzhou Meizhuang Town Science and Technology Incubation Park Co., Ltd.	Plant	65.26	42.64

Descriptions on related-party leases

Applicable  Not applicable

#### (4).Particulars on related-party guarantees

The Company as a guarantor

Applicable  Not applicable

The Company as a guaranteed party

Applicable  Not applicable

Descriptions on related-party guarantees

Applicable  Not applicable

#### (5).Related-party fund lending

Applicable  Not applicable

#### (6).Particulars on related-party asset transfer and debt restructuring

Applicable  Not applicable

#### (7).Compensation of key management personnel

Applicable  Not applicable

Unit: RMB 0'000 Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Compensation of key management personnel	734.87	731.15

#### (8).Other related-party transactions

Applicable  Not applicable

The Company and its subsidiaries have opened bank accounts in Zhejiang Yueqing Rural Commercial Bank Company Limited and collected the interest on deposit according to the market interest rate.

(1) Deposit in related-party bank

Unit: RMB 0'000

Related party	Related-party transaction content	Closing balance	Opening balance
---------------	-----------------------------------	-----------------	-----------------

Zhejiang Yueqing Rural Commercial Bank Company Limited	Cash at bank	14,390.77	12,149.26
---	--------------	-----------	-----------

## (2) Interest collection from related party

Unit: RMB 0'000

Related party	Related-party transaction content	Amount in the current period	Balance in last period
Zhejiang Yueqing Rural Commercial Bank Company Limited	Interest income	593.97	513.91

**6 Receivables from and payables to related parties****(1). Receivables**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Related party	Closing balance		Opening balance	
		Carrying balance	Bad debt provisions	Carrying balance	Bad debt provisions
Accounts receivable					
	Beijing Mitangpai Cosmetics Co., Ltd.			1,436,213.74	71,810.69
Subtotal				1,436,213.74	71,810.69
Prepayment					
	Zhuhai Healthlong Biotechnology Co., Ltd.	21,432,452.28			
	Huzhou Meizhuang Town Science and Technology Incubation Park Co., Ltd.	44,000.00		1,000.00	
	Shanghai Youke Brand Management Co., Ltd.	39,150.95			
	EURL PHARMATICA [Note]			16,860,085.06	
	Xiongke Culture Media			5,300.00	

	(Hangzhou) Co., Ltd.				
Subtotal		21,515,603.23		16,866,385.06	
Other receivables					
	EURL PHARMATICA [Note]	24,167,639.75	1,208,381.99	5,004,666.01	250,233.30
	Huzhou Meizhuang Town Science and Technology Incubation Park Co., Ltd.	132,568.20	61,770.46	132,568.20	34,128.41
	Pan Xiang	75,000.00	22,500.00	75,000.00	3,750.00
	Beijing Mitangpai Cosmetics Co., Ltd.			27,000.00	1,350.00
Subtotal		24,375,207.95	1,292,652.45	5,239,234.21	289,461.71

[Note] The item EURL PHARMATICA refers to the consolidated statistics of EURL PHARMATICA, PARISEZHAN HK LIMITED, SARL ORTUS and S. A. S AREDIS under the control of the same person.

## (2). Payables

√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Items	Related party	Carrying balance at the end of the period	Carrying balance at the beginning of the period
Accounts payable			
	Metis Info Tech (Guangzhou) Co., LTD.	99,718.88	
	S. A. S AREDIS	263,358.19	
	Huzhou Meizhuang Town Science and Technology Incubation Park Co., Ltd.		126,303.38
Subtotal		363,077.07	126,303.38
Contract liabilities			
	Shanghai Youke Brand Management Co., Ltd.	34,200.00	

Subtotal		34,200.00	
----------	--	-----------	--

**7 Related-party commitments**

Applicable  Not applicable

**8 Others**

Applicable  Not applicable

**XIII Share-based payments****1 Overall situation of share-based payment**

Applicable  Not applicable

Unit: Share Currency: RMB

Total amount of equity instruments granted by the Company in the current period	Not applicable
Total amount of equity instruments exercised by the Company in the current period	
Total amount of equity instruments invalid in the Company in the current period	152,635
Range of the exercise price for outstanding share options of the Company at the end of the period, and the remaining contract term	Not applicable
Range of the exercise price for other outstanding equity instruments of the Company at the end of the period, and the remaining contract term	The grant price of the granted restricted shares is RMB 17.95/share, with the term of 60 months from the grant date.

