

# CHICMAX

上海上美化妝品股份有限公司

Shanghai Chicmax Cosmetic Co., Ltd.

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

Stock Code: 2145

# 2023

Interim Report

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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Lyu Yixiong (呂義雄先生)  
*(Chairman of the Board and Chief Executive Officer)*  
Ms. Luo Yan (羅妍女士)  
Mr. Feng Yifeng (馮一峰先生)  
Ms. Song Yang (宋洋女士)

### Non-executive Directors

Ms. Li Hanqiong (李寒窮女士)  
Mr. Sun Hao (孫昊先生)

### Independent Non-Executive Directors

Mr. Leung Ho Sun Wilson (梁浩新先生)  
Ms. Luo Yan (羅妍女士)  
Mr. Liu Yi (劉毅先生)

## Supervisors

Mr. Li Tao (李濤先生) *(Chairman)*  
Ms. Shi Tenghua (施滕花女士)  
Ms. Cao Ying (曹瑛女士)

## Joint Company Secretaries

Mr. Lian Ming (廉明先生)  
Mr. Li Kin Wai (李健威先生) *(ACG, HKACG)*

## Audit Committee

Mr. Leung Ho Sun Wilson (梁浩新先生) *(Chairman)*  
Ms. Luo Yan (羅妍女士)  
Mr. Liu Yi (劉毅先生)

## Remuneration and Appraisal Committee

Ms. Luo Yan (羅妍女士) *(Chairman)*  
Mr. Lyu Yixiong (呂義雄先生)  
Mr. Liu Yi (劉毅先生)

## Nomination Committee

Mr. Lyu Yixiong (呂義雄先生) *(Chairman)*  
Ms. Luo Yan (羅妍女士)  
Mr. Liu Yi (劉毅先生)

## Authorised Representatives

Mr. Feng Yifeng (馮一峰先生)  
Mr. Li Kin Wai (李健威先生) *(ACG, HKACG)*

## Auditors

Ernst & Young  
*(Certified Public Accountants and  
Registered Public Interest Entity Auditor)*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

## Legal Advisors

### as to Hong Kong laws

Eric Chow & Co. in Association with  
Commerce & Finance Law Offices  
34/F, Alexandra House  
18 Chater Road  
Central, Hong Kong

### as to PRC laws

Commerce & Finance Law Offices  
10/F, Tower 1  
Jing An Kerry Centre  
1515 West Nanjing Road  
Shanghai  
PRC



## Compliance Adviser

Maxa Capital Limited  
Unit 1908 Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong

## Registered Office

Room 701  
No. 515 Yinxiang Road  
Nanxiang Town  
Jiading District, Shanghai  
PRC

## Head Office and Principal Place of Business in the PRC

25 Floor, Building B  
No. 3300 Zhongshan North Road  
Putuo District, Shanghai  
PRC

## Principal Place of Business in Hong Kong

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

## Principal Bankers

Shanghai Pudong Development Bank Co., Ltd.  
(Fengxian Sub-Branch)  
No. 7557 Nanfeng Road  
Fengxian District  
Shanghai, PRC

China Merchants Bank Co., Ltd.,  
Shanghai (Century Avenue Sub-Branch)  
No. 1589 Century Avenue  
Pudong New District  
Shanghai, PRC

## Hong Kong H Share Registrar and Transfer Office

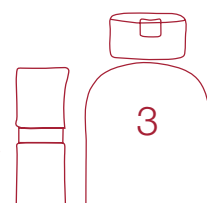
Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## Stock Code

2145

## Company's Website

<http://www.chicmaxgroup.com>



# Business Overview and Outlook

## BUSINESS OVERVIEW

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, 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. We have currently upgraded this self-developed core ingredient to *Tiracle Pro*.

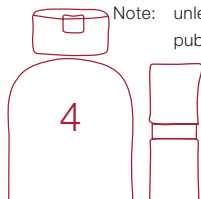
For the six months ended 30 June 2023 (the “1H2023”), *KANS* created multiple self-stream accounts on *Douyin* to sell its products, its bestseller was Polypeptide Collagen Softening skincare gift box (紅蠻腰禮盒), which ranked number one on several *Douyin* rankings. In addition, for skincare products, *KANS* also ranked number two in terms of skincare brand sales quantity and ranked number one for domestic skincare brand sales quantity on *Douyin*, according to the Jumeili (聚美麗), a cosmetic news media in the PRC.

In 1H2023, 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) in collaboration with *Douyin* and “All Girls Streamer”\* (所有女生的主播) in collaboration with Mr. Li Jiaqi (李佳琦), a well-known Chinese internet celebrity.

Further, in the 1H2023, *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 terms of products, in the 1H2023, *KANS* has successively launched series of “Whitening Spot Fading (白蠻腰系列)” products and series of “Soothing Firming Essential (藍蠻腰系列)” products with whitening and soothing effects respectively.

Note: unless otherwise indicated, the capitalized terms used in this Interim Report shall have the same meaning as those defined in the Annual Report 2022 published by the Company on 26 April 2023.



## Business Overview and Outlook

The revenue generated from *KANS* in 1H2023 was RMB1,028.0 million, representing an increase of 70.3% as compared to that for the six months ended 30 June 2022 (the “1H2022”), accounting for 64.8% of our total revenue for the 1H2023.

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*.

### *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 1H2023, *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.

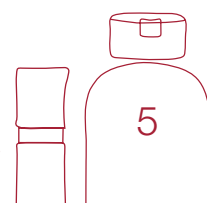
In light of this, *One Leaf* proposed and Shanghai Daily Chemical Industry Association formulated and released the group standard, the “General Principles of Clean Cosmetics” (純淨化妝品通則) (the “**Standard**”). The Standard has clarified the definition of clean cosmetics and quantified the standards for clean beauty in terms of materials used, formula design and product safety.

In terms of products, *One Leaf*, with its exclusive supramolecular formulation technology, solved the industry’s problem of the higher the concentration of panthenol, the stickier the feeling of the skin. In the 1H2023, *One Leaf* launched a new product called the Luminous Hydrating Repair Essence (透修護水感精華) which combines 10% panthenol with “olea europea leaf extract” as the core ingredient, which has the functions of repairing and anti-oxidation.

For awards and recognitions, in 1H2023, *One Leaf* has been awarded with 2022 – ESG Brand of YOUNG 100 Influential Brands\* (YOUNG100年度影響力品牌2022-ESG品牌) issued by YOUNG 100. *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 1H2023 was RMB203.6 million, representing a decrease of 23.1% as compared to that in 1H2022, accounting for 12.8% of our total revenue for the 1H2023.

With increasing awareness among young consumers of clean beauty skincare, we aim to build and upgrade *One Leaf* into a leading clean cosmetic brand in the PRC, 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*.



# Business Overview and Outlook

## **Baby Elephant**

In 2015, we launched *Baby Elephant*. 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. *Baby Elephant* with “simple ingredients, safe and effective” as its core, commits to using technology-based and additive-free natural ingredients.

In 1H2023, *Baby Elephant* introduced Ultra Protection Essence (舒安特護精華), which further enhanced the “Ultra Protection series (安心臻護系列)” product line. The products under the summer series have also undergone comprehensive upgrades in terms of effectiveness, appearance, and texture, such as the Skin Soothing Ointment (紫草舒緩膏). We have also introduced new products such as the Chardonnay Grape Essence Cream (霞多麗葡萄精華霜).

