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CHICMAX

Shanghai Chicmax Cosmetic Co., Ltd.

上海上美化妝品股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2145)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Shanghai Chicmax Cosmetic Co., Ltd. (the “**Company**”) announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated 12 December 2022 (the “**Prospectus**”).

PERFORMANCE HIGHLIGHTS

	Year ended 31 December 2022	2021	Year-on-year change %
	<i>RMB in millions</i>		
Revenue	2,675.3	3,618.9	(26.1)
Gross profit	1,699.6	2,360.6	(28.0)
Profit for the year	137.1	338.8	(59.5)

FINANCIAL HIGHLIGHTS

Our revenue decreased to RMB2,675.3 million in the full year of 2022 from RMB3,618.9 million in the full year of 2021. Our gross profit decreased to RMB1,699.6 million in the full year of 2022 from RMB2,360.6 million in the full year of 2021. Our profit for the full year of 2022 was RMB137.1 million whereas our profit for the full year of 2021 was RMB338.8 million. Final dividend of RMB0.25 per share was proposed by the Board for the year ended 31 December 2022. The final dividend for the year ended 31 December 2021 of approximately RMB0.56 per share was approved by the shareholders at shareholder’s general meeting held on 2 April 2022.

EVENTS AFTER THE REPORTING PERIOD

Over-allotment Option described in the Prospectus has been partially exercised by the Overall Coordinators, on behalf of the International Underwriters, on Friday, 13 January 2023, in respect of an aggregate of 999,900 H Shares, representing approximately 2.71% of the total number of the Offer Shares initially available under the Global Offering before any exercise of the Over-allotment Option, at the Offer Price of HK\$25.20 per H Share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

We are a multi-brand cosmetics company, focusing on research and development, manufacturing and sales of skincare and maternity and childcare products. We focus on the implementation of multi-brand strategy and have remained dedicated to it since our establishment. With an operational history of more than 20 years, today we are one of the front runners in China's cosmetics industry, possessing comprehensive multi-brand development and operational capability and expertise, and we have successfully built a variety of popular cosmetic brands. Our decisive strategy originally to embark on and persist with a multi-brand strategy gives us an advantage to timely grasp market opportunities and sets us apart from our peers.

Brands and Products

We have successfully launched a couple of cosmetics brands in China, primarily including *KANS*, *One Leaf* and *Baby Elephant*, targeting various groups of consumers with different needs. We have been and will be solidifying the leading position of our three major brands to promote overall business growth.

KANS: Launched in 2003, *KANS*, being positioned as a scientific anti-aging skincare brand, focuses on addressing the evolving anti-aging needs of Asian females of various age groups and is positioned to be a go-to brand in the anti-aging skincare market, with a broad target customer base, including females aged from 25 to 40. *TIRACLE*, a core ingredient developed by us using dual strain fermentation technology, has been widely applied in products under *KANS*, which is proven to have unique efficacy in addressing certain skin issues.

In 2022, we released new series of *Copper Peptide Firming Essence*(藍酮肽系列)and *Polypeptide Collagen Softening* (紅蠻腰系列) under *KANS*. The *Copper Peptide Firming Essence* series, which is a combination of the exclusive specialized ingredient *TIRACLE PRO* and the ingredient of *Copper Peptide Firming Essence*, can more effectively stabilize and repair the skin, and mildly resist early aging. *TIRACLE PRO* and *Copper Peptide Firming Essence* cream respectively won the 「Award for Scientific and Technological Ingredient Innovation」 and the 「Award for Technological Product Innovation」 issued by CICI AWARD. The *Polypeptide Collagen Softening* series, in which collagen and peptides as well as active substances such as VC and carnosine have been added, can help achieve anti-wrinkle and firming effects through anti-oxidation, anti-glycation, promotion of collagen production, etc. The series obtained 「Top 1 in Douyin's Annual Gold Chart for Facial Care Sets」. In addition, *KANS* was awarded the 「Consumers' Preferred Skin Care Brands」 by Kantar Worldpanel.

The revenue generated from *KANS* in 2022 was RMB1,267.4 million, representing a decrease of 22.3% as compared to 2021 and accounting for 47.4% of our total revenue for the year.

We strive to consolidate the market position of *KANS* as a leading Chinese domestic scientific anti-aging brand to seize the market potential of anti-aging skincare products in China. We aim to develop more advanced technologies, as well as improve the quality and efficacy of our products under *KANS*.

One Leaf: *One Leaf* was launched in 2014. Targeting young women aged from 18 to 35, *One Leaf* blends ingredients from nature using advanced techniques, creating effective and natural skincare products.

In 2022, we started to upgrade *One Leaf* comprehensively and repositioned *One Leaf* as a clean beauty skincare brand for **skin barrier repairing** and exploring the beauty of natural plants. We are dedicated to combining active ingredients from plants with our patented technology to establish *One Leaf* as an environmental skincare brand for young consumers enabled by botanical science. *One Leaf*, together with the Shanghai Daily Chemistry Trade Association and industry experts, formulated the group standard Technical Definition and Calculation Guideline for Natural Ingredients in Cosmetics (化妝品中天然成分的技術定義和計算指南), and officially released it at the “One Leaf Clean Beauty Skincare” conference on 30 August 2022. Starting from the ingredient side, *One Leaf* joins hands with Beauty Evolution and China National Geographic in entering Longnan in Gansu to explore a Chinese ingredient – Gansu Longnan *olea europaea* leaf. Being in a unique geographical location and growth environment and having an abundance of oleuropeins, bioflavonoids and olive polyphenols cause Longnan *olea europaea* leaf to have highly effective anti-inflammatory, soothing and redness-reducing effects. On these bases, we released new series named Repair and Embellish, containing Longnan *olea europaea* leaf extract, has effects on skin barrier repairing and reducing redness.