## Other particulars

On 12 July 2018, according to the *Proposal on the Restricted Share Incentive Plan of the Company in 2018 (Draft) and Its Summary* reviewed and adopted at the First Extraordinary General Meeting of the Company in 2018 and to the Incentive Plan, the Company proposed to grant no more than 1.4672 million restricted shares to incentive objects, where 1.2011 million stocks would be initially granted and 266,100 stocks would be reserved. The initial grant date of the restricted shares is 12 July 2018, the incentive objects include senior management, middle management and backbone employees working for the Company (excluding the independent directors and supervisors, the shareholder or actual controller severally or jointly holding more than 5% shares in the Company and its spouse, parents and children), with 32 persons in total, and the grant price is RMB 17.95/share. The subject shares involved in this Incentive Plan is from the Class A ordinary shares of the Company introduced to the incentive objects by the Company. The validity period of this Incentive Plan is from the date when the registration of the grant of restricted shares was completed to the date when all the restricted shares granted to the incentive objects are exempt from restricted sales or repurchased and cancelled,

with the maximum period no more than 60 months. The granted restricted shares will be exempt from restricted sales within 36 months in three phases after 12 months of initial grant of the restricted shares, with the proportion in three phases respectively as 30%, 30% and 40%. The performance condition for exempting from restricted sales in phase 1 is that: On the basis of the operating revenue and net profit in 2017, the growth rate of operating revenue and net profit in 2018 was respectively no less than 30.8% and 30.1%. The performance condition for exempting from restricted sales in phase 2 is that: On the basis of the operating revenue and net profit in 2017, the growth rate of operating revenue and net profit in 2019 was respectively no less than 74.24% and 71.21%. The performance condition for exempting from restricted sales in phase 3 is that: On the basis of the operating revenue and net profit in 2017, the growth rate of operating revenue and net profit in 2020 was respectively no less than 132.61% and 131.99%.

On 12 July 2018, the *Proposal on Initial Grant of Restricted Shares to Incentive Objects* was reviewed and adopted at the 22<sup>th</sup> meeting of the First Session of the Board of Directors of the Company to determine 12 July 2018 as the initial grant date. Some incentive objects voluntarily waived the subscription in practice and the number of restricted shares actually granted by the Company was 1.0962 million.

On 12 December 2018, the *Proposal on Grant of Reserved Restricted Shares to Incentive Objects* was reviewed and adopted at the 3<sup>rd</sup> meeting of the Second Session of the Board of Directors of the Company to determine 12 December 2018 as the grant date of the reserved restricted shares. The incentive objects completed the subscription in practice and the number of restricted shares actually granted by the Company was 266,100.

On 30 December 2019, the *Proposal on Achievement Conditions for Exempting from Restricted Sales in Phase 1 of Initial Grant and Reserved Grant in the Restricted Share Incentive Plan in 2018* was reviewed and adopted at the 10<sup>th</sup> meeting of the Second Session of the Board of Directors of the Company to lift 369,500 restricted shares held by the incentive objects meeting the conditions for exempting from the restricted sales in phase 1, with the circulation date as 6 January 2020.