We have also 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).

In 1H2023, *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 – 孕嬰童護膚大獎), 2023 Tmall Baby Awards – Maternal and Child Charity Leader\* (2023天貓金嬰獎 – 母嬰公益領路人獎), New Cosme Awards – Super Single Product\* (2022-2023年度“新妝大賞” – 超級大單品), 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) and was the silver winner for the 2023 Muse Design Awards (2023年繆斯設計獎銀獎).

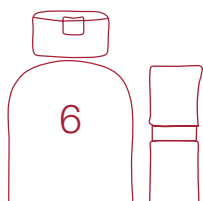
The revenue generated from *Baby Elephant* in 1H2023 was RMB189.1 million, representing a decrease of 38.2% as compared to that in 1H2022, accounting for 11.9% of our total revenue for the 1H2023.

We seek to maintain the leading position of *Baby Elephant* in the maternity and childcare segment in the PRC. 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 1H2023, we primarily generated revenue from these three brands with the aggregate amount of RMB1,420.7 million, representing an increase of 21.0% as compared to that in 1H2022 and in aggregate accounting for 89.5% of our total revenue for the 1H2023.

## **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. Huang Hu (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.



## Business Overview and Outlook

In terms of sales channels, *newpage* has presence in Watsons, maternal and child stores and postpartum care centres. For online channels, *newpage* products have been distributed on Tmall, JD, and *Douyin* and aired on Mr. Li Jiaqi (李佳琦)'s livestream. *newpage*'s Baby Balancing Cream and Baby Moisturizing Body Lotion ranked no.1 on several *Douyin* rankings in the 1H2023.

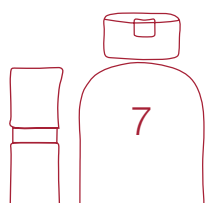
Further, in 1H2023, we introduced the Infant and Child Soothing Protective Essence, that contains natural organic Bisabolol, Dipotassium Glycyrrhizinate, and the strong barrier exclusive ingredient Omega-Pro which can strengthen skin barrier and improve fragile and sensitive skin.

The revenue generated from *newpage* in 1H2023 was RMB59.0 million, representing an increase of 209.1 times as compared to that in 1H2022 and accounting for 3.7% of our total revenue for the 1H2023.

### 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 the development of new brands targeting emerging opportunities, 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 brands and new products. To address the increased demands for high-quality functional products from consumers, we launched brands such as *BIO-G*, *asнами*, *KYOCA* and *ARMIYO* etc., focusing on sensitive skincare, middle to high-end maternity skincare and washing care products. In addition, we are preparing to launch *TAZU*, developed in cooperation with scientist, Kosaku Yamada, to position itself as a high-end anti-aging skincare brand.

In 1H2023, 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:





# Business Overview and Outlook

## 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 20 years of experience and expertise are underscored by our dual R&D center system in the PRC and overseas, 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 level of R&D investment persistently. In 1H2023 and 1H2022, we incurred R&D expenses of RMB54.4 million and RMB51.9 million, respectively, accounting for 3.4% and 4.1% of our total revenue, respectively.

In 1H2023, the Group and Shanghai Jiao Tong University jointly established a Skincare Functional Ingredient Joint Research and Development Centre\* (護膚功能原料聯合研發中心) to embark on innovative endeavours in fields such as biomolecular design and plant molecular modification.

### *Ingredients*

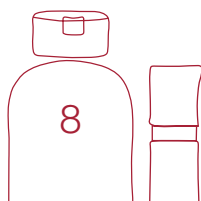
In the 1H2023, we introduced a new cyclic peptide and upgrade the ordinary linear peptide to a three-dimensional cyclic peptide, which has the advantages of stronger absorption, longer effective time, stronger physiological activity, etc. Compared with the ordinary linear peptides, cyclic peptide has better effects of anti-aging, anti-wrinkle and skin tightening effects.

### *Patents*

In 1H2023, we newly applied for 40 patents, including 24 invention patents. We have been granted 7 patents, 2 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.



## Employees and remuneration policy

As at 30 June 2023, we had 2,367 full-time employees, amongst which 2,284 full-time employees were based in the PRC, primarily at our Shanghai headquarter and various other cities in the PRC, and 83 full-time employees were based in overseas. The total remuneration cost for the 1H2023 was RMB238.4 million, as compared to RMB217.5 million for the 1H2022, 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 RMB35.6 million for the 1H2023 was mainly related to the purchase of new machinery and equipment, vehicles, factory renovation and expansion and final payments for projects, etc., amounting to RMB35.3 million, and other intangible assets amounting to RMB0.3 million.

## Right-of-use assets and lease liabilities

The related right-of-use assets and lease liabilities are located in the PRC and overseas. As at 30 June 2023, the Group's right-of-use assets were RMB135.1 million (RMB144.5 million as at 31 December 2022) and its lease liabilities were RMB70.0 million (RMB77.8 million as at 31 December 2022). For the 1H2023, the depreciation charges of right-of-use assets amounted to RMB14.3 million and interest charges of lease liabilities amounted to RMB2.2 million.

# Business Overview and Outlook

## 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. Going forward, 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 opportunities, to meet diverse consumer demands, and ultimately create more growth opportunities.

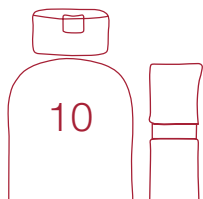
### **Continue to invest in R&D to drive product innovations and remain responsive to market**

Leveraging our advanced R&D and production capabilities in the PRC and overseas, 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 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. 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*.

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.

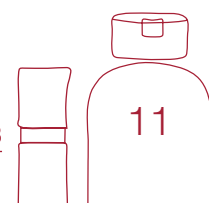


# Financial Summary

Our revenue increased to RMB1,586.8 million for the 1H2023 from RMB1,262.4 million for the 1H2022. Our gross profit increased to RMB1,095.5 million for the 1H2023 from RMB819.5 million for the 1H2022. Our profit for the 1H2023 was RMB100.9 million whereas our profit for the 1H2022 was RMB62.8 million. The Board has resolved to recommend the payment of interim dividends of RMB0.2 per share for the 1H2023, on 30 August 2023 to the shareholders of the Company.

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Revenue	1,586,826	1,262,394
Gross profit	1,095,485	819,542
Profit for the period	100,938	62,781
Profit for the period attributable to owners of the parent	100,965	65,339
Basic and diluted earnings per Share	RMB0.25	RMB0.18

	As at	As at
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Total assets	2,822,137	3,145,667
Total liabilities	1,082,608	1,439,022
Total equity	1,739,529	1,706,645



# Management Discussion and Analysis

## FINANCIAL REVIEW

We generated revenue primarily from the manufacture and sale of cosmetic products. Revenue of the Group for the 1H2023 increased by 25.7% to RMB1,586.8 million compared to RMB1,262.4 million for the 1H2022 owing to factors including (i) the increased revenue generated from emerging e-commerce platforms such as *Douyin*; and (ii) the change of the macro-economic environment.