The revenue generated from *One Leaf* in 2022 was RMB529.9 million, representing a decrease of 36.2% as compared to 2021, accounting for 19.8% of the total revenue for the year.

With increasing awareness among young consumers of clean beauty skincare, we aim to build and upgrade *One Leaf* into a leading clean beauty skincare product brand in China enabled by botanical science, catering to the younger generation’s awareness and preference for organic skincare and ecology. We plan to conduct further R&D activities on plant extraction technologies and skin barrier repairing as the core technologies for *One Leaf*.

Baby Elephant: We launched *Baby Elephant* in 2015, which is a professional maternity and childcare brand for Chinese babies and children applying technologies developed in our Japan Hondo R&D Center. Positioned as a brand to accompany each baby during its happy and healthy growth, *Baby Elephant* with “**Simple ingredients, safe and effective**” as its core, commits to using technology-based and additive-free natural ingredients.

In 2022, *Baby Elephant* launched some new products of *Ultra Protection series*, such as *Ultra Protection Shampoo*, *Ultra Protection Wash&Shampoo* and *Ultra Protection Lotion*. Based on the principle of “4S Safe and Simple Skincare Standard” created by *Baby Elephant*, they have moisturizing and soothing effects. In 2022, *Baby Elephant* won the Seventh Cherry Awards – Best Performance Award for Baby Skincare Brands and the Eighth Cherry Awards – Annual Outstanding Performance Award for Baby Bathing Brands, and was listed in the FUTURE FMCG – Annual Innovative Product Chart.

In September 2022, *Baby Elephant* made the official announcement of its new spokesperson Ziwen Wang and put forward the parenting concept of 「light childrearing」 – using the simplest ingredients to support Chinese parents to achieve 「light childrearing」, helping China’s new-generation parents and children on their growing path.

The revenue generated from *Baby Elephant* in 2022 was RMB655.1 million, representing a decrease of 24.8% as compared to 2021, accounting for 24.5% of the total revenue for the year.

We seek to maintain the leading position of *Baby Elephant* in the maternity and childcare segment in China. We intend to continue to offer skincare products suitable for the skin type of Chinese babies and children to adapt to the rising demand for high-quality maternity and childcare products. We aim to conduct R&D activities for additives-free, safe, organic, and simple products. We will devote resources to the standardization and advancement of the maternity and childcare industry.

In 2022, we primarily generated revenue from these three brands with the amount of RMB2,452.4 million, representing a decrease of 26.4% as compared to 2021, which in aggregate contributed 91.7% of our total revenue.

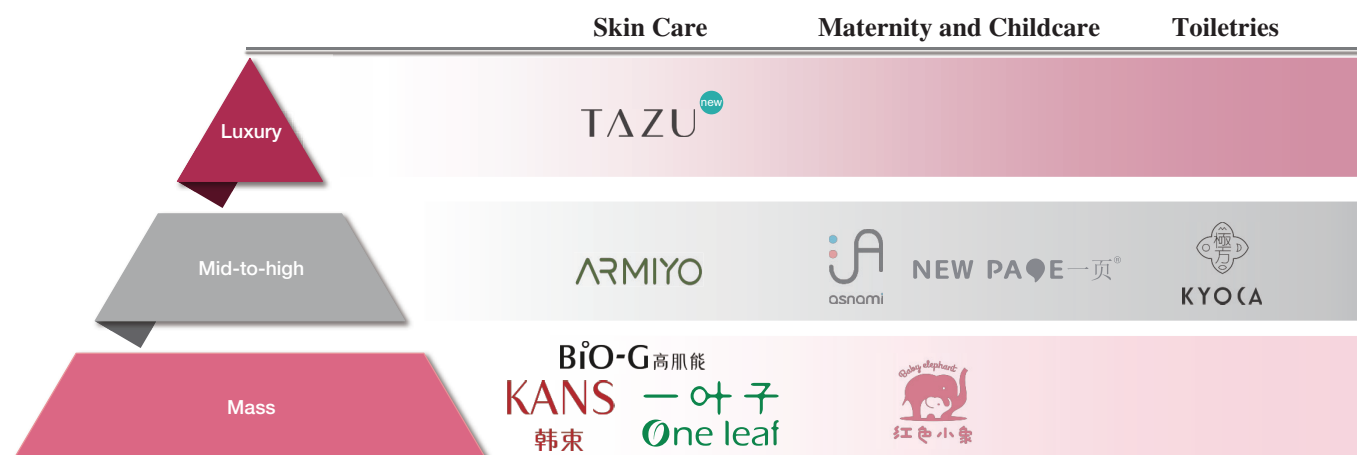
Other Brands

Leveraging our strong independent R&D capabilities and expertise in executing multi-brand strategy, we aim to continue to closely monitor the development trends of market segments, and prudently plan development of new brands targeting emerging concerns, to meet diverse consumer demands, and ultimately create more growth opportunities. To cater to the different needs of the changing market, we consistently incubate and develop new brands, targeting different groups of consumers.