According to the *Proposal on Repurchase and Cancellation of the Restricted Shares Granted to the Incentive Objects No Longer Meeting the Incentive Conditions But Not Exempt from Restricted Sales* reviewed and adopted at the 4<sup>th</sup> meeting of the Second Session of the Board of Directors in 2019 and the First Extraordinary General Meeting in 2019, and the *Proposal on Repurchase and Cancellation of Some Equity Incentive Restricted Shares* reviewed and adopted at the 8<sup>th</sup> meeting of the Second Session of the Board of Directors

in 2019, 92,740 restricted shares were repurchased and cancelled and the repurchase cost of RMB 1,657,699.80 was paid because some incentive objects quitted the job or their performance assessment failed to meet the conditions for exempting from restricted sales of restricted shares in the current period.

On 6 July 2020, according to the *Proposal on Adjusting the Performance Assessment Indexes at Company Level in 2020 in the Restricted Share Incentive Plan in 2018 and Relevant Documents* reviewed and adopted at the Second Extraordinary General Meeting of the Company in 2020, the Company adjusted the performance assessment target in phase 3 of exempting from restricted sales in the original incentive plan to that: on the basis of the operating revenue and net profit in 2017, the growth rate of the operating revenue and net profit in 2020 is respectively no less than 110.22% and 131.99%.

The equity instruments invalid in the current period were, in accordance with the resolutions at the 15<sup>th</sup> and 16<sup>th</sup> meetings of the Second Session of the Board of Directors in 2020 and the *Proposal on Repurchase and Cancellation of Some Equity Incentive Restricted Shares* reviewed and adopted at the Third Extraordinary General Meeting in 2020, to repurchase and cancel 152,635 restricted shares and pay the repurchase cost of RMB 2,584,110.55 because some incentive objects resigned or their performance assessment failed to meet the conditions for exempting from restricted sales of restricted shares in the current period.

## 2 Particulars on equity-settled share-based payment

✓ Applicable  Not applicable

Unit: Yuan Currency: RMB

Determination method for the fair value of equity instruments on the grant date	Determined as per the stock price on the grant date and the grant price of restricted shares
Basis for determining the number of exercisable equity instruments	Determined according to the estimated performance conditions in the lifting period
Reasons for significant differences between the estimates in the current period and the previous period	Not applicable
Accumulative amount of equity-settled share-based payments included in the capital reserve	53,943,573.13
Total expenses recognized by equity-settled share-based payments in the current period	4,193,320.87

Other particulars

None



**3 Particulars on cash-settled share-based payment** Applicable  Not applicable**4 Particulars on modification and termination of share-based payment** Applicable  Not applicable**5 Others** Applicable  Not applicable**XIV Commitments and Contingencies****1 Important commitments** Applicable  Not applicable

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

In 18 October 2020, as approved by the 3<sup>rd</sup> extraordinary general shareholders' meeting in 2020, the Company was proposed to apply for public offering of A-share convertible bonds of not exceeding RMB 803,500,000, and the net amount of the funds raised for issuing of convertible bonds, net of issue expenses, will be used for the following items:

Items	Total investment (00' 000)	Raised fund to be invested
Huzhou Production Base Expansion Project	48,687.11	33,850.00
Longwu R&D Center Construction Project	21,774.45	19,450.00
Information System Upgrade Project	11,239.50	9,050.00
Additional working capital	18,000.00	18,000.00
Total	99,701.06	80,350.00

**2 Contingencies****(1). Important contingencies on the balance sheet date** Applicable  Not applicable**(2). If the Company has no important contingencies that need to be disclosed, explanation shall also be provided:** Applicable  Not applicable**3 Others** Applicable  Not applicable**XV Events after the Balance Sheet Date****1 Important non-adjusting events** Applicable  Not applicable

**2 Profit distribution**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Profits or dividends proposed to be distributed	144,804,186.00
Profits or dividends reviewed and approved to be declared for distribution	144,804,186.00

**3 Sales return**

Applicable  Not applicable

**4 Description on other events after the balance sheet date**

Applicable  Not applicable

**XVI Other Important Events****1 Correction of accounting errors in previous period****(1). Retrospective restatement method**