### Revenue by brands

	Six months ended 30 June			
	2023		2022	
	Amount	% of Revenue Amount	Amount	% of Revenue Amount
	<i>(RMB in millions, except percentages)</i>			
	<i>(Unaudited)</i>		<i>(Audited)</i>	
<i>KANS</i>	1,028.0	64.8	603.6	47.8
<i>One Leaf</i>	203.6	12.8	264.5	21.0
<i>Baby Elephant</i>	189.1	11.9	306.1	24.2
Other brands <sup>(Note)</sup>	166.1	10.5	88.2	7.0
<b>Total</b>	<b>1,586.8</b>	<b>100.0</b>	1,262.4	100.0

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

The Group's revenue attributable to *KANS* increased to RMB1,028.0 million for the 1H2023 from RMB603.6 million for the 1H2022, primarily due to the increased revenue generated from our direct online sale stores on emerging e-commerce platforms such as *Douyin*.

The Group's revenue attributable to *One Leaf* decreased to RMB203.6 million for the 1H2023 from RMB264.5 million for the 1H2022, primarily because we are in the process of establishing and transforming *One Leaf* into a clean beauty skincare brand for young consumers with botanical science.

The Group's revenue attributable to *Baby Elephant* decreased to RMB189.1 million for the 1H2023 from RMB306.1 million for the 1H2022, primarily due to the intense competitive environment.



# Management Discussion and Analysis

## Revenue by sales channels

	Six months ended 30 June			
	2023		2022	
	Amount	% of Revenue	Amount	% of Revenue
	<i>(RMB in millions, except percentages)</i>			
	<i>(Unaudited)</i>		<i>(Audited)</i>	
<b>Online channels</b>	<b>1,291.2</b>	<b>81.4</b>	931.2	73.8
Online direct sales	<b>983.8</b>	<b>62.0</b>	485.7	38.5
Sales to online retailers	<b>139.6</b>	<b>8.8</b>	252.2	20.0
Sales to online distributors	<b>167.8</b>	<b>10.6</b>	193.3	15.3
<b>Offline channels</b>	<b>268.5</b>	<b>16.9</b>	310.9	24.6
Sales to offline retailers	<b>192.2</b>	<b>12.1</b>	179.5	14.2
Sales to offline distributors	<b>76.3</b>	<b>4.8</b>	131.4	10.4
<b>Others<sup>(Note)</sup></b>	<b>27.1</b>	<b>1.7</b>	20.3	1.6
<b>Total</b>	<b>1,586.8</b>	<b>100.0</b>	1,262.4	100.0

*Note:* Others primarily consist of our ODM business. During the reporting period, we provided design and manufacture services of cosmetic products for third-party cosmetic companies in order to optimise the usage of production facilities to achieve economic benefits.

The Group's revenue attributable to online direct sales increased to RMB983.8 million for the 1H2023 from RMB485.7 million for the 1H2022, primarily due to the increase in revenue generated from emerging e-commerce platforms such as *Douyin*.

The Group's revenue attributable to sales to online retailers decreased to RMB139.6 million for the 1H2023 from RMB252.2 million for the 1H2022, primarily due to the decrease in revenue generated from online retailers such as *JD.COM*, *Tmall Supermarket*.

The Group's revenue attributable to sales to online distributors decreased to RMB167.8 million for the 1H2023 from RMB193.3 million for the 1H2022, 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 to RMB192.2 million for the 1H2023 from RMB179.5 million for the 1H2022, primarily due to the offline retailers' gradual recovery from the impact of macro-economic environment.

The Group's revenue attributable to sales to offline distributors decreased to RMB76.3 million for the 1H2023 from RMB131.4 million for the 1H2022, primarily due to changes in consumer habits and purchase channels.

# Management Discussion and Analysis

## Revenue by categories

	Six months ended 30 June			
	2023		2022	
	Amount	% of Revenue Amount	Amount	% of Revenue Amount
	<i>(RMB in millions, except percentages)</i>			
	<i>(Unaudited)</i>		<i>(Audited)</i>	
Skin care	1,282.9	80.9	929.7	73.6
Maternity and childcare	259.0	16.3	320.6	25.4
Others	44.9	2.8	12.1	1.0
<b>Total</b>	<b>1,586.8</b>	<b>100.0</b>	1,262.4	100.0

The Group's revenue attributable to skin care increased to RMB1,282.9 million for the 1H2023 from RMB929.7 million for the 1H2022, primarily due to the increase in revenue generated from *KANS*.

The Group's revenue attributable to maternity and childcare decreased to RMB259.0 million for the 1H2023 from RMB320.6 million for the 1H2022, primarily due to the decrease in revenue generated from *Baby Elephant*.

## Gross profit and gross profit margin

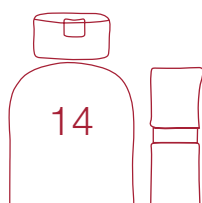
The gross profit increased by 33.7% to RMB1,095.5 million for the 1H2023 from RMB819.5 million for the 1H2022. The gross profit margins were 69.0% and 64.9% for the 1H2023 and for the 1H2022, respectively, primarily due to the increase of gross profit margin under *KANS*.

## Other income and gains

The other income and gains increased by 13.2% to RMB67.1 million for the 1H2023 from RMB59.3 million for the 1H2022, primarily due to the increase of foreign exchange rates and gains from the changes in fair values of financial assets.

## Selling and distribution expenses

The selling and distribution expenses as a percentage of the Group's revenue increased to 53.6% for the 1H2023 compared with 48.2% for the 1H2022. The selling and distribution expenses increased by RMB242.7 million to RMB850.6 million for the 1H2023 from RMB607.9 million for the 1H2022. The marketing and promotion expenses increased by RMB220.0 million to RMB629.7 million for the 1H2023 from RMB409.7 million for the 1H2022, 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 RMB7.2 million to RMB145.4 million for the 1H2023 from RMB138.2 million for the 1H2022. Other key expenses included transportation expenses of RMB61.1 million, travelling and entertainment expenses of RMB9.2 million and others of RMB5.2 million for the 1H2023.



# Management Discussion and Analysis

## Administrative expenses

Our administrative expenses increased by 9.1% to RMB111.9 million for the 1H2023 from RMB102.6 million for the 1H2022. Administrative expenses mainly comprised employee benefits expenses (including directors' emoluments) of RMB49.8 million, profession and consulting fees of RMB6.0 million, depreciation and amortization charges of RMB21.0 million, office and utility expense of RMB28.4 million and others of RMB6.7 million for the 1H2023.

## Research and development costs

Our R&D costs increased by 4.8% to RMB54.4 million for the 1H2023 from RMB51.9 million for the 1H2022, primarily due to the increase in R&D activities.

## Impairment losses on financial assets, net

Our impairment losses on financial assets, net changed from RMB0.7 million loss for the 1H2022 to the reversal of RMB14.7 million for the 1H2023, primarily due to the decrease in expected credit losses on trade receivables.

## Other Expenses

Our other expenses decreased by 20.7% to RMB21.5 million for the 1H2023 from RMB27.1 million for the 1H2022, primarily due to the decrease in inventory impairment losses and no foreign exchange loss for the 1H2023.

## Finance Costs

Our finance costs increased by 19.4% to RMB11.7 million for the 1H2023 from RMB9.8 million for the 1H2022, primarily due to the increase of interest on bank and other borrowings.

## Income Tax Expense

Income tax expense costs increased to RMB23.5 million for the 1H2023 from RMB15.6 million for the 1H2022. The effective tax rates of the Group for the 1H2023 and for the 1H2022 were 18.9% and 19.9% respectively.

