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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 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Shanghai Chicmax Cosmetic Co., Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2022. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the 2022 annual results announcement of the Company dated 30 March 2023.

PERFORMANCE HIGHLIGHTS

	Year ended 31 December		Year-on-
	2023	2022	year change
	<i>RMB in millions</i>		<i>%</i>
Revenue	4,190.7	2,675.3	56.6
Gross profit	3,019.5	1,699.6	77.7
Profit of the year	461.7	137.1	236.8

FINANCIAL HIGHLIGHTS

Our revenue increased to RMB4,190.7 million in the full year of 2023 from RMB2,675.3 million in the full year of 2022. Our gross profit increased to RMB3,019.5 million in the full year of 2023 from RMB1,699.6 million in the full year of 2022. Our profit for the full year of 2023 was RMB461.7 million whereas our profit for the full year of 2022 was RMB137.1 million.

Final Dividend of RMB0.75 per share was proposed by the Board for the year ended 31 December 2023. The final dividend for the year ended 31 December 2022 of RMB0.25 per share was approved by the shareholders at shareholder’s meeting general meeting held on 15 June 2023. The interim dividends for the six months ended 30 June 2023 of RMB0.2 per share was approved by the shareholders at shareholder’s general meeting held on 16 October 2023.

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 the PRC to cater to various groups of consumers with different needs. Our results mainly come from three major brands, namely *KANS*, *One Leaf* and *Baby Elephant*, whereas other brands such as *newpage* and *ARMIYO* have gradually become the second curve for the Company's 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, with a broad target customer base, and is positioned to be a go-to brand in the anti-aging skincare market. For more than 20 years, *KANS* has been deeply engaging in anti-aging research, and continues to launch better products and aims to empower youth with confidence.

We achieved substantial growth in sales of the *KANS* brand through a series of plans such as focusing on the *KANS* brand, the *KANS Red*, the *KANS Red* gift boxes and the *Douyin* channels. Our layout in *Douyin* has been a huge success. For the twelve months ended 31 December 2023, the gross merchandise volume (the “GMV”) of *KANS* through *Douyin* platform reached approximately RMB3,340 million, representing a year-on-year growth of approximately 374.4% as compared to that for the same period in 2022.

In 2023, we comprehensively upgraded the *KANS* brand, and improved upgrading the brand's visual system to make it more youthful, thereby enhancing the recollection and presence of its image as a quality China-made product.

KANS intensively collaborated with experts with tens of millions of fans to create a number of short plays, with the number of views of a number of short plays exceeding one billion. Leveraging social media platforms, we launched special projects on the occasion of the 20th anniversary of the *KANS* brand as well as on International Women’s Day, Mother’s Day, Double Seventh Day, Christmas and other holidays to promote our brands and products so as to attract consumers. In addition, the Copper Peptide Firming & Repairing Serum and Copper Peptide Firming Essence Cream under *KANS* were promoted and advertised widely to more than one hundred million viewers through the video shows, including the “Great Chinese Ingredients Season 3* (了不起的中國成分III)” and “All Girls Streamer* (所有女生的主播)”.

In 2023, *KANS* established its first Scientific Anti-Aging* (科學抗衰) brand experience centre at Shanghai Hongqiao Airport to attract consumers and enhance consumers experience.

In 2023, *KANS* proposed and China Food and Drug Corporation Quality and Safety Promotion Association formulated and released the group standard of first Group Standard for Cosmetic Raw Materials – Synthetic Peptides* (化妝品用原料合成多肽團體標準) in the PRC (the “**Group Standard**”). The Group Standard provides clear direction and guidance for domestic cosmetics companies from several perspective such as research and development on peptide raw materials, cosmetics production and efficacy evaluation, etc., and to further standardize the development of Synthetic Peptides in China.

A major hit product of *KANS* was the Polypeptide Collagen Softening Set (紅蠻腰禮盒), ranking first in a number of *Douyin* rankings. The *KANS* brand achieved outstanding results in the *Douyin* e-commerce rankings, securing the top in the annual cosmetics brands ranking and in the popular/domestic skincare brands ranking in 2023, according to the official information of *Douyin*. In addition to the series of Polypeptide Collagen Softening (紅蠻腰系列), we successively released new series of Neige Blanc Skin-Whitening (白蠻腰系列) with whitening effects to improve dullness and increase brighten skin, and new series of Soothing Firming (藍蠻腰系列) with soothing and firming effects to improve sensitive skin.

In 2023, *KANS* won the “Annual Super Brand in Beauty Industry* (年度美妝行業超級品牌)” issued in Ocean Engine Beauty Industry Annual Gala (巨量引擎美妝行業年度盛典) and the series of Polypeptide Collagen Softening won the “Annual Celebrity Skin Care Gift Box in Beauty Industry* (年度美妝行業明星護膚禮盒)” awards. In addition, *KANS* was listed as the “2023 Super Growth Brand* (2023超級增長品牌名單)” and the “Cream/lotion Category of 2023 Excellent Domestic Cosmetics Brands (cream/lotion products)* (2023國貨化妝品品類(面霜乳液)優秀品牌面霜／乳液品類榜單)” issued by Global Cosmetics Fair (化妝品報年會). In addition, in the 2023 New Domestic Brand Development Conference held by Xinhuanet and Boao Forum For Entrepreneurs, *KANS* won the “Outstanding Case of New Domestic Brand Innovation for the year of 2023* (2023年度新國貨品牌創新優秀案例)”.

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 the PRC. We are devoted to develop more advanced technologies, in order to meet the increasing needs of the consumers of *KANS*.

