Proya Cosmetics Co., Ltd.
Internal Audit Policy

Chapter I General Provisions

Article 1 To clarify the responsibilities of the Internal Audit Department and internal auditors of Proya Cosmetics Co., Ltd. (hereinafter referred to as the "Company"), regulate internal audit activities, improve the quality of internal audit work, and safeguard the lawful rights and interests of the Company and all shareholders, this Policy is formulated in accordance with the Audit Law of the People's Republic of China, the Provisions of the National Audit Office on Internal Audits, the Chinese Internal Audit Standards, other relevant laws and regulations, as well as the relevant provisions of the Articles of Association of Proya Cosmetics Co., Ltd. (hereinafter referred to as the "Articles of Association") and the Rules of Procedure for the Audit Committee of the Board of Directors of Proya Cosmetics Co., Ltd., and in light of the actual circumstances of the Company.

Article 2 This Policy applies to all departments of the Company and its subsidiaries, branches, and investee companies with significant influence. All such entities shall cooperate with the inspection and supervision by the Internal Audit Department and support the Internal Audit Department in fulfilling its duties.

Article 3 "Internal audit" herein refers to an objective activity of supervision, evaluation, and recommendation conducted by internal departments or personnel of the Company through systematic and standardized methods. It assesses the effectiveness of internal controls and risk management, the truthfulness and completeness of financial information, and the efficiency and effectiveness of business operations, thereby promoting sound corporate governance and the achievement of organizational objectives.

Article 4 "Internal control" herein refers to a process implemented by the Board of Directors, senior officers, and other relevant personnel of the Company to reasonably secure the achievement of the following objectives:

(I) Compliance of the Company's operations and management with national laws, regulations, rules, and other relevant provisions;

(II) Enhancement of the Company's operational efficiency and effectiveness;

(III) Safeguarding the Company's assets;

(IV) Ensuring the truthfulness and completeness of the Company's financial reports and other related information disclosures;

(V) Facilitating the realization of the Company's development strategy.

Article 5 The Board of Directors shall be responsible for the effective implementation of the internal control system. The Board of Directors and all its members shall ensure the truthfulness, accuracy, and completeness of information disclosed in relation to internal controls.

Chapter II Audit Organization and Personnel

Article 6 The Company establishes an Audit Committee under the Board of Directors and implements this Internal Audit Policy. The Internal Audit Department operates under the Audit Committee and is responsible for supervising the establishment and implementation of internal control policies, the truthfulness and completeness of financial information, and related matters.

The Internal Audit Department is accountable to the Audit Committee and reports its work to the Audit Committee.

Article 7 The Internal Audit Department shall maintain its independence and shall not be subordinate to or co-located with the finance department. The Audit Committee shall participate in the performance evaluation of the Head of Internal Audit.

As a rule, internal auditors shall not serve in decision-making roles within the audited entity to preserve objectivity and impartiality. Internal auditors shall have no conflict of interest with the audited entity or its principal officers in business operations. When performing an audit, internal auditors who have a direct conflict of interest with the audited entity or the matter under audit shall recuse themselves. Internal audit shall be free from interference and control in determining the audit scope, conducting audits, and reporting audit results.

Article 8 The Internal Audit Department shall be staffed with internal auditors who meet job requirements, and the department as a whole shall possess or acquire the knowledge, skills, and other capabilities required to fulfill its responsibilities. Internal auditors shall possess appropriate ethical values, professional competence, audit experience, and interpersonal skills for effective communication with others to ensure the effective conduct of internal audit work. Internal auditors shall continuously update their knowledge and enhance their professional proficiency and work capabilities through self-improvement in the course of work, continuing professional education, and training.

Article 9 The Head of the Internal Audit Department shall serve in a full-time capacity and shall possess professional backgrounds or related management work experience in auditing, accounting, economics, law, or related fields.

Article 10 Internal auditors shall observe the confidentiality principle, respect and maintain the confidentiality of any information collected for audit purposes, and refrain from using such information for personal gain or the benefit of others.

Article 11 The Internal Audit Department and internal auditors shall exercise their powers in accordance with the law, subject to protection by national laws and the Company's rules and regulations. No department or individual shall refuse, obstruct, or retaliate against internal auditors in or for the performance of their duties.

Article 12 Internal auditors shall strictly abide by the Code of Professional Ethics for Internal Auditors formulated by the China Institute of Internal Audit when performing their duties. They shall not engage in any activities that harm national interests, corporate interests, or the reputation of the internal audit profession.