## Profit for the first half year

As a result of the foregoing, our profit was RMB100.9 million and RMB62.8 million for the 1H2023 and for the 1H2022, respectively.

## Liquidity and Capital Resources

Cash generated from operating activities for the 1H2023 was approximately RMB171.6 million, compared with RMB74.6 million which were used for the 1H2022. As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB581.0 million and external bank borrowings of approximately RMB259.4 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.



## Management Discussion and Analysis

In terms of gearing, the Group's debt to asset ratios (defined as total liabilities divided by total assets) for the 1H2023 and for the 1H2022 were 38.4% and 61.6%, respectively. The current ratios of the Group (defined as current assets divided by current liabilities) as at 30 June 2023 and 30 June 2022 were 1.8 times and 1.1 times respectively. The Group's gearing ratios (defined as total interest-bearing bank and other borrowings and lease liabilities divided by total equity) for the 1H2023 and for the 1H2022 were 18.9% and 54.3%, respectively. As at 30 June 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 30 June 2023, our interest-bearing bank and other borrowings were RMB259.4 million, which comprised of (i) secured bank loans (current) of RMB164.3 million at effective interest rates of 2.80% to 3.55% per annum, (ii) the current portion of secured long-term bank loans of RMB88.7 million at effective interest rates of 4.40% to 5.04% per annum, and (iii) secured bank loans (non-current) of RMB6.4 million at effective interest rates of 4.40% per annum. Our interest-bearing bank and other borrowings decreased by 60.1% to RMB259.4 million as at 30 June 2023 from RMB650.4 million as at 31 December 2022, primarily due to repayment of parts of the interest-bearing bank borrowings.

### Pledge of assets

As at 30 June 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 RMB339.0 million (RMB327.4 million as at 31 December 2022); and (ii) investment properties with a net carrying amounts values of approximately RMB8.7 million (RMB9.3 million as at 31 December 2022).

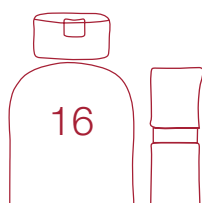
As at 30 June 2023, the amount of the Group's letter of credit guarantee deposits and bank guarantee deposits was nil (RMB11.5 million as at 31 December 2022).

### Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures during the reporting period

As of June 30, 2023, the Group did not hold any significant investments. The Group did not make any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the reporting period.

### 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 at 30 June 2023, approximately 97.2% (28.5% as at 31 December 2022) of the Group's bank balances and cash was denominated in RMB and 0.2% (70.0% as at 31 December 2022) of the Group's bank balances and cash was denominated in HKD which was proceeded from the Global Offering. The remaining 2.6% (1.5% as at 31 December 2022) 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 1H2023, 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.



# Corporate Governance and Other Information

## Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standards of corporate governance, which is essential to the Company's development and protection of shareholders' interests. The Company has adopted the code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis for its corporate governance practices since the date of listing.

The Board is of the view that during the 1H2023, 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.

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 1H2023. No incident of non-compliance of the Model Code by the employees was noted by the Company for the 1H2023.

## Dividend

The Board has resolved to recommend the payment of interim dividends of RMB0.2 per share for the 1H 2023, on 30 August 2023 to the shareholders of the Company. The payment of interim dividends above is still subject to the approval from shareholders of the Company at the extraordinary general meeting of the Company to be held on Monday, 16 October 2023 ("**First 2023 EGM**"), and will be paid on or around Wednesday, 15 November 2023 to the shareholders of the Company whose names appear on the register of member of the Company on Thursday, 26 October 2023.

## Corporate Governance and Other Information

### Closure of Register of Members

#### **For determining the entitlement to attend and vote at the First 2023 EGM, the First 2023 H Share Class Meeting and the First 2023 Domestic Share Class Meeting**

To determine the entitlement of the shareholders of the Company to attend and vote at the First 2023 EGM, the H shares class meeting (the “**First 2023 H Share Class Meeting**”) and the domestic shares class meeting (the “**First 2023 Domestic Share Class Meeting**”) of the Company, the register of members of the Company will be closed from Saturday, 16 September 2023 to Monday, 16 October 2023, both days inclusive, during which period no share transfers of the Company will be registered. Shareholders whose name appear on the register of members of the Company on Monday, 16 October 2023 will be entitled to attend and vote at the First 2023 EGM, the First 2023 H Share Class Meeting and the First 2023 Domestic Share Class Meeting. The First 2023 H Share Class Meeting and the First 2023 Domestic Share Class Meeting will be held on the same day as the First 2023 EGM.

In order to be eligible to attend and vote at the First 2023 EGM and the First 2023 H Share Class Meeting, all transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong H share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 15 September 2023 (for H share shareholders).

#### **For determining the entitlement to the proposed interim dividends**

To determine the eligibility of the shareholders of the Company for their entitlement to the proposed interim dividends, the register of members of the Company will be closed from Friday, 20 October 2023 to Thursday, 26 October 2023, both days inclusive, during which period no share transfers of the Company will be registered. In order to qualify for the interim dividend, all transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong H share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 19 October 2023 (for H share shareholders).

### Changes to Directors and Supervisors’ Information

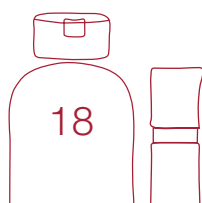
The Company is not aware of any changes in the information of Directors, Supervisors and chief executive which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Prospectus and up to the date of this interim report.

### Continuing Disclosure Obligations Pursuant to the Listing Rules

The Company does not have any other disclosure obligations under Rule 13.20, 13.21 and 13.22 of the Listing Rules.

### Purchase, Sale or Redemption of Listed Securities of the Company

During the 1H2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.



## Use of Proceeds from the Global Offering

The H shares of the Company (the “**Share(s)**”) were listed on the Main Board of the Stock Exchange (the “**Stock Exchange**”) at HKD25.20 per share on 22 December 2022 (the “**Listing Date**”). With net proceeds received by the Company from the global offering of the H shares (the “**Global Offering**”) in the amount of approximately HKD859.7 million<sup>(1)</sup> after deducting underwriting commissions and all related expenses. The following table sets forth the Company’s use of the proceeds from the Global Offering as at 30 June 2023:

	Net proceeds						
	Approximate	from the	Remaining net	Utilised amount	Net proceeds	Remaining net	Expected time to
	% of the total	Global	proceeds as at	during the	utilised as at	proceeds as at	
	net proceeds	Offering	31 December 2022	reporting period	30 June 2023	30 June 2023	utilise the remaining
	HKD million	HKD million	HKD million	HKD million	HKD million	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	69.9	69.9	205.6	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	24.8	24.8	80.1	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	1.4	1.4	169.2	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	154.5	0	By 31 December 2026
Enhancing our digitisation and information infrastructure	8.0	69.2	69.2	0	0	69.2	By 31 December 2024
Working capital and other general corporate purposes	9.9	85.1	85.1	85.1	85.1	0	By 31 December 2024
<b>Total<sup>(2)</sup></b>	<b>100.0</b>	<b>859.7</b>	<b>859.7</b>	<b>335.7</b>	<b>335.7</b>	<b>524.0</b>	

### Notes:

- (1) The total net proceeds of approximately HKD859.7 million include approximately HKD835.1 million from the Global Offering in December 2022 and approximately HKD24.6 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.