The revenue generated from *KANS* in 2023 was RMB3,090.4 million, representing an increase of 143.8% as compared to 2022 and accounting for 73.7% of our total revenue for the year.

One Leaf

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

In 2023, *One Leaf* released its “White Paper on Clean Beauty Industry* (純淨美容行業白皮書)” in collaboration with Tmall Beauty, TMIC Tmall Innovation Center (TMIC天貓新品創新中心) and Kantar, the first paper issued in the PRC regarding the development of Chinese style beauty and comprehensive insight including market trend and consumer preferences in the domestic beauty market from an industry perspective.

In 2023, *One Leaf* won numerous awards, including: the “2022 – ESG Brand of YOUNG 100 Influential Brands* (YOUNG100年度影響力品牌2022-ESG品牌)” issued by YOUNG 100 and the “Sustainable Practitioner* (可持續踐行獎)” award issued by Jumeili (聚美麗), in the 2023 New Domestic Brand Development Conference held by Xinhuanet and Boao Forum For Entrepreneurs, *One Leaf* won the “Outstanding Case of New Domestic Brand Innovation in 2023* (2023年度新國貨品牌創新優秀案例)”, and listed as the “2023 Excellent Cases of ESG Environmental Protection in the Flavors, Fragrances and Cosmetics Industry* (2023年度香料香精化妝品行業ESG環境保護優秀案例)” by China Association of Fragrance Flavour and Cosmetic Industries (中國香料香精化妝品工業協會). In addition, *One Leaf*'s Repairing Moisturizing Face Mask has also won the “InnoCosme Formulation Award* (InnoCosme 2023美耀配方獎)” an authoritative beauty industry research and development award issued by InnoCosme.

The revenue generated from *One Leaf* in 2023 was RMB356.5 million, representing a decrease of 32.7% as compared to 2022, accounting for 8.5% of the total revenue for the year.

Baby Elephant

We launched *Baby Elephant* in 2015. With “**simple ingredients, safe and effective**” as its core, it is positioned as a professional maternity and childcare brand for Chinese babies and children to accompany each baby during its happy and healthy growth.

In 2023, we embarked on a new exploration and transformation of *Baby Elephant*, with focus on the market of middle and senior school-age children as the core strategy. Focusing on this strategy, at the brand level, the visual system underwent a brand-new upgrade and a brand Logo with an independent baby elephant image was launched, presenting a brand red that symbolizes sincerity, bravery and enthusiasm, implying that *Baby Elephant* has grown up. At the product level, more new products were rolled out to meet the needs of the school-age children market. *Baby Elephant* launched brand new “Primary School Series” products, including primary school cream, primary school lotion and primary school cleansing foam, with the aim of providing a one-stop solution to cater to the personalized skin care needs of primary school students. In addition, at the end of 2023, *Baby Elephant* launched the “Universe Fun” kids’ makeup gift box, which was well received by the market.

In 2023, we have established the *Baby Elephant* Special Fund (紅色小象專項基金), which created a heart-warming brand image and contributed to winning of the “2023 Tmall Baby Awards – Maternal and Child Charity Leader award* (2023年天貓金嬰獎 – 母嬰公益領路人獎項)”.

In 2023, 90 Ultra Protection (Ultra Protection Cream) (90 安心霜(舒安特護霜)) of *Baby Elephant* was awarded with the “2023 MEIYI Awards – Annual favourite TOP list award for pregnancy, infant, and child skincare products* (2023美伊大賞年度摯愛TOP榜 – 孕嬰童護膚大獎)” and “Fashion.sohu.com 2022/2023 Trust in your Beauty – Annual Trustworthy Infant Care* (搜狐時尚2022-2023年度值得信賴化妝品榜單 – 年度值得信賴嬰幼兒護理)”, Kids Cleansing Foam (兒童雲感柔潤潔面泡泡) won the “New Cosme Awards – Super Single Product* (2022-2023年度新妝大賞 – 超級大單品)”. In addition, *Baby Elephant* was also the silver winner for the “2023 Muse Design Awards* (2023年繆斯設計獎銀獎)”, and listed as the “2023 Excellent Brands in Domestic Cosmetics Category* (2023國貨化妝品品類優秀品牌榜單)” issued by Global Cosmetics Fair (化妝品報年會).

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.

The revenue generated from *Baby Elephant* in 2023 was RMB375.7 million, representing a decrease of 42.6% as compared to 2022, accounting for 9.0% of the total revenue for the year.

In 2023, we primarily generated revenue from these three brands with the amount of RMB3,822.6 million, representing a increase of 55.9% as compared to 2022, which in aggregate contributed 91.2% of our total revenue.

newpage

newpage was launched in May 2022. It is positioned as a functional skincare brand focusing on sensitive skins of babies and children. It was co-founded by Ms. Zhang Ziyi (章子怡), a famous actress, Mr. Cui Yutao (崔玉濤), a puericulturist and Dr. Hiroshi Huang Oh (黃虎), the current global chief scientist of the Group. This brand was established based on the concept of “medical and research co-creation*” (醫研共創) and aimed to build a comprehensive system taking into account customer experience, pediatric expertise, and scientific research. *newpage* has laid out three main directions: skincare, bathing, and cleansing.

For online channels, *newpage* products have been distributed on *Tmall*, *JD*, and *Douyin*. *newpage*'s Baby Balancing Cream and Baby Moisturizing Body Lotion ranked no.1 on several *Douyin* rankings in 2023. *newpage* has offline presence in Watsons, maternal and child stores and postpartum care centres.