Applicable  Not applicable

**(2). Future application method**

Applicable  Not applicable

**2 Debt restructuring**

Applicable  Not applicable

**3 Assets replacement****(1). Non-monetary assets exchange**

Applicable  Not applicable

**(2). Other assets replacement**

Applicable  Not applicable

**4 Annuity plan**

Applicable  Not applicable

**5 Discontinued operations**

Applicable  Not applicable

**6 Segment information****(1). Basis for determining reporting segments and accounting policies**

Applicable  Not applicable

The Company has no diversified operations or trans-regional operations, so no segmental reporting is made. The breakdown of principal business income and principal business cost of the Company, by brand, was as follows:

2020

Brand	Income from main operations	Cost of principal business	Gross profit
Proya	2,985,608,479.56	986,945,516.11	1,998,662,963.45
Other brands	762,316,121.04	376,541,258.15	385,774,862.89
Subtotal	3,747,924,600.60	1,363,486,774.26	2,384,437,826.34

2019

Brand	Income from main operations	Cost of principal business	Gross profit
Proya	2,655,623,315.78	862,688,977.18	1,792,934,338.60
Other brands	460,830,325.85	257,619,910.63	203,210,415.22
Subtotal	3,116,453,641.63	1,120,308,887.81	1,996,144,753.82

**(2). Financial information of reporting segments**

Applicable  Not applicable

**(3). If the Company does not have a reporting segment, or if it cannot disclose the total assets and total liabilities of each reporting segment, the reasons shall be explained**

Applicable  Not applicable

**(4). Other particulars**

Applicable  Not applicable

**7 Other important transactions and events that have an impact on investors' decisions**

Applicable  Not applicable

**8 Others**

Applicable  Not applicable

**XVII Notes to the main items of the parent company's financial statements****1 Accounts receivable****(1). Disclosure by account age**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Account age	Carrying balance at the end of the period
Within 1 year	

Where: Subitems within 1 year	
Sub-total within 1 year	539,730,234.31
1-2 years	67,108,742.67
2-3 years	10,635,137.38
Above 3 years	
3-4 years	
4-5 years	
Above 5 years	
Total	617,474,114.36

## (2). Disclosure by accruing method for bad debt provisions

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Carrying balance		Bad debt provisions		Carrying value	Carrying balance		Bad debt provisions		Carrying value
	Amount	Percentage (%)	Amount	Accruing percentage (%)		Amount	Percentage (%)	Amount	Accruing percentage (%)	
Bad debt provisions accrued separately										
Where:										
Bad debt provisions accrued according to the combination	617,474,114.36	100.00	52,436,703.21	8.49	565,037,411.15	655,251,782.77	100.00	41,170,327.87	6.28	614,081,454.90
Where:										
Total	617,474,114.36	/	52,436,703.21	/	565,037,411.15	655,251,782.77	/	41,170,327.87	/	614,081,454.90

Bad debt provisions accrued separately:

Applicable  Not applicable

Bad debt provisions accrued according to the combination:

Applicable  Not applicable

Items of portfolio provision: Account age combination

Unit: Yuan Currency: RMB

Name	Closing balance		
	Accounts receivable	Bad debt provisions	Accruing percentage (%)
Account age combination	617,474,114.36	52,436,703.21	8.49
Total	617,474,114.36	52,436,703.21	8.49

Recognition standards and descriptions on bad debts in portfolio provision:

Applicable  Not applicable

If bad debt provisions are accrued according to the general model of expected credit losses, please refer to the disclosure on other receivables:

Applicable  Not applicable

### (3). Particulars on bad debt provisions

Applicable  Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Change of the current period				Closing balance
		Accrued	Recovere d or reversed	Resold or written-of f	Other change s	
Bad debt provisions accrued according to the combinatio n	41,170,327.87	11,477,535.56		211,160.22		52,436,703.21
Total	41,170,327.87	11,477,535.56		211,160.22		52,436,703.21