## Corporate Governance and Other Information

The Group has utilised part of the net proceeds from the Global Offering, and will gradually utilise the net proceeds in accordance with the intended purposes as stated in the prospectus of the Company dated 12 December 2022. 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.

### Future Plans for Material Investments and Capital Assets

Save as disclosed in the aforementioned section headed “Use of proceeds from the Global Offering” in this report, the Group did not have plan for material investments and capital assets as at the date of this report.

### Directors’, Supervisors’ and Chief Executive’s Interests or Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2023, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is keen to taken or deemed to have under such provisions of the SFO), or as recorded in the registered maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Class of Shares	Nature of Interest	Number of Shares held/ interested <sup>(1)</sup>	Approximate percentage in the relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage in the Company <sup>(2)</sup>
Mr. Lyu Yixiong	Domestic Shares	Beneficial interest	46,640,000(L)	23.25%	11.72%
	H shares		100,800,000(L)	51.08%	25.33%
	Domestic Shares	Interest in controlled	145,112,560(L)	72.33%	36.46%
	H shares	corporation <sup>(2)</sup>	36,000,000(L)	18.24%	9.05%

Notes:

(1) (L) denotes long position.

(2) The calculation is based on a total of 397,957,900 Shares in issue as at 30 June 2023, which consists of 200,614,140 Domestic Shares and 197,343,760 H Shares.



## Corporate Governance and Other Information

As at 30 June 2023, Mr. Lyu Yixiong holds 93.33% equity interest in Shanghai Hongyin Investment Co., Ltd. (上海紅印投資有限公司) (“**Hongyin Investment**”), 83.74% equity interest in Shanghai Nanyin Investment Co., Ltd. (上海南印投資有限公司) (“**Nanyin Investment**”), and the entire equity interest in Shanghai Kans Enterprise Management Co., Ltd. (上海韓束企業管理有限公司) (“**Shanghai Kans**”) and Shanghai Shengyan Business Management Centre (上海盛顏商務管理中心) (“**Shanghai Shengyan**”). Therefore, Mr. Lyu Yixiong is deemed to be interested in the shares held by Hongyin Investment, Nanyin Investment, Shanghai Kans and Shanghai Shengyan.

Save as disclosed above, as at 30 June 2023, to the knowledge of the Board, none of the Directors, the Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

### Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares of the Company

As at 30 June 2023, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company (the interests in Shares and/or short positions, if any, disclosed herein are in addition to those disclosed in respect of the Directors, Supervisors and chief executive of the Company):

Name of Substantial Shareholder	Class of Shares	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage in relevant class of Shares of the Company <sup>(2)</sup>	Approximate percentage in the Company <sup>(2)</sup>
Hongyin Investment	Domestic Shares	Beneficial interest	90,000,000(L)	44.86%	22.62%
	H shares		18,000,000 (L)	9.12%	4.52%
Nanyin Investment	Domestic Shares	Beneficial interest	42,880,000 (L)	21.37%	10.78%
	H shares		18,000,000 (L)	9.12%	4.52%

Notes:

(1) (L) denotes long position.

(2) The calculation is based on a total of 397,957,900 Shares in issue as at 30 June 2023, which consists of 200,614,140 Domestic Shares and 197,343,760 H Shares.

## Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### Directors and Supervisors' Rights to Acquire Shares or Debentures

During 1H2023, the Company did not grant any rights to any Directors, chief executive or their respective spouse or children under the age of 18 to acquire beneficial interests by means of the acquisition of Shares in, or debentures of, the Company, and none of the above persons have exercised the said rights during 1H2023. The Company, its holding company or any of its subsidiaries were not a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

### Employee Share Ownership Plan

We have established an employee share ownership plan (“**ESOP**”) since 2016 to attract and retain the talents, to provide incentives that align the interests of shareholders, the Company and employees, and to facilitate the long-term development of the Company. The terms of the ESOP are not subject to the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the ESOP.

As at 30 June 2023, all the Shares underlying the ESOP have been issued and granted, and to the extent that there is any change to the grants under the ESOP after the Listing, the Company will comply with the applicable Listing Rules (including the requirements under Chapter 14A of the Listing Rules applicable to grants to connected persons, if any).

#### ESOP Platforms

There are three employee share ownership platforms (the “**ESOP Platforms**”) for the ESOP, namely (i) Hongyin Investment, (ii) Nanyin Investment and (iii) Shanghai Chengyin.

As at 30 June 2023, Hongyin Investment and Nanyin Investment holds 27.14% and 15.30% equity interest in the Company, respectively, and Shanghai Chengyin holds 5% equity interest in Nanyin Investment.



## Corporate Governance and Other Information

Participants of the ESOP (the “**ESOP Participants**” and each an “**ESOP Participant**”) shall indirectly hold equity interest in the Company through holding shares of Hongyin Investment, Nanyin Investment or Shanghai Chengyin transferred by Mr. Lyu Yixiong pursuant to the ESOP.

Set out below is the shareholding structure of the ESOP platforms as at 30 June 2023:

- **Hongyin Investment:** Hongyin Investment is a limited liability company incorporated under the laws of the PRC on 11 February 2015 and is an incentive platform for employees of our Group who hold shares in Hongyin Investment. Hongyin Investment is held by (i) Mr. Lyu Yixiong, our executive Director, as to 93.33%, (ii) Ms. Luo Yan (羅燕), our executive Director, as to 1.67%. The remaining 2% and 3% equity interests in Hongyin Investment are held by 3 employees of the Group and 3 former employees of the Group, respectively.
- **Nanyin Investment:** Nanyin Investment is a limited liability company incorporated in the PRC on 11 February 2015 and is an incentive platform for employees of our Group who hold shares in Nanyin Investment. Nanyin Investment is held by (i) Mr. Lyu Yixiong, our executive Director, as to 83.74%, (ii) Mr. Feng Yifeng (馮一峰), our executive Director, as to 1.77%, (iii) Ms. Song Yang (宋洋), our executive Director, as to 1.77%, (iv) Mr. Li Tao (李濤), Ms. Shi Tenghua (施滕花), Ms. Cao Ying (曹瑛), our Supervisors, as to 0.059%, 0.59% and 0.18%, respectively, and (v) Shanghai Chengyin, another incentive platform, as to 5%. The remaining 3.87%, 2.01% and 1% equity interests in Nanyin Investment are held by 16 employees of the Group, 3 former employees of the Group, and Ms. Lyu Lichun (呂麗純), a sibling of Mr. Lyu Yixiong, respectively.
- **Shanghai Chengyin:** Shanghai Chengyin is a limited liability company incorporated in the PRC on 8 February 2021 and is an incentive platform for employees of our Group who hold shares in Shanghai Chengyin. Shanghai Chengyin is held by Mr. Lyu Yixiong, our executive Director, as to 77.52%, and the remaining 18.93% and 3.55% equity interests in Shanghai Chengyin are held by 16 employees of the Group and 3 former employees of the Group.

The specific terms and conditions of the ESOP for each ESOP Participant is subject to the agreement entered into between (i) the relevant ESOP Platforms (ii) Mr. Lyu Yixiong and (iii) the relevant ESOP Participants.