In 2023, *newpage* established its first brand offline experience centre in Mr. Cui Yutao's Clinic in Beijing Taiyang Palace, which is the first domestic brand to launch an experience centre in a clinic, aiming to provide consumers with professional and scientific products and service.

Further, in 2023, we introduced the Baby Soothing Essence, that contains natural organic Bisabolol, natural Dipotassium Glycyrrhizinate, and the strong barrier exclusive ingredient Omega-Pro which can strengthen skin barrier and improve fragile and sensitive skin.

In 2023, *newpage* won the “Double 11 Emerging Brand Award* (雙11新銳品牌獎)” issued by *Tmall*, which is the only brand in the maternal and infant care industry to be listed.

The revenue generated from *newpage* in 2023 was RMB152.5 million, representing an increase of 498.0% as compared to 2022, accounting for 3.6% of the total revenue for the year.

Other Brands

To address the increased demands for high-quality functional products from consumers, we launched brands such as *ARMIYO*, *asnami*, *KYOCA* and *2032*, focusing on sensitive skincare, middle to high-end maternity skincare and washing care products. In addition, we are preparing to launch brand *632*, a middle to high-end washing care brand, and brand *TAZU*, a high-end anti-aging skincare brand developed in cooperation with scientist, Kosaku Yamada.

In 2023, 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:

	skin care 护肤	maternity and childcare 母婴护理	toiletries 洗护
luxury 高端	TAZU ▲		
mid-to-high 中高端	安敏优 ARMIYO	asnami NEW PAGE 一页	KYOCA 2032 632 AVENUE ▲
mass 大众	KANS 韩束 ONE LEAF 一叶子	Baby Elephant 红色小象	韩束洗护 一叶子洗护

▲ 待推出品牌 ◆ 参股品牌

Research and Development

We started our independent R&D activities in 2003 and have insisted on product self-development. 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 2023 and 2022, we incurred R&D expenses of RMB125.8 million and RMB110.3 million, respectively, accounting for 3.0% and 4.1% of our revenue, respectively.

In 2023, we worked with relevant industry departments and associations to formulate and release multiple industry group standards, including China's first industry group standard for synthetic peptides, a raw material used in cosmetics – Synthetic Peptide as Raw Material in Cosmetics* (化妝品用原料合成多肽), General Principles for Pure Cosmetics* (純淨化妝品通則), Group Standard for Cosmetics with Raw Material – Olea Europaea Leaf Extract* (化妝品以原料-油橄欖葉萃取物團體標準), Quality Requirements and Efficacy Evaluation Methods of Recombinant Collagen Raw Materials* (重組膠原蛋白原料質量要求及功效評價方法) and Evaluation of the Efficacy of Cosmetic Products with Skin Microecological Adjustment* (皮膚微生態調節型化妝品功效評價), reflecting our R&D strength. *One Leaf* proposed and Shanghai Daily Chemical Industry Association formulated and released the group standard of General Principles of Clean Cosmetics* (純淨化妝品通則), which has clarified the definition of clean cosmetics and quantified the standards for clean beauty in terms of materials used, formula design and product safety, and the group standard of Osmetic Ingredients–Olea Europaea (Olive) Leaf Extract* (化妝品用原料 – 油橄欖葉萃取物團體標準)” which is the first group standard in relation to the live leaf extract in the PRC making the application of olive leaf extract standardized and accelerating development of the industries of olive leaf extract.

Ingredients

In 2023, we introduced a new cyclic peptide and upgrade the ordinary linear peptide to a three-dimensional cyclic peptide, which has the advantages of stronger absorption, longer effective time, stronger physiological activity, etc.

Patents

In 2023, we newly applied for 58 patents, including 35 invention patents. We have been granted 18 patents, 3 of which are invention patents.

Awards

Our self-developed core ingredient, *Tiracle Pro* was awarded with the InnoCosme Ingredient Awards and is currently utilised in various products, including the series of Copper Peptide Firming Essence. In 2023, the Group's fundamental research result “Artemisia Annua Oil AN+* (青蒿油AN+)” won the “Ringier Technology Innovation Award (Award categories: Functional Ingredients)* (榮格技術創新獎(功效性配料類別)” and the “Amazing Chinese Ingredients “Top 10 Chinese Innovative Ingredients” Award* (了不起的中國成分(中國創新原料Top10)獎)” issued by Chunlei Agency(春雷社), a cosmetic news media in the PRC. In addition, in 2023, the Group has won the “Annual Beauty Product Innovation Achiever Award* (年度美容產品創新成就者獎)” issued by 2023 WWD HONORS, the “National Business Science and Technology Innovation Enterprise Award* (全國商業科技創新型企業獎)” issued by the China Cosmetics Technology Conference.

Employees and Remuneration Policy

As at 31 December 2023, we had 1,883 full-time employees, amongst which 1,796 full-time employees were based in the PRC and 87 full-time employees were based in overseas. The total remuneration cost for the year of 2023 was RMB494.6 million, as compared to RMB473.6 million for the year of 2022, maintaining a reasonable increase in remuneration to ensure the Group's strong competitive advantage in the human resources market.

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, additional 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 aim 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 expenditure of RMB88.4 million in 2023 was mainly related to the new items of property, plant and equipment amounting to RMB87.8 million, and other intangible assets amounting to RMB0.6 million.