We have been continuously refreshing our product portfolio through introducing new products under new brands. To address the heightened demands of consumers for high-quality functional products, we launched *BIO-G*, *asнами* and *KYOCA*, expanding our offerings for sensitive skincare, middle-to-high-end maternity skincare, and hair product categories.

In 2022, our new brands and brand pipeline included *newpage*, *ARMIYO* and *TAZU*. Our new brands *newpage* and *ARMIYO* were launched in May 2022 and June 2022, respectively. *Newpage* is positioned as a functional skincare brand focusing on sensitive skins of babies and children. *ARMIYO* is a professional skincare brand targeting sensitive skin issues cooperating with artemisinin research team. The revenue generated from *newpage* increased rapidly monthly since their launch. In 2022, the revenue generated from *newpage* exceeded RMB25.5 million. Our pipeline brand *TAZU* is positioned as a high-end anti-aging skincare brand, developed in cooperation with the scientist, Kosaku Yamada.

In 2022, our products were mainly focused on the mass market. We currently manufacture and offer skin care products, maternity and childcare products and toiletries products, with some other categories as a supplement:



Research and Development

Our strong independent R&D capabilities are critical to our success and will drive our sustainable development and innovation activities in the future. We started our independent R&D activities in 2003 and have insisted on product self-development. Our approximately 20 years of experience and expertise are underscored by our Sino-Japan dual R&D center system, which enables us to stay close to the latest technological developments in the global cosmetics industry. Our dual R&D centers are dedicated to building power platforms for advanced fundamental research and product development work. Staying close to consumers' needs, we focus on product development and new technology applications in response to the changing market. We strive to attract and cultivate talents and have formed a strong team with rich R&D experience.

We maintained high and effective R&D investment persistently. In 2021 and 2022, we incurred R&D expenses of RMB104.7 million and RMB110.3 million, respectively, accounting for 2.9% and 4.1% of our revenue, respectively.

In 2022, *KANS (Double Serum)* received the awards of *Creator Product Innovation Awards-Best Innovation on Technology* (造物者產品創新大獎 – 最佳技術創新), *One Leaf (Repair and Embellish Essence)* received the awards of *Creator Product Innovation Awards-Best Innovation Package Design* (造物者產品創新大獎 – 最佳包裝設計創新) and *Baby Elephant (Ultra Protection Cream)* received the awards of *Creator Product Innovation Awards-Best Innovation on Raw Materials (Ingredients)* (造物者產品創新大獎 – 最佳原材料創新(成分)) by TopMarketing.

Employees and Remuneration Policy

As of 31 December 2022, we had 2,572 full-time employees, 2,505 full-time employees were based in mainland China, primarily at our Shanghai headquarter and various other cities in China, and 67 full-time employees were based in Japan, where our overseas factory and R&D center located.

We recruit our employees through on-campus recruitment, job fairs, recruitment agencies and internal and external referrals. Committed to providing fair and equal opportunities in all our employment practices, we have adopted policies and procedures including candidate competency analysis models designed by third parties to ensure a fair selection and hiring process. As part of our retention strategy, we offer our employees competitive salaries, comprehensive insurance packages and merit-based incentive schemes which are generally based on performance of the individual employees and the overall performance of our business.

We provide new hire training to new joiners on our culture, business and industry improving their understanding of the Company and their abilities to perform their duties. We also regularly provide tailor-made in-house training sessions to our employees that seek to improve their technical skills or arrange for our employees to attend training sessions provided by third parties. In addition, we provide management skills training opportunities to certain employees to help them transition into a management role.

Capital Expenditures

The Group's capital expenditures of RMB60.1 million in 2022 was mainly related to the new items of property, plant and equipment amounting to RMB54.3 million, and other intangible assets amounting to RMB5.8 million.

Right-of-use Assets and Lease Liabilities

The related right-of-use assets and lease liabilities are located in China and Japan. As of 31 December 2022, the Group's right-of-use assets were RMB144.5 million (RMB161.7 million as of 31 December 2021) and its lease liabilities were RMB77.8 million (RMB95.0 million as of 31 December 2021). In 2022, depreciation charges of right-of-use assets amounted to RMB26.0 million and interest charges of lease liabilities amounted to RMB5.2 million.

OUTLOOK

Solidify the leading position of our three major brands to promote overall business growth

Our three major brands, *KANS*, *One Leaf* and *Baby Elephant*, are key to our multi-brand strategy and long-term development. In 2023, we will keep enhancing their brand awareness and maintain their attractiveness to existing and new customers.

Develop new brands to enrich our brand matrix and product portfolios

We will continue to closely monitor the development trends of market segments, and prudently plan development of new brands targeting emerging concerns, to meet diverse consumer demands, and ultimately create more growth opportunities.

Continue to invest in R&D to drive product innovations and remain responsive to market

Leveraging our advanced R&D and production capabilities in China and Japan, we will increase investments in fundamental research projects on trendy core ingredients in the skincare area, for example, anti-aging technologies, skin barrier repairing technologies. We will continue to conduct pilot projects for new brands and new products to improve consumer experience.

Enhance and expand sales and distribution networks

We plan to take the following measures to increase the breadth and depth of our channel sales to enhance the penetration of our products. We will continue to strengthen our collaboration with major e-commerce platforms such as Tmall and JD.com. Meanwhile, we plan to apply our successful experience with respect to the cooperation between *KANS* and emerging media platforms, such as Douyin and Kuaishou, to our other brands.