Significant bad debt provision amounts recovered or reversed in the current period:

Applicable  Not applicable

### (4). Particulars 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	211,160.22

Writing-off of significant accounts receivable

Applicable  Not applicable

**(5).Particulars on top 5 accounts receivable in terms of the balance at the end of the period based on debtors**

Applicable  Not applicable

Company name	Carrying balance	Proportion (%) of the balance of accounts receivable	Bad debt provisions
Zhejiang Meiligu Electronic Commerce Co., Ltd.	194,757,806.35	31.54	9,737,890.32
Hangzhou Proya Trade Co., Ltd.	164,236,582.96	26.60	8,211,829.15
Huzhou UZERO Trading Co., Ltd.	105,627,945.58	17.11	18,370,228.37
Huzhou Chuangdai E-commerce Co., Ltd.	57,196,907.32	9.26	2,859,845.37
Hangzhou Proya Commercial Management Co., Ltd.	44,351,306.05	7.18	4,435,130.61
Subtotal	566,170,548.26	91.69	43,614,923.82

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

Applicable  Not applicable

**(7).Amount of assets and liabilities formed due to the transfer and continuous involvement of accounts receivable**

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

**2 Other receivables**

**Presented by item**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	236,585,409.48	31,800,093.90
Total	236,585,409.48	31,800,093.90

Other particulars:

Applicable  Not applicable

**Interest receivable****(1). Classification of interest receivable** Applicable  Not applicable**(2). Important overdue interest** Applicable  Not applicable**(3). Particulars on accruing of bad debt provisions** Applicable  Not applicable

Other particulars:

 Applicable  Not applicable**Dividend receivable****(1). Dividend receivable** Applicable  Not applicable**(2). Important dividend receivable with the account age over one year** Applicable  Not applicable**(3). Particulars on accruing of bad debt provisions** Applicable  Not applicable

Other particulars:

 Applicable  Not applicable**Other receivables****(1). Disclosure by account age** Applicable  Not applicable

Unit: Yuan Currency: RMB

Account age	Carrying balance at the end of the period
Within 1 year	
Where: Subitems within 1 year	
Sub-total within 1 year	225,714,864.15
1-2 years	23,059,702.19
2-3 years	35,780,461.67
Above 3 years	123,488,831.25
3-4 years	
4-5 years	
Above 5 years	
Total	408,043,859.26

**(2). Particulars on classification by amount nature** Applicable  Not applicable

Unit: Yuan Currency: RMB

Amount nature	Carrying balance at the end	Carrying balance at the
---------------	-----------------------------	-------------------------

	of the period	beginning of the period
Borrowing/lending cost	402,005,709.08	179,090,840.39
Deposit and margin	5,100,314.72	4,838,414.72
Petty cash	932,910.70	300,000.00
Others	4,924.76	421,215.83
Total	408,043,859.26	184,650,470.94

**(3). Particulars on accruing of bad debt provisions**√ Applicable  Not applicable

Unit: Yuan Currency: RMB

Bad debt provisions	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at 1 January 2020	579,944.52	14,700.00	152,255,732.52	152,850,377.04
Balance as at 1 January 2020 in the current period				
-- Transferred into Phase 2	-465,370.74	465,370.74		
-- Transferred into Phase 3		-14,700.00	14,700.00	
-- Reversed into Phase 2				
-- Reversed into Phase 1				
Accrued in the current period	7,890,983.06	2,326,853.68	8,390,236.00	18,608,072.74
Reserved in the current period				
Resold in the current period				
Written-off in the current period				
Other changes				
Balance as at 31 December 2020	8,005,556.84	2,792,224.42	160,660,668.52	171,458,449.78

Particulars on the significant changes in the carrying balance of other receivables in which changes in loss provisions occurred in the current period:

 Applicable  Not applicable



The basis for adopting the amount of bad debt provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable  Not applicable