Chapter III Internal Audit Responsibilities

Article 13 The Company shall establish an Internal Audit Department to be fully responsible for its internal audits. The Internal Audit Department mainly performs the following duties:

(I) Establishing and improving the Company's internal audit system;

(II) Examining and assessing the internal control policies across all internal departments, subsidiaries, and materially influential investee companies of the Company in terms of completeness, reasonableness, and effectiveness;

(III) Auditing the accounting records and other relevant economic data of all internal departments, subsidiaries, and investee companies that have a significant impact on the Company, as well as the legality, compliance, authenticity, and completeness of the financial receipts and disbursements and related economic activities reflected therein, including but not limited to financial reports, earnings forecasts, preliminary earnings announcements, and voluntarily disclosed forward-looking financial information;

(IV) Assisting in establishing and improving the anti-fraud mechanism, identifying high-risk areas and key processes, conducting fraud investigations as needed, issuing fraud risk alerts, and keeping alert to latent fraudulent activities during audits;

(V) Conducting business ethics audits annually in accordance with the audit plan;

(VI) Reporting to the Audit Committee at least quarterly on implementation of the audit plan and issues identified during internal audits;

(VII) Submitting an annual internal audit report to the Audit Committee after the end of each fiscal year;

(VIII) Monitoring remediation of internal control deficiencies by urging responsible departments to develop corrective action plans with timelines, conducting follow-up reviews, and promptly reporting significant deficiencies or risks to the Audit Committee;

(IX) Conducting inspections at least semi-annually on the following matters under the supervision of the Audit Committee, issuing inspection reports, and submitting them to the Audit Committee:

(1) Implementation of major events, including the use of raised funds, provision of guarantees, related-party transactions, high-risk investments such as securities investment and derivatives trading, provision of financial assistance, purchase or sale of assets, and external investments;

(2) Significant fund transfers of the Company, and fund transfers involving directors, senior officers, controlling shareholders, actual controllers, and their related parties. The frequency of inspections on the use of raised funds and related-party transactions may be increased based on actual circumstances.

The Audit Committee shall issue a written assessment opinion on the effectiveness of the Company's internal controls based on the internal audit report and relevant materials submitted by the Internal Audit Department, and report to the Board of Directors. If the Board of Directors or the Audit Committee determines that there are material deficiencies or significant risks in the Company's internal controls, or if material weakness is identified by the sponsor or the accounting firm in the effectiveness of the Company's internal controls, the Board of Directors shall promptly report and disclose this to the stock exchange.

The Board of Directors or its Audit Committee shall issue an annual self-assessment report on internal controls based on the evaluation report and relevant materials provided by the Internal Audit Department.

Article 14 The audited entity shall provide necessary working environment and conditions for the implementation of audits, and fulfill the following responsibilities:

(I) The audited entity is an operational entity under the Company, which can be a functional department, business division, domestic or overseas branch/subsidiary, or physical business organization related to business operations of the Company;

(II) The audited entity shall provide audit materials and office facilities requested by the audit team of the Internal Audit Department, and fully cooperate and provide support during the audit;

(III) Upon completion of the audit, a rectification schedule shall be made based on the audit findings according to the List of Audit Findings and Rectification Measures and results of rectification shall be reported.

Chapter IV Internal Audit Authorities

Article 15 To ensure that the Internal Audit Department fully performs its duties and successfully completes its tasks, it is granted the authorities to:

(I) Attend company meetings relevant to internal audits, including those on policy development, production operations, basic construction, financial reporting, and performance evaluation; participate in formulating or revising relevant policies; attend internal audit-related meetings or training organized by the Company or external entities (e.g., stock exchanges);

(II) Independently determine audit projects and subjects within its scope of responsibility, including but not limited to organizational structure, development strategy, human resources, social responsibility, corporate culture, capital activities, procurement, asset management, production and sales, R&D, engineering projects, guarantee services, business outsourcing, financial reporting, comprehensive budgeting, contract management, internal information transmission, and information systems;

(III) Unrestrictedly access all relevant documents and physical assets required for approved audit engagements, and personnel for verification, investigation, and evidence collection, without the audited entity imposing any obstruction or withholding any relevant documents;

(IV) Stop any ongoing illegal or non-compliant activity of the audited entity; temporarily seal up relevant business documents and physical assets that the audited entity may transfer, conceal, tamper with, or destroy; and, when necessary, recommend the temporary suspension of relevant personnel from their duties and report to the Company's management;

(V) Propose recommendations on corrective actions, disciplinary measures, improvement of operational management and efficiency; participate in corporate management improvement activities based on business needed;

(VI) Receive dedicated budgetary resources to ensure independent and objective audit operations.