# Corporate Governance and Other Information

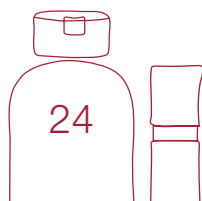
## Shares and Share Price Granted under the ESOP

On 20 July 2016, respective agreements were entered into between Hongyin Investment, Mr. Lyu Yixiong and the relevant ESOP Participants, pursuant to which the relevant equity interest in Hongyin Investment was transferred to eligible grantees in their capacity as employees of the Group. The price per share granted to each ESOP Participant under the ESOP is RMB1.00 and each ESOP Participant shall pay the relevant price to Mr. Lyu Yixiong on the date of transfer. The price per share was determined based on the registered share capital per share of relevant ESOP Platforms. Depending on the clauses of each agreement, some of the ESOP Participants are not allowed to transfer or in any way dispose of the shares for a period of four (4) or five (5) years commencing on the date when the registration of the transfer of equity interest is completed. Between March 2021 and July 2022, respective agreements were entered into between Nanyin Investment or Shanghai Chengyin (as the case may be), Mr. Lyu Yixiong and the relevant ESOP Participants, pursuant to which the relevant equity interest in Nanyin Investment or Shanghai Chengyin was transferred to eligible grantees in their capacity as employees of the Group. The price per share granted to each ESOP Participant under the ESOP is RMB1.00 and each ESOP Participant shall pay the relevant price to Mr. Lyu Yixiong on the date of transfer of the equity interest. The price per share was determined based on the registered share capital per share of relevant ESOP Platforms. Depending on the clauses of each agreement, some of the ESOP Participants are not allowed to transfer or in any way dispose of the shares for a period of four (4) years commencing on 1 January 2021 or for a period of two and a half (2.5) years or four (4) years commencing on 1 July 2022, respectively. Under the ESOP, there is no maximum entitlement limitation for the ESOP Participants. All underlying shares under the ESOP have been issued to ESOP Participants and there is no provision under the ESOP and relevant agreements in respect of the remaining life of the ESOP.

## Repurchase of Shares Granted

Under the following circumstances, Mr. Lyu Yixiong has the right to purchase the shares transferred under the ESOP at the grant price of RMB1.00 per share:

- (i) the termination of the ESOP Participant's employment relationship with the Company or any of its subsidiaries for any reasons during the share transfer restriction period (if any) as specified in the agreements entered into between the relevant ESOP Platforms, Mr. Lyu Yixiong and the relevant ESOP Participants;
- (ii) the transfer, disposal, or pledge of the shares by the ESOP Participant during the share transfer restriction period (if any) as specified in the agreements entered into between the relevant ESOP Platforms, Mr. Lyu Yixiong and the relevant ESOP Participants without the approval of the relevant ESOP Platforms; or
- (iii) any violation of law, breach of professional ethics, confidential information leakage, corruption or other malpractices of the ESOP Participant.



## Movements of Awards under the ESOP

Category of grantees	Unvested awards at of 31 December 2022	Unvested awards at of 30 June 2023	Granted during the Relevant Period	Vested during the Relevant Period	Cancelled during the Relevant Period	Lapsed during the Relevant Period
<b>Directors:</b>						
Lyu Yixiong	0	0	0	0	0	0
Luo Yan (羅燕)	0	0	0	0	0	0
Feng Yifeng	0	0	0	0	0	0
Song Yang	0	0	0	0	0	0
Li Hanqiong	0	0	0	0	0	0
Sun Hao	0	0	0	0	0	0
Leung Ho Sun Wilson	0	0	0	0	0	0
Luo Yan (羅妍)	0	0	0	0	0	0
Liu Yi	0	0	0	0	0	0
<b>Five highest paid individuals</b>	0	0	0	0	0	0
<b>Other grantees</b>	0	0	0	0	0	0

## Events after the Reporting Period

There were no other significant events occurred subsequent to 30 June 2023 and up to the date of this report.

## 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 unaudited consolidated interim results of the Group for the 1H2023 with the management and the auditor of the Company. The Audit Committee considered that the unaudited consolidated interim results of the Group for the 1H2023 are in compliance with the applicable accounting standards, laws and regulations. The Audit Committee has also discussed matters in relation to internal audit work and financial reporting with the management of the Company.

# Corporate Governance and Other Information

## Material Litigation

The Company was not involved in any material litigation or arbitration during the 1H2023. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the 1H2023.

*\* For identification purposes only*

By order of the Board

**Lyu Yixiong**

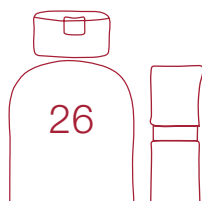
*Chairman of the Board, Executive Director and Chief Executive Officer*

上海上美化妝品股份有限公司

**Shanghai Chicmax Cosmetic Co., Ltd.**

Shanghai, the PRC

26 September 2023



# Independent Review Report



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

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香港鰂魚涌英皇道979號  
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## Independent review report

To the shareholders of Shanghai Chicmax Cosmetic Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 28 to 52, which comprises the condensed consolidated statement of financial position of Shanghai Chicmax Cosmetic Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

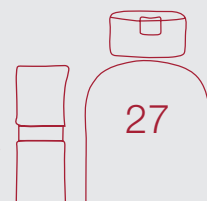
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

30 August 2023



# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

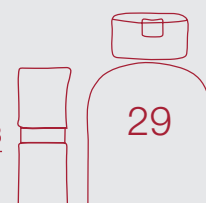
		2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
	Notes		
<b>Revenue</b>	5	<b>1,586,826</b>	1,262,394
Cost of sales		<b>(491,341)</b>	(442,852)
<b>Gross profit</b>		<b>1,095,485</b>	819,542
Other income and gains		<b>67,132</b>	59,253
Selling and distribution expenses		<b>(850,582)</b>	(607,875)
Administrative expenses		<b>(111,937)</b>	(102,599)
Research and development costs		<b>(54,391)</b>	(51,925)
Impairment losses on financial assets, net		<b>14,742</b>	(739)
Other expenses		<b>(21,487)</b>	(27,111)
Finance costs	7	<b>(11,660)</b>	(9,794)
Share of profits and losses of associates		<b>(2,883)</b>	(385)
<b>PROFIT BEFORE TAX</b>	6	<b>124,419</b>	78,367
Income tax expense	8	<b>(23,481)</b>	(15,586)
<b>PROFIT FOR THE PERIOD</b>		<b>100,938</b>	62,781
<b>Attributable to:</b>			
Owners of the parent		<b>100,965</b>	65,339
Non-controlling interests		<b>(27)</b>	(2,558)
		<b>100,938</b>	62,781
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted			
– For profit for the period	10	<b>RMB0.25</b>	RMB0.18



# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>100,938</b>	62,781
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3,999)	(6,745)
<b>Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods</b>	<b>(3,999)</b>	(6,745)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>96,939</b>	56,036
<b>Attributable to:</b>		
Owners of the parent	96,966	58,594
Non-controlling interests	(27)	(2,558)
	<b>96,939</b>	56,036



# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	599,895	601,251
Investment properties		8,676	9,286
Prepayments, other receivables and other assets		13,414	16,748
Right-of-use assets		135,062	144,494
Other intangible assets		17,944	19,424
Investments in associates		16,264	1,797
Financial assets at fair value through profit or loss	14	100,349	–
Deferred tax assets		104,456	100,501
Total non-current assets		996,060	893,501
<b>CURRENT ASSETS</b>			
Inventories	12	472,456	518,113
Trade and bills receivables	13	289,895	373,985
Prepayments, other receivables and other assets		264,715	200,860
Financial assets at fair value through profit or loss	14	217,997	–
Pledged deposits		–	11,500
Cash and cash equivalents		581,014	1,147,708
Total current assets		1,826,077	2,252,166
<b>CURRENT LIABILITIES</b>			
Trade payables	15	359,446	424,150
Other payables and accruals		318,743	235,722
Interest-bearing bank and other borrowings		253,037	590,278
Lease liabilities		29,895	26,890
Tax payable		61,666	36,690
Total current liabilities		1,022,787	1,313,730
<b>NET CURRENT ASSETS</b>		<b>803,290</b>	<b>938,436</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,799,350</b>	<b>1,831,937</b>



# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

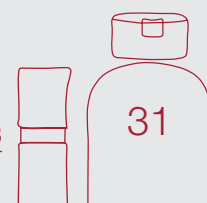
		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	Notes		
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		40,097	50,939
Interest-bearing bank and other borrowings		6,397	60,089
Other payables		13,327	14,264
<b>Total non-current liabilities</b>		<b>59,821</b>	125,292
<b>Net assets</b>		<b>1,739,529</b>	1,706,645
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	16	397,958	396,958
Reserves		1,328,959	1,308,128
		<b>1,726,917</b>	1,705,086
Non-controlling interests		12,612	1,559
<b>Total equity</b>		<b>1,739,529</b>	1,706,645

Lyu Yixiong

Director

Feng Yifeng

Director





# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital	Share premium*	Share-based		Statutory reserve funds*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
			payment	Capital reserve*						
			RMB'000	RMB'000						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2023 (audited)	396,958	772,886	194,083	119,679	40,207	(7,707)	188,980	1,705,086	1,559	1,706,645
Profit/(loss) for the period	-	-	-	-	-	-	100,965	100,965	(27)	100,938
Other comprehensive income for the period:										
Exchange differences related to foreign operations	-	-	-	-	-	(3,999)	-	(3,999)	-	(3,999)
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	-	(3,999)	100,965	96,966	(27)	96,939
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	10,780	10,780
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	300	300
Final 2022 dividend declared	-	-	-	-	-	-	(99,489)	(99,489)	-	(99,489)
Issuance of ordinary shares relating to initial public offering	1,000	20,777	-	-	-	-	-	21,777	-	21,777
Share issue expenses	-	(1,394)	-	-	-	-	-	(1,394)	-	(1,394)
Equity-settled share-based compensation	-	-	3,971	-	-	-	-	3,971	-	3,971
Transfer from retained profits	-	-	-	-	2,976	-	(2,976)	-	-	-
<b>At 30 June 2023 (unaudited)</b>	<b>397,958</b>	<b>792,269</b>	<b>198,054</b>	<b>119,679</b>	<b>43,183</b>	<b>(11,706)</b>	<b>187,480</b>	<b>1,726,917</b>	<b>12,612</b>	<b>1,739,529</b>

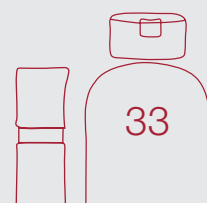


# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent								
	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Share-based payment reserve*	Capital reserve*	Statutory reserve funds*	Exchange fluctuation reserve*	Retained profits*	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>At 1 January 2022 (audited)</b>	360,000	194,969	119,679	30,556	(6,752)	251,527	949,979	5,059	955,038
Profit/(loss) for the period	-	-	-	-	-	65,339	65,339	(2,558)	62,781
Other comprehensive income for the period:									
Exchange differences related to foreign operations	-	-	-	-	(6,745)	-	(6,745)	-	(6,745)
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	-	(6,745)	65,339	58,594	(2,558)	56,036
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	7,860	7,860
Dividends declared	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Equity-settled share-based compensation	-	2,327	-	-	-	-	2,327	-	2,327
<b>At 30 June 2022 (audited)</b>	360,000	197,296	119,679	30,556	(13,497)	116,866	810,900	10,361	821,261

\* These reserve accounts comprise the consolidated reserves of RMB1,328,959,000 and RMB450,900,000 in the consolidated statement of financial position as at 30 June 2023 and 2022.



# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

		2023	2022
	Notes	(Unaudited) RMB'000	(Audited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax	6	124,419	78,367
Adjustments for:			
Finance costs	7	11,660	9,794
Inventory impairment and scrap	6	17,360	21,478
(Reversal of impairment)/impairment of trade and other receivables	6	(14,742)	739
Share of profits and losses of associates		2,883	385
Interest income		(7,209)	(295)
Depreciation of investment properties		610	619
Depreciation of property, plant and equipment	6	32,358	34,267
Depreciation of right-of-use assets	6	14,253	13,169
Amortisation of intangible assets	6	1,355	1,484
Loss on disposal of items of property, plant and equipment	6	60	488
Gain on disposal of items of right-of-use assets		-	(1)
Fair value gain on financial assets at fair value through profit or loss		(16,425)	(66)
Equity-settled share-based compensation expense	6	3,971	2,327
		<b>170,553</b>	162,755
Decrease in inventories		28,297	28,267
Decrease in trade and bills receivables		98,814	79,883
Increase in prepayments, other receivables and other assets		(66,677)	(2,366)
Decrease/(increase) in pledged deposits		11,500	(11,500)
Decrease in trade payables		(64,704)	(182,971)
Decrease in other payables and accruals		(11,380)	(115,808)
		<b>166,403</b>	(41,740)
Cash generated from/(used in) operations		166,403	(41,740)
Interest received		7,209	295
Income tax paid		(1,969)	(33,113)
		<b>171,643</b>	(74,558)
Net cash flows generated from/(used in) operating activities		171,643	(74,558)



# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023	2022
Notes	(Unaudited) RMB'000	(Audited) RMB'000
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(35,268)	(31,613)
Proceeds from disposal of items of property, plant and equipment	3,250	503
Additions to other intangible assets	(331)	(2,305)
Proceeds from disposal of items of other intangible assets	302	–
Investments in associates	(17,350)	–
Purchases of financial assets at fair value through profit or loss	(301,921)	(37,000)
Proceeds from disposal of financial assets at fair value through profit or loss	–	8,066
Net cash flows used in investing activities	(351,318)	(62,349)
<b>CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES</b>		
Proceeds from bank loans	286,721	215,820
Repayment of bank loans	(677,654)	(44,970)
Capital contribution from minority shareholders	10,780	7,860
Proceeds from issuance of shares	21,777	–
Share issue expenses	(3,194)	–
Disposal of non-controlling interests	300	–
Principal portion of lease payments	(12,657)	(12,248)
Dividends paid	–	(50,177)
Interest paid	(11,660)	(9,794)
Net cash flows (used in)/from financing activities	(385,587)	106,491
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	1,147,708	145,208
Effect of foreign exchange rate changes, net	(1,432)	173
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>581,014</b>	<b>114,965</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows	581,014	114,965

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 1. Corporate 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 period, 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

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

## 3. Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>



## 3. Changes in accounting policies and disclosures (*Continued*)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 3. Changes in accounting policies and disclosures (*Continued*)

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 4. Operating segment information

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of cosmetic products.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

### Geographical information

#### (a) Revenue from external customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Mainland China	1,577,169	1,253,682
Other countries/regions	9,657	8,712
	<b>1,586,826</b>	1,262,394