**(4). Particulars on bad debt provisions**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Change of the current period				Closing balance
		Accrued	Recovered or reversed	Resold or written-off	Other changes	
Bad debt provisions accrued separately	152,209,232.52	8,363,936.00				160,573,168.52
Bad debt provisions accrued according to the combination	641,144.52	10,244,136.74				10,885,281.26
Total	152,850,377.04	18,608,072.74				171,458,449.78

Significant bad debt provision amounts reversed or recovered in the current period:

Applicable  Not applicable

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

Applicable  Not applicable

**(6). Particulars on top 5 other receivables in terms of the balance at the end of the period based on debtors**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Company name	Amount nature	Closing balance	Account age	Percentage (%) in the total balance at the end of the period of other receivables	Balance of bad debt provisions at the end of the period

Hapsode (Hangzhou) Cosmetics Co., Ltd.	Borrowing/lending cost	237,448,782.70	[Note 1]	58.19	159,856,503.49
Hong Kong Xinghuo Industry Limited	Borrowing/lending cost	143,782,379.19	Within 1 year	35.24	7,189,118.96
Ningbo TIMAGE Cosmetics Co., Ltd.	Borrowing/lending cost	15,849,466.68	[Note 2]	3.88	1,942,173.33
Hangzhou Property Maintenance Fund Management Center	Deposit and margin	4,708,614.72	1-2 years	1.15	1,412,584.42
Ningbo Keshi Trading Limited	Borrowing/lending cost	3,031,666.68	Within 1 year	0.74	151,583.33
Total	/	404,820,909.97	/	99.20	170,551,963.53

[Note 1] Within 1 year: RMB 65,559,502.30; 1-2 years: RMB 12,731,987.48; 2-3 years: RMB 35,731,461.67; more than 3 years: RMB 123,425,831.25.

[Note 2] Within 1 year: RMB 11,250,666.68; 1-2 years: RMB 4,598,800.00.

**(7). Receivables involving government grants**

Applicable  Not applicable

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

Applicable  Not applicable

**(9). Amount of assets and liabilities formed due to the transfer and continuous involvement of other receivables**

Applicable  Not applicable

Other particulars:

Applicable  Not applicable

**3 Long-term equity investment**

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------

	Carrying balance	Impairment provisions	Carrying value	Carrying balance	Impairment provisions	Carrying value
Investment to subsidiaries	337,957,327.24	42,500,000.00	295,457,327.24	193,493,281.61	42,500,000.00	150,993,281.61
Investments to associates and joint ventures	51,915,628.82		51,915,628.82	12,965,896.60	4,076,710.83	8,889,185.77
Total	389,872,956.06	42,500,000.00	347,372,956.06	206,459,178.21	46,576,710.83	159,882,467.38

## (1). Investment to subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Invested company	Opening balance	Increase of the current period	Decrease of the current period	Closing balance	Impairment provisions accrued in the current period	Balance of impairment provisions at the end of the period
Hangzhou Proya Trade Co., Ltd.	30,000,000.00	875,097.64		30,875,097.64		
Hanna Cosmetics Co., Ltd.	2,094,048.00			2,094,048.00		
Zhejiang Meiligu Electronic Commerce Co., Ltd.	10,000,000.00	6,383,777.51		16,383,777.51		
Yueqing Laiya Trading Co., Ltd.	1,000,000.00			1,000,000.00		
Hapsode (Hangzhou) Cosmetics Co., Ltd.	42,500,000.00			42,500,000.00		42,500,000.00
Mijing Siyu (Hangzhou) Cosmetics	18,000,000.00			18,000,000.00		