Right-of-use Assets and Lease Liability

Hong Kong Financial Reporting Standards No. 16 – Lease (HKFRS 16) came into effect on 1 January 2019. At the commencement date, the Group should recognise a right-of-use asset and a lease liability. The related right-of-use assets and lease liabilities are located in the PRC and overseas. As of 31 December 2023, the Group's right-of-use assets were RMB131.2 million (RMB144.5 million as of 31 December 2022) and its lease liabilities were RMB65.6 million (RMB77.8 million as of 31 December 2022). In 2023, depreciation charges of right-of-use assets amounted to RMB29.3 million and interest charges of lease liabilities amounted to RMB4.0 million.

OUTLOOK

We are committed to our “six-six” strategy to promote overall business growth through six main competitive aspects and the planning of six major sectors in order to support sustainable development of the Group.

Six main competitive aspects:

1. *Maintain organization-driven leadership and support sustainable development of the Group with talents*

We believe that talents with excellent management or technical skills are our valuable assets as well as the impetus of providing customers with products of continuous innovation and high quality, and is the necessary condition for the achievement of a multi-brand cosmetics group. Implementing our corporate values of “Diversity, Optimism, Innovation and Legacy”, we plan to continuously improve our corporate structure and corporate culture to attract talents.

We will continue to focus on improving our recruitment and training system to recruit talents with an international perspective, such as graduates from prestigious schools such as the world’s first-class universities and disciplines and the QS200. By establishing joint training projects in cooperation with universities, we can more effectively identify suitable talents. In order to remain competitive in the recruitment market, we strive to provide industry-leading salary and welfare systems and open up promotion channels, forming a scientific talent selection and incentive mechanism. In addition, we will implement job rotation and duty rotation for our employees to promote the all-rounder employee model, and prevent solidification of hierarchy. By leveraging a flat and effective management system, we encourage employees at the primary level to give play to their creativity, and maintain the enthusiasm and stability of management and technical staff. We aim to build up corporate culture and team atmosphere among employees to enhance their sense of belonging, and a talent training system for our employees to achieve their personal growth and to support the operation and development of multiple brands of the Group.

2. *Maintain R&D leadership, continue to invest in R&D to drive product innovations and make popular products enjoyed by our consumers*

Leveraging our advanced R&D and production capabilities in the PRC and overseas, we will increase investments in fundamental research projects on trendy core ingredients in the skincare area such as anti-aging technology and skin barrier repairing technology, including development on new raw materials, new technologies, and new formulas; and applied science projects including application of the raw materials and formulas, and improving the overall skin feel of consumers. We have now established an independent scientific research system of Chicmax, with the aim of breaking down international scientific research barriers. We will continue to conduct pilot projects for new brands and new products to improve consumer experience and meet diverse consumer demands, and ultimately create more growth opportunities.

3. *Artificial intelligence (AI) leadership and introduce AI empowered management tools to improve the Group's management and operation efficiency*

We plan to introduce leading AI empowered tools which will be used to intelligently process large amounts of data and information to conduct intelligent data analysis and prediction, providing data and insights to support decision-making, further optimizing the allocation and utilization of resources, and thus improving the Group's management and operation efficiency, innovation capabilities and competitiveness.

4. *Maintain marketing leadership and continue to enhance and expand products marketing networks to penetrate users and build a consumer-centric mindset*

We will make full use of our advantageous resources and adopt stronger and more effective competitive strategies and marketing tools to increase the breadth and depth of our sales channels and in particular, to further deepen the marketing and promotion of our online e-commerce platforms and the offline omnichannel strategy. In addition to continuing to maintain and enhance *KANS's* leading position in the *Douyin* channel and driving more of the Group's brands to achieve breakthroughs in *Douyin*, we aim to achieve better development on platforms such as *Tmall/Taobao, JD and Kuaishou*.

5. *Maintain intelligent production leadership and accelerate the Group's intelligent production to enhance the production efficiency and standardized product quality*

We will continue to design and establish the direction and plan of the Group's intelligent transformation in conjunction with our practical production and operation, comprehensively applying the artificial intelligence and other technologies to build and refine intelligent production lines to increase the production efficiency and improve standardized product quality of the Group.

6. *Promote the Group's strategies from "personalization" development to "generality" development and drive development with platforms to further expand our business*

We aim to achieve development of our business by diversified cooperation with our talents and business partners. We are committed to gathering talents and providing them with a broad platform to assist them in achieving their development. We will continue to strengthen cooperation with multiple partners to build a brand incubation platform and to continuously cultivate breakthroughs in various aspects of our business.

Planning of six major sectors:

Based on our existing multi-brand matrix, we will have a broader strategic layout in the next decade in building six major sectors of mass skin care, washing and personal care, maternal and baby products, skin medical beauty, makeup, high-end skin care and instrument, hence expanding our business boundaries in the cosmetics industry.

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

Revenue

We generated revenue primarily from the manufacture and sale of cosmetic products. Revenue of the Group in 2023 increased by 56.6% to RMB4,190.7 million compared to RMB2,675.3 million in 2022 owing to the increased revenue generated from *KANS*, one of the Group's major brands.

Revenue by brands

	Year ended 31 December			
	2023	% of	2022	% of
	Amount	Revenue	Amount	Revenue
	<i>(RMB in millions, except percentages)</i>			
<i>KANS</i>	3,090.4	73.7	1,267.4	47.4
<i>One Leaf</i>	356.5	8.5	529.9	19.8
<i>Baby Elephant</i>	375.7	9.0	655.1	24.5
Others Brands ^(Note)	368.1	8.8	222.9	8.3
Total	4,190.7	100.0	2,675.3	100.0

Note: Other brands primarily consist of *newpage*, *ARMIYO*, *asнами*, *KYOCA* etc.