Article 16 Based on audit findings, the Internal Audit Department may:

(I) Order the remittance of revenues and fees that should be turned over in accordance with relevant regulations within a specified time limit;

(II) Order the restitution of illegal gains within a specified time limit;

(III) Order the return of misappropriated company assets;

(IV) Require journal entry reversal and relevant account adjustments;

(V) Exercise other authorities as necessary per audit conclusions.

Chapter V Audit Procedures

Article 17 The main procedures for internal audits include the following:

(I) At the beginning of each year, the Internal Audit Department shall determine audit priorities and prepare the annual internal audit work plan based on the requirements of the Audit Committee, and submit it to the Audit Committee for review;

(II) The annual audit work plan shall include business ethics audits, which shall cover all operational sites at least once every three years;

(III) The Internal Audit Department shall determine the audit subjects and designate project leaders based on the approved annual internal audit work plan and specific circumstances. After conducting a pre-audit investigation of the audited entity, the project leader shall formulate an audit plan and determine the audit schedule, which shall be implemented upon approval by the head of internal audit;

(IV) The Internal Audit Department may conduct special audit investigations into specific matters related to the Company's economic activities by inquiring relevant departments or individuals, and report the investigation results to the Audit Committee;

(V) The Internal Audit Department may request, based on actual circumstances, the engagement of external experts or institutions, or the secondment of other internal personnel to form an audit team for the implementation of internal audit;

(VI) For each audit task, an audit notification letter specifying the audit scope, content, timeframe, and required materials shall be given to the audited entity. A general audit requires giving an advance written notice to the audited entity, and a special audit may have the audit notification letter delivered concurrently with the performance of the audit. Upon receipt of the notice, the audited entity shall make all necessary pre-audit preparations in accordance with the requirements of the audit notification letter.

(VII) During the audit, internal auditors shall obtain sufficient and appropriate audit evidence in accordance with the specific audit requirements, and carefully prepare audit working papers to document the audit process;

(VIII) After auditing the matters, the Internal Audit Department shall conduct a comprehensive analysis, prepare a draft audit report, and communicate fully with the audited entity. If the audited entity has any objection to the audit report, it may submit the objection in writing along with additional supporting documents. Upon further verification, the audit team may revise the report or maintain the original version as the case may be. After communicating with the audited entity, the audit team shall issue a formal audit report and submit it to the Audit Committee;

(IX) The audited entity shall implement the audit recommendations and formulate rectification measures. The Internal Audit Department may review how such recommendations are implemented by the audited entity when appropriate;

(X) If the audited entity has any significant objection to the audit report, it may submit a written request for re-audit to the Head of the Internal Audit Department, who shall decide whether a review is necessary. If necessary, a new audit team will be formed, and if concealment, omissions, or errors are found, a new report shall be issued.

Chapter VI File Management

Article 18 Audit files refer to historical records, which, whether carried by paper, magnetic discs, optical discs, or other media, are directly generated during internal audits or other special investigations and hold archival value. Audit files include:

(I) Annual internal audit work plan;

(II) Annual work summary;

(III) Internal audit working papers, audit evidence, and various audit materials obtained from management;

(IV) Audit reports, notifications, and conclusion reports;

(V) Instructions from leaders or opinions from other departments;

(VI) Documents from external audit firms and other external institutions;

(VII) Other documents generated during the audit.

Article 19 The Internal Audit Department shall establish confidentiality protocols for working papers and a corresponding records management policy as required by relevant laws and regulations. The requirements for archiving audit files are as follows:

(I) For each audit engagement conducted by the Internal Audit Department, an audit file must be created upon completion of the audit in accordance with applicable regulations, and properly maintained for future reference;

(II) Audit files shall be organized by category and project. One project may span multiple volumes, but multiple projects may not be merged into one volume. For projects spanning multiple years, files shall be created in the year the project is concluded;

(III) Audit files shall not be destroyed without the approval of the Audit Committee;

(IV) Electronic audit files shall be stored in the shared storage area designated by the Company (such as shared documents, public drives, or cloud storage), and shall be properly encrypted and regularly backed up;

(V) Printed audit files shall be digitized for storage wherever possible (see the preceding paragraph for storage methods). If printed audit materials must be retained (e.g., for preservation of original signatures and seals), they shall be stored in designated file cabinets of the Internal Audit Department and classified and encrypted by their sensitivity.