Co., Ltd.						
Huzhou UZERO Trading Co., Ltd.	4,750,000.0 0	818,795.63		5,568,795.6 3		
Huzhou Niuke Technology Co., Ltd.	3,500,000.0 0			3,500,000.0 0		
Hangzhou Proya Commercial Management Co., Ltd.	5,000,000.0 0			5,000,000.0 0		
Huzhou Younimi Cosmetics Co., Ltd.	20,308,163. 00			20,308,163. 00		
Shanghai Zhongwen Electronic Commerce Co., Limited	5,300,000.0 0	100,000.00		5,400,000.0 0		
Korea Younimi Cosmetics Co., Ltd.	5,046,455.6 1			5,046,455.6 1		
HONGKONG KESHI TRADING LIMITED	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.	552,200.00	15,350,000. 00		15,902,200. 00		
Ningbo Keshi Trading Limited	520,000.00			520,000.00		
Zhejiang Biyouti Cosmetics Co., Ltd.	10,000,000. 00			10,000,000. 00		
Ningbo Proya		4,186,374.8 5		4,186,374.8 5		

Enterprise Consulting Management Co., Ltd.						
Hangzhou Yizhuo Culture Media Co., Ltd.		1,000,000.00		1,000,000.00		
Hangzhou Oumisi Trading Co., Ltd.		2,000,000.00		2,000,000.00		
Guangzhou Qianxi Network Technology Co., Ltd.		1,000,000.00		1,000,000.00		
Zhejiang Qingya Culture Art Communication Co., Ltd.		550,000.00		550,000.00		
Hangzhou Qingyan Cosmetics Co., Ltd.		510,000.00	510,000.00			
Huzhou Poyun Electronic Commerce Co., Ltd.		1,200,000.00		1,200,000.00		
Shanghai Healthlong Biochemical Technology Co., Ltd.		110,500,000.00		110,500,000.00		
Hangzhou Weiluoke Cosmetics Co., Ltd.		500,000.00		500,000.00		
BOYA (Hong Kong) Investment Management Co., Limited						
Total	193,493,281	144,974,045	510,000.	337,957,327		42,500,000

	.61	.63	00	.24		.00
--	-----	-----	----	-----	--	-----

## (2). Investments to associates and joint ventures

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investor	Opening balance	Change of the current period								Closing balance	Balance of impairment provisions at the end of the period
		Additional investment	Withdrawn investment	Investment gains and losses recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Declaration on distribution of cash dividends or profits	Accruing of impairment provisions	Others		
I. Joint venture											
Huzhou Panrui Industrial Investment Partnership (Limited Partnership)	3,314,489.57			-7,859.00						3,306,630.57	
Sub-total	3,314,489.57			-7,859.00						3,306,630.57	
II. Associate											
Xiongke Culture Media (Hangzhou) Co., Ltd.	2,999,955.82			-14,444.47						2,985,511.35	

Beijing Mitangpai Cosmetics Co., Ltd.										
Ningbo Segu Brand Management Co., Ltd.	2,574,740.38		1,861,328.48	-713,411.90						
Jiaxing Woyong Investment Partnership (Limited Partnership)		46,000,000.00		-376,513.10					45,623,486.90	
Sub-total	5,574,696.20	46,000,000.00	1,861,328.48	-1,104,369.47					48,608,998.25	
Total	8,889,185.77	46,000,000.00	1,861,328.48	-1,112,228.47					51,915,628.82	

Other particulars:

None

#### 4 Operating revenues and operating costs

##### (1). Particulars on operating revenues and operating costs

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period		Amount accounted for in the previous period	
	Revenue	Costs	Revenue	Costs
Main operations	1,877,388,044.31	906,212,295.56	1,733,852,516.29	859,925,094.37
Other operations	73,581,174.62	12,405,049.40	36,943,357.45	10,485,667.66
Total	1,950,969,218.93	918,617,344.96	1,770,795,873.74	870,410,762.03

**(2). Particulars on revenues from contracts** Applicable  Not applicable**(3). Description on performance obligations** Applicable  Not applicable**(4). Description on apportionment to remaining performance obligations** Applicable  Not applicable