The Group's revenue attributable to *KANS* increased by 143.8% from RMB1,267.4 million in 2022 to RMB3,090.4 million in 2023, primarily due to the overall upgrading of the *KANS* brand, and the increased revenue from our self-operated sale of the series of Polypeptide Collagen Softening on e-commerce platforms such as *Douyin*.

The Group's revenue attributable to *One Leaf* decreased by 32.7% from RMB529.9 million in 2022 to RMB356.5 million in 2023, primarily because we are in the process of transforming, upgrading and adjusting *One Leaf*.

The Group's revenue attributable to *Baby Elephant* decreased by 42.6% from RMB655.1 million in 2022 to RMB375.7 million in 2023, primarily due to the intense competitive environment of the market.

Revenue by sales channels

	Year ended 31 December			
	2023	% of	2022	% of
	Amount	Revenue	Amount	Revenue
	<i>(RMB in millions, except percentages)</i>			
Online Channels	3,586.9	85.6	2,004.8	74.9
Online direct sales	2,909.0	69.4	1,059.9	39.6
Sales to Online Retailers	364.8	8.7	474.8	17.7
Sales to Online Distributors	313.1	7.5	470.1	17.6
Offline Channels	539.6	12.9	614.9	23.0
Sales to Offline Retailers	387.4	9.2	330.7	12.4
Sales to Offline Distributors	152.2	3.6	284.2	10.6
Others	64.2	1.5	55.6	2.1
Total	4,190.7	100.0	2,675.3	100.0

The Group's revenue attributable to online direct sales increased by 174.5% from RMB1,059.9 million in 2022 to RMB2,909.0 million in 2023 primarily due to the increase in revenue generated from e-commerce platforms such as *Douyin*.

The Group's revenue attributable to sales to online retailers decreased by 23.2% from RMB474.8 million in 2022 to RMB364.8 million in 2023, primarily due to the decrease in revenue generated by *One Leaf* and *Baby Elephant* from online retailers such as *JD*, *Tmall Supermarket*.

The Group's revenue attributable to sales to online distributors decreased by 33.4% from RMB470.1 million in 2022 to RMB313.1 million in 2023, primarily due to adjustments of our online sales strategies to enhance our online direct sales channel.

The Group's revenue attributable to sales to offline retailers increased by 17.1% from RMB330.7 million in 2022 to RMB387.4 million in 2023, primarily due to the offline retailers' gradual recovery from the impact of economic environment.

The Group's revenue attributable to sales to offline distributors decreased by 46.4% from RMB284.2 million in 2022 to RMB152.2 million in 2023, primarily due to changes in consumer habits and purchase channels.

Revenue by categories

	Year ended 31 December			
	2023	% of	2022	% of
	Amount	Revenue	Amount	Revenue
	<i>(RMB in millions, except percentages)</i>			
Skin Care	3,601.6	86.0	1,944.8	72.7
Maternity and childcare	542.6	12.9	706.7	26.4
Others	46.5	1.1	23.8	0.9
Total	4,190.7	100.0	2,675.3	100.0

The Group's revenue attributable to skin care increased by 85.2% from RMB1,944.8 million in 2022 to RMB3,601.6 million in 2023, primarily due to the increase in revenue generated from *KANS*.

The Group's revenue attributable to maternity and childcare decreased by 23.2% from RMB706.7 million in 2022 to RMB542.6 million in 2023, primarily due to the decrease in revenue generated from *Baby Elephant*.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 77.7% from RMB1,699.6 million in 2022 to RMB3,019.5 million in 2023. Our gross profit margins were 72.1% and 63.5% in 2023 and 2022, respectively, primarily due to the increase of gross profit margin under *KANS*.

Other Income and Gains

The Group's other income and gains increased by 27.4% from RMB122.8 million in 2022 to RMB156.5 million in 2023, primarily due to the increase of foreign exchange gain and gains from the changes in fair values of financial assets.

Selling and Distribution Expenses

The Group's selling and distribution expenses as a percentage of the Group's revenue increased to 53.5% in 2023 compared with 47.0% in 2022. The selling and distribution expenses increased by RMB982.6 million to RMB2,240.3 million in 2023 from RMB1,257.7 million in 2022. The marketing and promotion expenses increased by RMB897.5 million to RMB1,745.9 million in 2023 from RMB848.4 million in 2022, primarily due to increased brand exposure, seizure of new channel opportunities, increased brand promotion and channel construction investments. Employee benefits expenses in relation to distribution work increased by RMB31.8 million to RMB316.4 million in 2023 from RMB284.6 million in 2022. Other key expenses included transportation expenses of RMB148.5 million, travelling and entertainment expenses of RMB20.2 million and others of RMB9.3 million in 2023.

Administrative Expenses

The Group's administrative expenses decreased by 6.2% to RMB209.6 million in 2023 as compared to RMB223.4 million in 2022. Administrative expenses mainly comprised employee benefits expenses (including directors' emoluments) of RMB89.8 million, profession and consulting fees of RMB16.0 million, depreciation and amortisation charges of RMB41.8 million and office, utility expense of RMB46.4 million and others of RMB15.6 million in 2023.

Research and Development Costs

The Group's R&D costs increased by 14.1% from RMB110.3 million in 2022 to RMB125.8 million in 2023, primarily due to the increase in R&D activities.

Impairment Losses on Financial Assets, net

The Group's impairment losses on financial assets, net changed from RMB12.1 million loss in 2022 to the reversal of RMB15.3 million in 2023, primarily due to the decrease in provision for bad debts in respect of trade receivables.