Looking forward, we are committed to conveying Chinese branding power to the world and promoting the brand image of Chinese domestic cosmetics products. Through developing our international R&D capabilities, business presence and brand awareness, we aim to become a world-class cosmetics group.

FINANCIAL REVIEW

Overview

We generated revenue primarily from the manufacture and sale of cosmetic products. Revenue of the Group in 2022 decreased by 26.1% to RMB2,675.3 million compared to RMB3,618.9 million in 2021 owing to factors including the domestic and foreign economic and public health situations in 2022 which in turn significantly impacted the Group's product and logistics and led to the decrease in demand in the consumer market (collectively, the "2022 Macro-environment").

Revenue by brands

	Year ended 31 December			
	2022	% of	2021	% of
	Amount	Revenue	Amount	Revenue
		Amount	Amount	Amount
	<i>(RMB in millions, except percentages)</i>			
<i>KANS</i>	1,267.4	47.4	1,631.1	45.1
<i>One Leaf</i>	529.9	19.8	830.7	23.0
<i>Baby Elephant</i>	655.1	24.5	871.2	24.1
Other brands ^(Note)	222.9	8.3	285.9	7.8
Total	2,675.3	100.0	3,618.9	100.0

Note: Other brands primarily consist of *BIO-G*, *asnami*, *KYOCA*, *newpage* and *ARMIYO*.

Our revenue attributable to *KANS* decreased by 22.3% from RMB1,631.1 million in 2021 to RMB1,267.4 million in 2022, primarily due to decrease in revenue generated from online direct sales channels in relation to the 2022 Macro-environment.

Our revenue attributable to *One Leaf* decreased by 36.2% from RMB830.7 million in 2021 to RMB529.9 million in 2022, primarily due to decrease in sales revenue from online and offline channels as a result of brand transformation and adjustment.

Our revenue attributable to *Baby Elephant* decreased by 24.8% from RMB871.2 million in 2021 to RMB655.1 million in 2022, primarily due to 2022 Macro-environment and competitive environment in the maternity and childcare industry, resulting in a decrease in sales revenue from online direct sales and online retail channels.

Revenue by sales channels

	Year ended 31 December			
	2022	% of	2021	% of
	Amount	Revenue	Amount	Revenue
		Amount		Amount
	<i>(RMB in millions, except percentages)</i>			
Online channels	2,004.8	74.9	2,697.9	74.6
Online direct sales	1,059.9	39.6	1,532.6	42.4
Sales to Online Retailers	474.8	17.7	514.0	14.2
Sales to Online Distributors	470.1	17.6	651.3	18.0
Offline channels	614.9	23.0	829.4	22.9
Sales to Offline Retailers	330.7	12.4	471.4	13.0
Sales to Offline Distributors	284.2	10.6	358.0	9.9
Others^(Note)	55.6	2.1	91.6	2.5
Total	2,675.3	100.0	3,618.9	100.0

Note: Others primarily consist of our ODM business. During the Reporting Period, we provided the OEM services to third-party cosmetics companies in order to optimize the usage of production facilities to achieve economic benefits.

Online direct sales. Revenue decreased by 30.8% from RMB1,532.6 million in 2021 to RMB1,059.9 million in 2022 primarily due to the decreased revenue generated from Tmall and Kuaishou.

Sales to online retailers. Revenue decreased by 7.6% from RMB514.0 million in 2021 to RMB474.8 million in 2022.

Sales to online distributors. Revenue decreased by 27.8% from RMB651.3 million in 2021 to RMB470.1 million in 2022, primarily due to dynamic adjustment of our online sales strategies corresponding to the significant transformation of e-commerce industry.

Sales to offline retailers. Revenue decreased by 29.8% from RMB471.4 million in 2021 to RMB330.7 million in 2022, primarily due to the changes in consumption habits.

Sales to offline distributors. Revenue decreased by 20.6% from RMB358.0 million in 2021 to RMB284.2 million in 2022, primarily due to the changes in consumption habits and channels.

Revenue by categories

	Year ended December 31			
	2022	% of	2021	% of
	Amount	Revenue	Amount	Revenue
		Amount		Amount
	<i>(RMB in millions, except percentages)</i>			
Skin Care	1,944.8	72.7	2,679.7	74.0
Maternity and childcare	706.7	26.4	901.9	24.9
Others	23.8	0.9	37.3	1.1
Total	2,675.3	100.0	3,618.9	100.0

Our revenue attributable to skin care decreased by 27.4% from RMB2,679.7 million in 2021 to RMB1,944.8 million in 2022, maternity and childcare decreased by 21.6% from RMB901.9 million in 2021 to RMB706.7 million in 2022, primarily due to multiple factors such as brand transformation and adjustment, changes in channels and consumption habits, and 2022 Macro-environment.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 28.0% from RMB2,360.6 million in 2021 to RMB1,699.6 million in 2022. Our gross profit margins were 63.5% and 65.2% in 2022 and 2021, respectively, primarily due to (i) the changes in gross profit margins of *KANS*, *One Leaf*, and *Baby Elephant*, and (ii) the promotion activities and our dynamic adjustment of our online sales.