Audit files, working papers, and related materials shall be retained for a minimum period of 10 years.

Article 20 Access to audit files requires prior approval. For internal departments, access to audit files requires prior approval by the Vice President in charge of the requesting department and the Head of Internal Audit.

Chapter VII Internal Audit Quality Control

Article 21 The Internal Audit Department shall establish internal audit quality control policies and procedures to ensure that all internal audit activities comply with relevant national laws and regulations, the Chinese Internal Audit Standards, and the requirements of the Company's operational management.

Article 22 The Internal Audit Department shall monitor and inspect the implementation and results of internal audit quality control policies and procedures in a timely manner, promptly identify issues, and continuously improve such policies and procedures.

Article 23 The Internal Audit Department shall test and evaluate the overall effectiveness of internal audit quality through internal and external evaluations.

Article 24 Internal evaluation includes ongoing monitoring of internal audit activities, as well as periodic assessments conducted through self-evaluation or by other personnel within the organization, based on an understanding of internal audit practices and standards.

Article 25 When appropriate, the Company shall initiate an external evaluation. Such evaluation shall be conducted by a qualified third-party institution or professionals who are independent of the Company and have no actual or perceived conflicts of interest with the Company.

Article 26 The Internal Audit Department shall report the results of any external evaluation to the Audit Committee.

Chapter VIII Rewards and Punishments

Article 27 Based on the principles of conclusive evidence, objectivity and fairness, accurate conclusions, and appropriate remedies, the Internal Audit Department shall recommend disciplinary actions against entities and individuals found to have committed violations or acts of negligence during audits. Recommended actions may include without limitation to: ordering timely correction of non-compliant conduct; recommending the revocation or centralization of approval authority; recovering illicit gains; issuing circulars of criticism; recommending transfer from current positions; suggesting administrative sanctions and financial penalties. The aforementioned measures may be applied concurrently.

Article 28 For entities, directly responsible persons, and other relevant personnel who engage in any of the following behaviors in violation of this Policy, the Internal Audit Department shall recommend financial penalties or administrative sanctions in accordance with relevant policies of the Company. Upon approval by the Audit Committee and notification to the General Manager, the Company shall issue a formal disciplinary decision. If a crime is constituted, the case shall be transferred to the judicial authorities for criminal prosecution:

(I) Refusing to provide relevant documents, account books, statements, vouchers, records, and supporting materials;

(II) Providing false information, documents, account books, statements, vouchers, records, and supporting materials;

(III) Obstructing internal auditors from exercising their authority, or resisting or undermining supervisory inspections;

(IV) Retaliating against internal auditors or against personnel who cooperate with audit investigations.

Article 29 Auditors who engage in any of the following misconduct in violation of this Policy shall be subject to administrative or financial punishment by the Company upon approval by the Audit Committee. If a crime is constituted, the case shall be transferred to the judicial authorities for criminal prosecution:

(I) Abusing authority, engaging in fraud, practicing favoritism, or seeking personal gain;

(II) Neglecting duties, or disclosing confidential information of the Company, resulting in economic losses to the Company;

(III) Having any other acts that seriously deviate from or violate laws, regulations, relevant auditing standards, and the Code of Professional Ethics related to internal audit.

Article 30 The Internal Audit Department may propose commendations or rewards, subject to approval by the Audit Committee, for internal auditors who demonstrate loyalty, impartiality, objectivity, integrity, and outstanding performance, as well as for individuals who have meritoriously reported violations of financial discipline or resisted unhealthy practices.

Chapter IX Supplementary Provisions

Article 31 Matters not covered herein shall be governed by relevant national laws, regulations, normative documents, and the Articles of Association. In the event that any conflict subsequently arises between this Policy and any laws, regulations, normative documents promulgated by the state, or the Articles of Association, the provisions of such national laws, regulations, normative documents, and the Articles of Association shall prevail.

Article 32 This Policy shall take effect and be implemented upon approval by the Board of Directors of the Company.

Article 33 This Policy is subject to interpretation and amendment by the Board of Directors.

Proya Cosmetics Co., Ltd.

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