Other Expenses

The Group's other expenses decreased by 21.0% from RMB43.0 million in 2022 to RMB34.0 million in 2023, primarily due to decreases of inventory impairment and scrap and no foreign exchange loss in 2023.

Finance Costs

The Group's finance costs decreased by 21.0% from RMB20.5 million in 2022 to RMB16.2 million in 2023, primarily due to the decrease of bank and other borrowings and the decrease in average interest rate on borrowings.

Income Tax Expense

Income tax expense costs increased to RMB97.6 million in 2023 from RMB17.2 million in 2022. The effective tax rates of the Group in 2023 and in 2022 were 17.4% and 11.1% respectively.

Profit for the Year

In summary, our profit for the year was RMB461.7 million and RMB137.1 million in 2023 and 2022, respectively.

Liquidity and Capital Resources

Cash generated from operating activities of the Group in 2023 was approximately RMB746.2 million, compared with RMB36.6 million which were generated in 2022. As of 31 December 2023, the Group had cash and cash equivalents of approximately RMB697.7 million and external bank borrowings of approximately RMB100.0 million; whereas as at 31 December 2022, the Group had cash and cash equivalents of approximately RMB1,147.7 million and external bank borrowings of approximately RMB650.4 million.

In terms of gearing, the Group's debt to asset ratios (defined as total liabilities divided by total assets) in 2023 and in 2022 were 35.1% and 45.7%, respectively. The current ratios of the Group (defined as current assets divided by current liabilities) as at 31 December 2023 and 31 December 2022 were 2.0 times and 1.7 times respectively. The Group's gearing ratios (defined as total interest-bearing bank and other borrowings and lease liabilities divided by total equity) in 2023 and in 2022 were 8.2% and 42.7%, respectively. As at 31 December 2023, 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 at 31 December 2023, the Group's interest-bearing bank and other borrowings were RMB100.0 million, which comprised of bank loans (current) of RMB100.0 million at effective interest rates of 2.50% to 3.55% per annum, of which RMB40.0 million is secured. The Group's interest-bearing bank and other borrowings decreased by 84.6% to RMB100.0 million as at 31 December 2023 from RMB650.4 million as at 31 December 2022, primarily due to the Group's abundant working capital and proactive reduction in the interest-bearing bank borrowings.

Pledge of Assets

As at 31 December 2023, the Group's secured short-term and long-term bank borrowings were secured by (i) buildings and right-of-use assets related to leasehold land, with carrying amounts of nil (RMB327.4 million as at 31 December 2022); and (ii) investment properties with a net carrying amounts values of approximately RMB8.1 million (RMB9.3 million as at 31 December 2022).

As at 31 December 2023, the amount of the Group's letter of credit guarantee deposits and bank guarantee deposits was nil (RMB11.5 million as at 31 December 2022).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Hongyi Zhiyuan Equity Investment Management (Shenzhen) Co., Ltd. ("**Hongyi Zhiyuan**"), the Company and Huzhou Wuxing Jingkai Bogu Equity Investment Co., Ltd. ("**Jingkai Bogu**") entered into the Partnership Agreement in relation to the formation of the Partnership Fund (the "**Partnership Fund**") on 26 October 2023. The name of Partnership Fund is Huzhou Hongshang 2023 Equity Investment Partnership (Limited Partnership) (湖州弘尚貳零貳叁股權投資合夥企業(有限合夥)). The total capital commitments subscribed by all Partners to the Partnership Fund are RMB276,380,600. The capital commitments subscribed by Hongyi Zhiyuan, the Company and Jingkai Bogu are RMB3,482,420, RMB189,984,000 and RMB82,914,180 respectively. Hongyi Zhiyuan is the general partner and executive partner of the Partnership Fund while the Company and Jingkai Bogu are limited partners. The main purpose of the formation of the Partnership Fund is, to the extent permitted by applicable laws and regulations and its scope of business, to invest in companies in the beauty care related industry chain and to realise profits from such investments. The reason for the Company participating in the Partnership Fund is to focus on investing in upstream and downstream enterprises in the beauty industry chain, seizing industry development opportunities, promoting the Company's strategic development, enhancing the Company's overall competitiveness and thereby generating higher return to the Shareholders. For further details, please refer to the announcement of the Company dated 26 October 2023.

Save as disclosed herein, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Treasury Policies and Exposure to Fluctuations in Exchange Rates