Other particulars:

None

**5 Investment income** Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Long-term equity investment income calculated by cost method		
Long-term equity investment income accounted for under the equity method	-1,112,228.47	-2,869,155.87
Investment income from disposal of long-term equity investment	-114,873.70	
Investment income from 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		
Income from wealth management products	2,266,301.37	4,653,362.83



Total	1,039,199.20	1,784,206.96

Other particulars:

None

## 6 Others

Applicable  Not applicable

### XVIII Supplementary Information

#### I Statement of non-recurring profit and loss in the current period

Applicable  Not applicable

Unit: Yuan Currency: RMB

Item	Amount	the situation
Gains or losses on disposal of non-current assets	150,560.30	
Tax returns and exemption with approval exceeding one's authority or without formal approval document		
Government subsidies included in the profits and losses of the current period (except those closely related to the Company's business and of fixed amount or fixed quantity granted in accordance with national uniform standards)	12,198,410.18	
Fund possession cost from non-financial business included in current profit or loss		
Gains arising from investment costs for acquisition of subsidiaries, associates and joint ventures less than the fair values of attributable identifiable net assets of the invested entity at the time of acquisition		
Profit and loss from exchange of non-currency assets		
Gains or losses on entrusted investment or asset management		
Provision for asset impairment due to force majeure factors, such as natural disaster		
Profit and loss from restructuring of debts		
Enterprise restructuring charge, such as expenditure on staffing, integration cost		
Profit and loss of the part exceeding fair value generated from transaction		

with unreasonable transaction price		
Net current profit and loss of subsidiary generated from enterprise merger under common control from the beginning of the period to the date of merger		
Profit and loss generated from contingencies unrelated to normal business of company		
Investment income arising from changes in fair values held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment gains on the disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, except the Company normal operations related to effective hedging business	2,266,301.37	Investment income from disposal of financial asset designated as at fair value through profit or loss
Reversal of provision for impairment of receivables and contract assets which are individually tested for impairment		
Profit and loss obtained from entrusted loans		
Profit and loss generated from fair value change of investment real estate whose subsequent measurement is conducted with fair value model		
Influences on current profit and loss of one-time adjustment to current profit or loss pursuant to the laws and regulations on tax and accounting		
Trustee fee income obtained from entrusted operation		
Other net non-operating income and expenses, other than the above items	-6,810,805.57	
Other profit and loss items conforming to the definition of non-recurring gains and losses		
Effect of income tax	-1,042,102.64	
Effect of minority equity	-688,969.45	
Total	6,073,394.19	

For non-recurring profit and loss items defined by the Company according to the Explanatory Announcement of Information Disclosure by Companies Offering Securities to

the Public No. 1 – Non-recurring Gains and Losses, and non-recurring profit and loss items listed in the Explanatory Announcement of Information Disclosure by Companies Offering Securities to the Public No. 1 – Non-recurring Gains and Losses defined as recurring profit and loss items, the reasons shall be explained.

Applicable  Not applicable

## II Return on net assets and income per share

Applicable  Not applicable

Profits during the Reporting Period	Weighted average ROE (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the company	21.82	2.37	2.37
Net profit attributable to ordinary shareholders of the company after deducting non-recurring gains and losses	21.54	2.34	2.34

## III Accounting data difference between PRC GAAP and Overseas Accounting Standards

Applicable  Not applicable

## IV Others

Applicable  Not applicable

## Section XII Directory of Documents for Future Reference

References	Financial statements signed and sealed by the Legal Representative, CFO of the Company, and the Head of the public accountant
References	Original of the audit report with the seal of the accounting firm and the signature and seal of the certified public accountant
References	Originals of all company documents and announcements publicly disclosed on the designated newspapers by CSRC in the Reporting Period

Chairman: Hou Juncheng

Date of submission approved by the Board of Directors: 21 April 2021

## Revision information

Applicable  Not applicable