Other Income and Gains

Our other income and gains increased by 34.4% from RMB91.4 million in 2021 to RMB122.8 million in 2022, primarily due to (i) the increase in government grants, and (ii) the increase in other gains as a result of our receipt of a compensation in relation to the enforcement of a civil judgement.

Selling and Distribution Expenses

Our selling and distribution expenses as a percentage of the Group's revenue increased to 47.0% in 2022 compared with 43.4% in 2021. The selling and distribution expenses decreased by RMB314.6 million from RMB1,572.3 million in 2021 to RMB1,257.7 million in 2022. Marketing and promotion expenses decreased by RMB185.6 million to RMB848.4 million in 2022 from RMB1,034.0 million in 2021, primarily due to the effect of multiple factors, such as the 2022 Macro-environment. Employee benefits expenses in relation to distribution work decreased by RMB84.8 million to RMB284.6 million in 2022 from RMB369.4 million in 2021. Other key expenses included transportation expenses of RMB106.9 million, travelling and entertainment expenses of RMB12.8 million and others of RMB5.0 million in 2022.

Administrative Expenses

Our administrative expenses decreased by RMB38.2 million, to RMB223.4 million in 2022 as compared to RMB261.6 million in 2021. Administrative expenses mainly comprised employee benefits expenses (including directors' emoluments) of RMB92.5 million, profession and consulting fees of RMB47.7 million, depreciation and amortisation charges of RMB40.9 million and office, utility expense of RMB25.9 million and others of RMB16.4 million in 2022.

Research and Development Costs

Our research and development costs increased by 5.3% from RMB104.7 million in 2021 to RMB110.3 million in 2022, primarily due to the increase in R&D activities.

Impairment Losses on Financial Assets, net

Our impairment losses on financial assets, net changed from RMB6.3 million in 2021 to RMB12.1 million in 2022, primarily due to the increase in impairment losses of trade receivables.

Other Expenses

Our other expenses decreased by 44.7% from RMB77.8 million in 2021 to RMB43.0 million in 2022, primarily due to decreases of inventory impairment and scrap.

Finance Costs

Our finance costs decreased by 1.9% from RMB20.9 million in 2021 to RMB20.5 million in 2022, primarily due to (i) the increase of interest on bank and other borrowings in relation to the increase of the total amount of our bank and other borrowings and (ii) the decrease in interest on lease liabilities in 2022.

Income Tax Expense

Income tax expense decreased to RMB17.2 million in 2022 as compared to RMB69.4 million in 2021. The effective tax rates of the Group in 2021 and 2022 were 17.0% and 11.1% respectively.

Profit for the Year

As a result of the foregoing, our profit for the year was RMB338.8 million and RMB137.1 million in 2021 and 2022, respectively.

Liquidity and Capital Resources

Cash generated from operating activities in 2022 was approximately RMB36.6 million (RMB335.2 million in 2021). As of 31 December 2022, the Group had cash and cash equivalents of approximately RMB1,147.7 million (RMB145.2 million as of 31 December 2021) with approximately RMB650.4 million of external bank borrowings (RMB190.1 million as of 31 December 2021).

In terms of gearing, the Group's gearing ratios (defined as total interest-bearing bank and other borrowings and lease liabilities divided by shareholders' equity) in 2021 and 2022 were 29.9% and 42.7%, respectively. The current ratios of the Group (defined as current assets divided by current liabilities) as of 31 December 2021 and 31 December 2022 were 1.2 times and 1.7 times respectively. As of 31 December 2022, the Group had no material contingent liabilities, other than those disclosed in its consolidated financial statements and the notes thereto. With the cash and bank balances in hand, the Group's liquidity position remains strong to meet its working capital requirements.

As of 31 December 2022, our interest-bearing bank and other borrowings were RMB650.4 million, which comprised of (i) secured bank loans (current) of RMB420.3 million at effective interest rates of 2.10% to 5.20% per annum and unsecured bank loans (current) of RMB100.0 million at effective interest rates of 2.55% to 3.65% per annum, (ii) the current portion of secured long-term bank loans of RMB70.0 million at effective interest rates of 4.75% to 5.39% per annum, and (iii) secured bank loans (non-current) of RMB60.1 million at effective interest rates of 4.75% per annum. Our interest-bearing bank and other borrowings increased from RMB190.1 million as of December 31, 2021 to RMB650.4 million as of December 31, 2022 mainly in response to the 2022 Macro-environment.

Pledge of Assets

As of 31 December 2022, the Group's secured short-term and long-term bank borrowings were secured by (i) machinery and buildings and right-of-use assets related to leasehold land, with carrying amounts of RMB327.4 million (RMB559.1 million as of 31 December 2021) and (ii) investment properties with a net carrying amounts values of approximately RMB9.3 million (nil as of 31 December 2021).

As of 31 December 2022, the amount of the Group's letter of credit guarantee deposits and bank guarantee deposits was RMB11.5 million (nil as of 31 December 2021).

Treasury Policies and Exposure to Fluctuations in Exchange Rates

Most of the Group's revenues are denominated in RMB as its operations are mainly located in China. As of 31 December 2022, approximately 28.5% (91.5% as of 31 December 2021) of the Group's bank balances and cash was denominated in RMB and 70% (nil as of 31 December 2021) of the Group's bank balances and cash was denominated in HKD which was proceeded from the Global Offering. The remaining 1.5% (8.5% as of 31 December 2021) was denominated in United States Dollars or Japanese Yen. The Group continues to adopt a conservative approach in its foreign exchange exposure management. For the year ended 31 December 2022, the Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group reviews its foreign exchange risks periodically and uses derivative financial instruments to hedge against such risks when necessary.