The Group's operations are mainly carried out in the PRC, with most transactions settled in Renminbi, and the reporting currency of the Group is Renminbi. The Group's subsidiaries in Hong Kong and overseas use local currencies as their functional currencies, including Japanese yen, Hong Kong dollar and US dollar. The Group has a partial amount of cash and bank deposits denominated in Japanese yen, Hong Kong dollar and US dollar. The Group continues to adopt a conservative approach in its foreign exchange exposure management. In 2023, 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 results of the Group for the year ended 31 December 2023, with comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Revenue	4	4,190,727	2,675,331
Cost of sales		(1,171,275)	(975,699)
Gross profit		3,019,452	1,699,632
Other income and gains		156,496	122,768
Selling and distribution expenses		(2,240,332)	(1,257,691)
Administrative expenses		(209,609)	(223,388)
Research and development costs		(125,814)	(110,283)
Impairment losses on financial assets, net	5	15,252	(12,054)
Other expenses		(34,000)	(43,049)
Finance costs	6	(16,227)	(20,474)
Share of profits and losses of:			
Joint venture		(4,652)	–
Associates		(1,353)	(1,229)
PROFIT BEFORE TAX	5	559,213	154,232
Income tax expense	7	(97,550)	(17,152)
PROFIT FOR THE YEAR		461,663	137,080
Attributable to:			
Owners of the parent		461,104	147,104
Non-controlling interests		559	(10,024)
		461,663	137,080
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	8	RMB1.16	RMB0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit for the year	<u>461,663</u>	<u>137,080</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>(4,138)</u>	<u>(955)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(4,138)</u>	<u>(955)</u>
Total comprehensive income for the year	<u>457,525</u>	<u>136,125</u>
Attributable to:		
Owners of the parent	456,966	146,149
Non-controlling interests	<u>559</u>	<u>(10,024)</u>
	<u>457,525</u>	<u>136,125</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		594,412	601,251
Investment properties		8,065	9,286
Prepayments, other receivables and other assets		18,950	16,748
Right-of-use assets		131,171	144,494
Other intangible assets		16,860	19,424
Investments in a joint venture		2,698	–
Investments in associates		64,184	1,797
Financial assets at fair value through profit or loss		101,230	–
Deferred tax assets		112,941	100,501
		<hr/>	<hr/>
Total non-current assets		1,050,511	893,501
CURRENT ASSETS			
Inventories	<i>10</i>	510,757	518,113
Trade and bills receivables	<i>11</i>	321,246	373,985
Prepayments, other receivables and other assets		331,812	200,860
Financial assets at fair value through profit or loss		216,812	–
Pledged deposits		–	11,500
Cash and cash equivalents		697,689	1,147,708
		<hr/>	<hr/>
Total current assets		2,078,316	2,252,166
CURRENT LIABILITIES			
Trade payables	<i>12</i>	518,613	424,150
Other payables and accruals		266,824	235,722
Interest-bearing bank and other borrowings		100,008	590,278
Lease liabilities		29,763	26,890
Tax payable		136,198	36,690
		<hr/>	<hr/>
Total current liabilities		1,051,406	1,313,730
NET CURRENT ASSETS			
		1,026,910	938,436
TOTAL ASSETS LESS CURRENT LIABILITIES			
		2,077,421	1,831,937
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	2023 RMB'000	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	35,803	50,939
Interest-bearing bank and other borrowings	–	60,089
Other payables	12,391	14,264
	<hr/>	<hr/>
Total non-current liabilities	48,194	125,292
	<hr/>	<hr/>
Net assets	2,029,227	1,706,645
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	397,958	396,958
Reserves	1,611,078	1,308,128
	<hr/>	<hr/>
	2,009,036	1,705,086
	<hr/>	<hr/>
Non-controlling interests	20,191	1,559
	<hr/>	<hr/>
Total equity	2,029,227	1,706,645
	<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, Chinese Mainland. 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

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Chinese Mainland	4,171,263	2,656,680
Other countries/regions	<u>19,464</u>	<u>18,651</u>
Total revenue	<u><u>4,190,727</u></u>	<u><u>2,675,331</u></u>

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

(b) Non-current assets

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Chinese Mainland	879,204	726,882
Other countries/regions	<u>58,366</u>	<u>66,118</u>
Total non-current assets	<u><u>937,570</u></u>	<u><u>793,000</u></u>

The non-current assets 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers		
Sales of goods	4,182,239	2,666,649
Transportation services	<u>8,488</u>	<u>8,682</u>
Total revenue	<u><u>4,190,727</u></u>	<u><u>2,675,331</u></u>

(a) **Disaggregated revenue information**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Types of goods or services		
Sales of goods	4,182,239	2,666,649
Transportation services	<u>8,488</u>	<u>8,682</u>
Total revenue from contracts with customers	<u><u>4,190,727</u></u>	<u><u>2,675,331</u></u>

Timing of revenue recognition

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Goods transferred at a point in time	4,182,239	2,666,649
Services transferred over time	<u>8,488</u>	<u>8,682</u>
Total revenue from contracts with customers	<u><u>4,190,727</u></u>	<u><u>2,675,331</u></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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of goods	<u><u>41,416</u></u>	<u><u>81,120</u></u>

4. Revenue (continued)

(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.

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>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Cost of inventories sold		1,171,275	975,699
Depreciation of property, plant and equipment		67,367	63,272
Depreciation of right-of-use assets		29,275	25,994
Amortisation of intangible assets		2,737	3,669
Wages and salaries		389,636	334,713
Pension scheme contributions, social welfare and other welfare		94,268	112,991
Share-based compensation expense		4,975	(886)
Foreign exchange differences		(12,800)	4,552
Marketing and promotion expenses		1,745,880	848,428
Inventory impairment and scrap		26,708	33,546
Interest expense	6	16,227	20,474
(Reversal of provision)/impairment losses on financial assets, net		(15,252)	12,054
Loss on disposal of items of property, plant, and equipment		60	44
Listing expenses		–	33,747
Auditors' remuneration		3,640	2,600
Fair value gains on financial assets at fair value through profit or loss, net		(16,121)	(79)

6. Finance costs

An analysis of finance costs is as follows:

	2023 RMB'000	2022 <i>RMB'000</i>
Interest on bank and other borrowings	12,201	15,264
Interest on lease liabilities	4,026	5,210
Total	16,227	20,474

7. Income tax expense

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current – PRC	109,824	11,431
Current – other jurisdictions	166	3,145
Deferred tax	<u>(12,440)</u>	<u>2,576</u>
Total tax charge for the year	<u><u>97,550</u></u>	<u><u>17,152</u></u>

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 397,911,329 (2022: 361,012,547) in issue during the year.