FINANCIAL INFORMATION

The Board announces the consolidated annual results of the Group for the year ended 31 December 2022, with comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Revenue	4	2,675,331	3,618,882
Cost of sales		(975,699)	(1,258,243)
Gross profit		1,699,632	2,360,639
Other income and gains		122,768	91,422
Selling and distribution expenses		(1,257,691)	(1,572,275)
Administrative expenses		(223,388)	(261,720)
Research and development costs		(110,283)	(104,749)
Impairment losses on financial assets, net		(12,054)	(6,303)
Other expenses		(43,049)	(77,807)
Finance costs	6	(20,474)	(20,934)
Share of profits and losses of associates		(1,229)	(149)
Profit before tax	5	154,232	408,124
Income tax expense	7	(17,152)	(69,353)
Profit for the year		137,080	338,771
Attributable to:			
Owners of the parent		147,104	338,887
Non-controlling interests		(10,024)	(116)
		137,080	338,771
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For profit for the year	8	RMB0.41	RMB0.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year	<u>137,080</u>	<u>338,771</u>
Other comprehensive income		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(955)</u>	<u>(8,264)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(955)</u>	<u>(8,264)</u>
Total comprehensive income for the year	<u>136,125</u>	<u>330,507</u>
Attributable to:		
Owners of the parent	<u>146,149</u>	<u>330,623</u>
Non-controlling interests	<u>(10,024)</u>	<u>(116)</u>
	<u>136,125</u>	<u>330,507</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		601,251	636,428
Investment properties		9,286	10,523
Prepayments, other receivables and other assets		16,748	19,890
Right-of-use assets		144,494	161,662
Other intangible assets		19,424	18,226
Investments in associates		1,797	1,646
Deferred tax assets		100,501	103,078
		<hr/>	<hr/>
Total non-current assets		893,501	951,453
CURRENT ASSETS			
Inventories	<i>10</i>	518,113	621,201
Trade and bills receivables	<i>11</i>	373,985	374,874
Prepayments, other receivables and other assets		200,860	181,827
Pledged deposits		11,500	–
Cash and cash equivalents		1,147,708	145,208
		<hr/>	<hr/>
Total current assets		2,252,166	1,323,110
CURRENT LIABILITIES			
Trade payables	<i>12</i>	424,150	565,961
Other payables and accruals		235,722	413,249
Interest-bearing bank and other borrowings		590,278	59,970
Lease liabilities		26,890	21,896
Tax payable		36,690	39,053
		<hr/>	<hr/>
Total current liabilities		1,313,730	1,100,129
NET CURRENT ASSETS			
		938,436	222,981
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,831,937	1,174,434
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	50,939	73,080
Interest-bearing bank and other borrowings	60,089	130,089
Other payables	14,264	16,227
	<hr/>	<hr/>
Total non-current liabilities	125,292	219,396
	<hr/>	<hr/>
Net assets	1,706,645	955,038
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	396,958	360,000
Reserves	1,308,128	589,979
	<hr/>	<hr/>
	1,705,086	949,979
	<hr/>	<hr/>
Non-controlling interests	1,559	5,059
	<hr/>	<hr/>
Total equity	1,706,645	955,038
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Shanghai Chicmax Cosmetic Co., Ltd. (the “Company”) is a limited company incorporated in the People’s Republic of China on 11 June 2004. The registered office is located at Room 701, No.515 Yinxiang Road, Nanxiang Town, Jiading District, Shanghai, Mainland China. The Company was restructured from a limited company to a joint-stock company on 15 December 2020. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 December 2022.

In the opinion of the directors, the controlling shareholder is Mr. Lyu Yixiong.

During the year, Shanghai Chicmax Cosmetic Co., Ltd. and its subsidiaries (the “Group”) were principally involved in the following activities: research and development, production and sales of cosmetics.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. Operating segment information

(a) Revenue from external customers

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Mainland China	2,656,680	3,587,706
Other countries/regions	18,651	31,176
	<u>2,675,331</u>	<u>3,618,882</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
Mainland China	726,882	787,081
Japan	66,118	61,864
	<u>793,000</u>	<u>848,945</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

4. Revenue

An analysis of the Group's revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers		
Sales of goods	2,666,649	3,606,750
Transportation services	8,682	12,132
	<u>2,675,331</u>	<u>3,618,882</u>

(a) Disaggregated revenue information

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of goods or services		
Sales of goods	2,666,649	3,606,750
Transportation services	8,682	12,132
	<u>2,675,331</u>	<u>3,618,882</u>

Timing of revenue recognition

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Goods transferred at a point in time	2,666,649	3,606,750
Services transferred over time	8,682	12,132
	<u>2,675,331</u>	<u>3,618,882</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the current reporting period:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of goods	<u>81,120</u>	<u>128,937</u>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon receipt of the goods by customers or delivery of goods, and the payment period is generally uncertain, except for certain major customers where payment is due within 60 to 90 days from receipt.

4. Revenue (continued)

(b) Performance obligations (continued)

Transportation services

The performance obligation is satisfied over time as services are rendered. Transportation services are for periods of within one month, and are billed based on the time incurred.

As at the end of the reporting period, the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are immaterial and all the amounts are expected to be recognised as revenue within one year.

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Cost of inventories sold		975,699	1,258,243
Depreciation of property, plant and equipment		63,272	61,240
Depreciation of right-of-use assets		25,994	24,112
Amortisation of intangible assets		3,669	2,227
Wages and salaries		334,713	418,537
Pension scheme contributions, social welfare and other welfare		112,991	111,937
Share-based compensation expense		(886)	41,440
Foreign exchange differences		4,552	5,152
Marketing and promotion expenses		848,428	1,034,045
Inventory impairment and scrap		33,546	66,861
Interest expense	6	20,474	20,934
Impairment losses on financial assets, net		12,054	6,303
Loss/(gain) on disposal of items of property, plant, and equipment		44	(1,651)
Listing expenses		33,747	10,310
Auditors' remuneration		2,600	–

6. Finance costs

An analysis of finance costs is as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
Interest on bank and other borrowings	15,264	14,765
Interest on lease liabilities	5,210	6,169
	20,474	20,934

7. Income tax expense

	2022 RMB'000	2021 <i>RMB'000</i>
Current – PRC	11,431	21,028
Current – other jurisdictions	3,145	1,376
Deferred tax	2,576	46,949
Total tax charge for the year	17,152	69,353

8. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 361,012,547 (2021:360,000,000) in issue during the year.

The Group had no potentially dilutive shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic earnings per share is based on:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>147,104</u>	<u>338,887</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	361,012,547	360,000,000
Basic and diluted earnings per share (RMB)	<u>0.41</u>	<u>0.94</u>

9. Dividends

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Proposed final – RMB0.25 (2021: approximately RMB0.56) per ordinary share	<u>99,489</u>	<u>200,000</u>

At shareholder's general meeting held on 2 April 2022, the Company declared cash dividend of RMB200 million to all shareholders for the year ended 31 December 2021. All the dividend has been paid before November 2022.

The proposed final dividend for the year ended 31 December 2022 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. Inventories

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Raw materials	99,564	127,579
Work in progress	20,069	21,826
Finished goods	<u>398,480</u>	<u>471,796</u>
	<u>518,113</u>	<u>621,201</u>

11. Trade and bills receivables

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	400,942	391,007
Bills receivable	7,240	10,288
Impairment	(34,197)	(26,421)
	<hr/>	<hr/>
Trade and bills receivables, net	373,985	374,874
	<hr/> <hr/>	<hr/> <hr/>

The Group's trading terms with its customers are mainly payment in advance, except for certain major customers, where is normally on credit. The credit period is generally due within 45 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. Bills receivable are non-interest-bearing and have a maturity period ranging from 1 to 180 days for the financial years ended 31 December 2021 and 31 December 2022.

As at 31 December 2022 and 2021, the bills receivable with right of recourse of the Group were RMB7,240,000 and RMB9,788,000, respectively, were paid to certain of its suppliers in order to settle the trade payables due to some suppliers. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such endorsed bills, and accordingly, it continued to recognise the full carrying amounts of the endorsed bills and the associated trade payables settled. The expected credit losses rate for bills receivable is assessed to be immaterial, and thus the loss allowance is immaterial.

An ageing analysis of the Group's trade receivables and bills receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	342,581	369,114
1 – 2 years	31,404	5,760
	<hr/>	<hr/>
	373,985	374,874
	<hr/> <hr/>	<hr/> <hr/>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	26,421	42,782
Impairment losses, net	13,133	4,752
Amount written off as uncollectible	(5,357)	(21,113)
	<hr/>	<hr/>
At end of year	34,197	26,421
	<hr/> <hr/>	<hr/> <hr/>

12. Trade payables

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	423,400	557,988
Over 1 year	<u>750</u>	<u>7,973</u>
	<u>424,150</u>	<u>565,961</u>

The trade payables are non-interest-bearing and are normally settled within 6 months.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) on 22 December 2022 (the “**Listing Date**”). Since the Company’s Shares (the “**Shares**”) were listed on the Stock Exchange on the Listing Date, the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) is only applicable to the Company since the Listing Date. The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company (the “**Shareholders**”) as a whole. Following the Listing, the Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as its own code of corporate governance practices.

The Board is of the view that during the period from the Listing Date to 31 December 2022, the Company has complied with all the applicable code provisions as set out in the CG Code, except for Code Provision C.2.1 described below. The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

Code Provision C.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lyu Yixiong is both the chairman of the Board and the chief executive officer of the Company. Notwithstanding the deviation from Code Provision C.2.1 of the CG Code, given Mr. Lyu Yixiong’s extensive knowledge and experience of the Group’s business, the Board considers that vesting the roles of both chairman of the Board and chief executive officer of the Company in the same person brings the benefit of ensuring consistent leadership within the Group and enabling more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and efficiently.

The Board will nevertheless continue to review the structure from time to time and consider the appropriate move to take when appropriate.

Compliance with the Model Code

Since the Company’s Shares were listed on the Stock Exchange on the Listing Date, the provisions regarding compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules are only applicable to the Company since the Listing Date.

Following the Listing, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the supervisors of the Company (the “**Supervisors**”), and the Group’s employees who, because of his/her office or employment, are likely to possess inside information in relation to the Group or the Company’s securities. Specific enquiries have been made to all Directors and Supervisors and the Directors and Supervisors have confirmed that they have complied with the Model Code during the period from the Listing Date to 31 December 2022.