The Group had no potentially dilutive shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic earnings per share is based on:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	<u><u>461,104</u></u>	<u><u>147,104</u></u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	397,911,329	361,012,547
Basic and diluted earnings per share (RMB)	<u><u>1.16</u></u>	<u><u>0.41</u></u>

9. Dividends

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Proposed final – RMB0.75 (2022: RMB0.25) per ordinary share	<u><u>298,468</u></u>	<u><u>99,489</u></u>

At shareholder's general meeting held on 15 June 2023, the Company declared a cash dividend of approximately RMB99 million to all shareholders for the year ended 31 December 2022.

At shareholder's general meeting held on 16 October 2023, the Company declared an interim dividend of RMB0.20 per ordinary share, amounting to a total of approximately RMB80 million. All the dividend has been paid before 31 December 2023.

The proposed final dividend for the year ended 31 December 2023 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. Inventories

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	116,030	99,564
Work in progress	16,664	20,069
Finished goods	378,063	398,480
Total	<u>510,757</u>	<u>518,113</u>

11. Trade and bills receivables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	329,453	400,942
Bills receivable	3,798	7,240
Impairment	(12,005)	(34,197)
Trade and bills receivables,net	<u>321,246</u>	<u>373,985</u>

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 2022 and 31 December 2023.

As at 31 December 2023 and 2022, the bills receivable with right of recourse of the Group were RMB3,798,000 and RMB7,240,000, 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	309,517	342,581
Over 1 year	11,729	31,404
Total	<u>321,246</u>	<u>373,985</u>

11. Trade and bills receivables (continued)

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of year	34,197	26,421
Impairment losses, net	(17,698)	13,133
Amount written off as uncollectible	(4,494)	(5,357)
	<hr/>	<hr/>
At end of year	12,005	34,197
	<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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	517,731	423,400
Over 1 year	882	750
	<hr/>	<hr/>
Total	518,613	424,150
	<hr/> <hr/>	<hr/> <hr/>

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 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. During the Reporting Period, the Company has adopted corporate governance practices based on the principles and code provisions listed in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance practices.

The Board is of the view that during the Reporting Period, the Company has complied with all the applicable 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

During the Reporting Period, the Company has adopted the Model Code (the “**Model Code**”) as set out in Appendix C3 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 Reporting Period.

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 Reporting Period, 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 Proceeds from the Global Offering

The shares of the Company (the “Share(s)”) 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 at 31 December 2023.

	Approximate percentage of the total net proceeds	Net proceeds from the Global Offering (HKD' million)	Remaining net proceeds as at 31 December 2022 (HKD' million)	Utilised amount during the reporting period (HKD' million)	Remaining net proceeds as of 31 December 2023 (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	275.5	71.4	204.1	By 31 December 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	104.9	28.1	76.8	By 31 December 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	170.6	12.2	158.4	By 31 December 2024
Increasing the breadth and depth of our sales networks to enhance the penetration of our products	18.0%	154.5	154.5	154.5	0.0	By 31 December 2026
Enhancing our digitization and information infrastructure	8.0%	69.2	69.2	5.9	63.3	By 31 December 2024
Working capital and other general corporate purposes	9.9%	85.1	85.1	85.1	0.0	By 31 December 2024
Total ⁽²⁾	100%	859.7	859.7	357.2	502.5	

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.

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 2023 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 2023 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 2023 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

On 23 February 2024, the Board announced that the Company has recently received notifications from certain minority shareholders in respect of the conversion of an aggregate of 8,861,580 unlisted shares of the Company (the “**Unlisted Shares**”) into H shares (the “**H Shares**”), representing approximately 2.23% of the total share capital of the Company. The Company has submitted an application (the “**Application**”) to the China Securities Regulatory Commission (“**CSRC**”) on 23 February 2024 in respect of the conversion of the Unlisted Shares into H Shares. Upon obtaining all the relevant approvals (including the approvals from the CSRC and the Stock Exchange) and having complied with all the applicable laws, regulations and rules, such Unlisted Shares will be converted into H Shares, and the Company will apply for the listing of and permission to deal in such H Shares on the Main Board of the Stock Exchange (the “**Conversion and Listing**”). As at the date of this annual result announcement, the Company has not received approval from the CSRC in respect of the Application and the details of implementation plan of the Conversion and Listing have not been finalised. For details, please refer to the announcement of the Company dated 23 February 2024.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) will be on held on Thursday, 30 May 2024. A notice convening the AGM will be dispatched in the manner required by the Listing Rule in due course.

FINAL DIVIDEND

The Board has resolved to recommend the payment of final dividends of RMB0.75 per share for the year ended 31 December 2023 (2022: RMB0.25 per share). The payment of final dividends above is still subject to the approval from Shareholders at the forthcoming AGM, and will be made on or around Friday, 28 June 2024.

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

The register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024, 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, 30 May 2024. Shareholders whose name appear on the register of members of the Company on Thursday, 30 May 2024 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 Friday, 24 May 2024.

For determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 5 June 2024 to Friday, 7 June 2024, both days inclusive. Shareholders whose name appear on the register of members of the Company on Friday, 7 June 2024 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, 4 June 2024.

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 (www.chicmaxgroup.com).

The annual report of the Company for the year ended 31 December 2023 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
21 March 2024

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; Ms. Li Hanqiong and Mr. Sun Hao as non-executive Directors; Mr. Leung Ho Sun Wilson, Ms. Luo Yan (羅妍) and Mr. Liu Yi as independent non-executive Directors.

* *For identification purpose only*