No incident of non-compliance of the Model Code by the employees was noted by the Company for the Reporting Period.

Purchase, Sale or Redemption of the Company's Securities

During the period from the Listing Date to 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Material Litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period.

Use of Net Proceeds

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Global Offering in the amount of approximately HK\$859.7 million⁽¹⁾ after deducting underwriting commissions and all related expenses. The following table sets forth the Company's use of the proceeds from the Listing and the planned timetable as of 31 December 2022.

	Approximate percentage of the total net proceeds	Net proceeds from the Global Offering (HKD' million)	Net proceeds utilized as of December 31, 2022 (HKD' million)	Remaining net proceeds as of December 31, 2022 (HKD' million)	Expected time to utilize the remaining net proceeds in full
Branding activities to continue to enhance the brand image and raise brand awareness of our existing brands, as well as to establish the brand images of our new brands	32.0%	275.5	0.0	275.5	By the end of the year ending 2026
Enhancing our R&D capabilities by strengthening our fundamental research and product development, to maintain the continuous innovation of our brands	12.2%	104.9	0.0	104.9	By the end of the year ending 2026
Strengthen our production and supply chain capabilities, mainly involving the renovation of our production facilities, upgrading our automation equipment, and the expansion of production capacities in the Fengxian Plant	19.8%	170.6	0.0	170.6	By the end of the year ending 2024
Increasing the breadth and depth of our sales networks to enhance the penetration of our products	18.0%	154.5	0.0	154.5	By the end of the year ending 2026
Enhancing our digitization and information infrastructure	8.0%	69.2	0.0	69.2	By the end of the year ending 2024
Working capital and other general corporate purposes	9.9%	85.1	0.0	85.1	By the end of the year ending 2024
Total ⁽²⁾	<u>100.0%</u>	<u>859.7</u>	<u>0.0</u>	<u>859.7</u>	

Notes:

- (1) The total proceeds of approximately HK\$859.7 million include approximately HK\$835.1 million from the Global Offering in December 2022 and approximately HK\$24.6 million from the partial exercise of the Over-allotment Option in January 2023 as disclosed in the announcement of the Company dated 16 January 2023.
- (2) Any discrepancies in the above table between the total shown and the sum of the amounts listed are due to rounding.

Since the Listing Date, the Group has not yet utilized any net proceeds, and will gradually utilize the net proceeds in accordance with the intended purposes as stated in the Prospectus. The expected timeline is based on the best estimation of future market conditions and business operations made by the Company currently, and will be subject to change based on future development of market conditions and actual business needs.

Audit Committee

The audit committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Leung Ho Sun Wilson, Ms. Luo Yan (羅妍), and Mr. Liu Yi. The chairman of the Audit Committee is Mr. Leung Ho Sun Wilson.

The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2022 with the management and the auditor of the Company. The Audit Committee considered that the consolidated annual results of the Group for the year ended 31 December 2022 are in compliance with the applicable accounting standards, laws and regulations. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and issues in relation to internal control, risk management and financial reporting with the management of the Company.

Scope of Work of the Auditor

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this annual results announcement have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

EVENTS AFTER THE REPORTING PERIOD

Over-allotment Option described in the Prospectus has been partially exercised by the Overall Coordinators, on behalf of the International Underwriters, on Friday, 13 January 2023, in respect of an aggregate of 999,900 H Shares, representing approximately 2.71% of the total number of the Offer Shares initially available under the Global Offering before any exercise of the Over-allotment Option, at the Offer Price of HK\$25.20 per H Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%).

FINAL DIVIDEND

The Board has resolved to recommend the payment of final dividends of RMB0.25 per share for the year ended 31 December 2022 (2021: approximately RMB0.56 per share). The payment of final dividends above is still subject to the approval from Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”), and will be made on or around Wednesday, 12 July 2023.

ANNUAL GENERAL MEETING, CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Tuesday, 16 May 2023 to Thursday, 15 June 2023, both days inclusive, in order to determine the eligibility of Shareholders who are entitled to attend and vote at the AGM to be held on Thursday, 15 June 2023. Shareholders whose name appear on the register of members of the Company on Thursday, 15 June 2023 will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by relevant share certificates and transfer forms must be lodged with the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, 15 May 2023.

For determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 21 June 2023 to Monday, 26 June 2023, both days inclusive. Shareholders whose name appear on the register of members of the Company on Monday, 26 June 2023 will be entitled to the final dividend. In order to be entitled to the final dividend, all transfer accompanied by relevant share certificates and transfer forms must be lodged with the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 20 June 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.chicmaxgroup.com>).

The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the aforementioned websites of the Stock Exchange and the Company in due course.

By order of the Board
Shanghai Chicmax Cosmetic Co., Ltd.
上海上美化妝品股份有限公司

Mr. Lyu Yixiong
Chairman of the Board, Executive Director and Chief Executive Officer

Shanghai, the PRC
30 March 2023

As at the date of this announcement, the Board comprises Mr. Lyu Yixiong, Ms. Luo Yan (羅燕), Mr. Feng Yifeng and Ms. Song Yang as executive Directors; Mr. Sun Hao and Ms. Li Hanqiong as non-executive Directors; Mr. Leung Ho Sun Wilson, Ms. Luo Yan (羅妍) and Mr. Liu Yi as independent non-executive Directors.