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



## 4. Operating segment information *(Continued)*

### Geographical information *(Continued)*

#### (b) Non-current assets

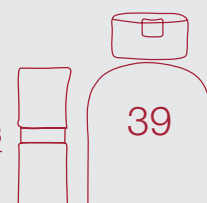
	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Mainland China	730,035	726,882
Other countries/regions	61,220	66,118
	<b>791,255</b>	<b>793,000</b>

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

## 5. Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>Revenue from contracts with customers</b>		
Sales of goods	1,583,196	1,258,732
Transportation services	3,630	3,662
	<b>1,586,826</b>	<b>1,262,394</b>





# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 5. Revenue (Continued)

### (a) Disaggregated revenue information

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<b>Types of goods or services</b>		
Sales of goods	1,583,196	1,258,732
Transportation services	3,630	3,662
	<b>1,586,826</b>	<b>1,262,394</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	1,583,196	1,258,732
Services transferred over time	3,630	3,662
	<b>1,586,826</b>	<b>1,262,394</b>

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	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<b>Revenue recognised that was included in contract liabilities at the beginning of the period:</b>		
Sale of goods	41,416	81,120

### (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.



## 5. 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.

## 6. Profit before tax

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of inventories sold*	491,341	442,852
Depreciation of property, plant and equipment	32,358	34,267
Depreciation of right-of-use assets	14,253	13,169
Amortisation of intangible assets	1,355	1,484
Wages and salaries	179,764	150,730
Pension scheme contributions, social welfare and other welfare	45,086	54,726
Share-based compensation expense	3,971	2,327
Foreign exchange differences	(14,543)	2,358
Marketing and promotion expenses	630,208	407,633
Inventory impairment and scrap	17,360	21,478
Interest expense	11,660	9,794
(Reversal of impairment)/impairment of financial assets, net	(14,742)	739
Loss on disposal of items of property, plant, and equipment	60	488
Fair value gains on financial assets at fair value through profit or loss, net	(16,425)	(66)

\* Cost of inventories sold include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and employee benefit expense, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 7. Finance costs

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Interest on bank and other borrowings	9,505	7,028
Interest on lease liabilities	2,155	2,766
	<b>11,660</b>	9,794

## 8. Income tax

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Current – the People's Republic of China ("PRC")	26,184	9,391
Current – other jurisdictions	1,252	2,682
Deferred tax	(3,955)	3,513
Total tax charge for the period	<b>23,481</b>	15,586

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

### PRC Corporate Income Tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless those are subject to tax exemption set out below.

Shanghai Zhongyi Daily Chemical Co., Ltd. was accredited as an "Advanced Technology Enterprise" from 2021 to 2023, and therefore Shanghai Zhongyi Daily Chemical Co., Ltd. was entitled to a preferential EIT rate of 15% for the period. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and are entitled to a preferential corporate income tax rate of 20% during the period.



## 9. Dividends

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Final declared – RMB0.25 (2022: RMB0.56) per ordinary share	<b>99,489</b>	200,000

On 30 August 2023, the board of directors proposed an interim dividend of RMB0.20 (six months ended 30 June 2022: Nil) per ordinary share, amounting to a total of approximately RMB79,591,580 (six months ended 30 June 2022: Nil).

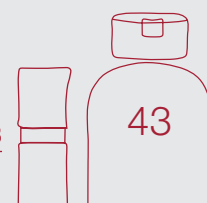
## 10. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 397,908,590 (six months ended 30 June 2022: 360,000,000) in issue during the period.

The Group had no potentially dilutive shares in issue during the periods ended 30 June 2023 and 2022.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<b>100,965</b>	65,339



# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 10. Earnings per share attributable to ordinary equity holders of the parent (Continued)

	Number of shares for the six months ended 30 June	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<b>397,908,590</b>	360,000,000
Basic and diluted earnings per share (RMB)	<b>0.25</b>	0.18

## 11. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB37,173,000 (30 June 2022: RMB19,315,000).

Assets with a net book value of RMB3,310,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB991,000), resulting in a net loss on disposal of RMB60,000 (30 June 2022: RMB488,000).

## 12. Inventories

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw materials	<b>74,047</b>	99,564
Work in progress	<b>13,969</b>	20,069
Finished goods	<b>384,440</b>	398,480
	<b>472,456</b>	518,113



### 13. Trade and bills receivables

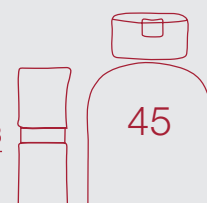
	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade receivables	296,852	400,942
Bills receivable	7,484	7,240
Impairment	(14,441)	(34,197)
Trade and bills receivables, net	<b>289,895</b>	373,985

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

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within 1 year	271,340	342,581
Over 1 year	18,555	31,404
	<b>289,895</b>	373,985

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

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
At beginning of period	34,197	26,421
(Reversal of impairment)/impairment losses, net	(14,724)	13,133
Amount written off as uncollectible	(5,032)	(5,357)
At end of period	<b>14,441</b>	34,197



# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 14. Financial assets at fair value through profit or loss

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Wealth management products	318,346	–
Current portion	217,997	–
Non-current portion	100,349	–

The above unlisted investments were wealth management products issued by licensed financial institutions. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The underlying investments of the current portion financial assets were primarily short-term treasury bonds and principal protected securities, which were very liquid with a relatively short-term maturity and the expected returns are based on actual performance. The underlying investments of the non-current portion were financial bonds and fixed income securities, which have maturity of 2 years and the expected return are based on the actual performance.

## 15. Trade payables

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

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within 1 year	358,456	423,400
Over 1 year	990	750
	359,446	424,150



## 16. Share capital

### Shares

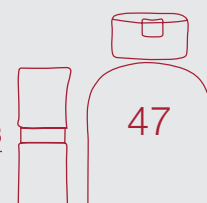
	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Issued and fully paid:		
397,957,900 ordinary shares of RMB1.00 each (2022: 396,958,000)	<b>397,958</b>	396,958

On 13 January 2023, the Company partial exercised the over-allotment option in respect of an aggregate of 999,900 H Shares, at the Offer Price of HK\$25.20 per H Share. Upon the completion of partial exercise of the over-allotment option, the registered share capital and total number of the shares issued of the Company were changed to RMB397,957,900 and 397,957,900 shares, respectively.

## 17. Commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	<b>10,505</b>	10,724





# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 18. Related party transactions

### (a) Name and relationship:

Name of related party	Relationship with the Group
Mr. Lyu Yixiong (“呂義雄”)	The controlling shareholder
Shanghai Misu Cosmetics Co., Ltd. (“上海蜜憐化妝品有限公司”)	Associate
Shanghai Ximei Commercial Co., Ltd. (“上海喜美商業有限公司”)	Associate
Weifang Hongmei Economic and Trade Co., Ltd. (“濰坊虹美經貿有限公司”)	Associate
Hangzhou Qianmei Cosmetics Co., Ltd. (“杭州謙美化妝品有限公司”)	Associate
Shanghai Shangxin Cosmetics Co., Ltd. (“上海上新化妝品有限公司”)	Associate
Suzhou Xiongze Packaging Co., Ltd. (“蘇州雄澤包裝有限公司”)	Entity controlled by close relatives of Mr. Lyu Yixiong

### (b) The Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June	
		2023	2022
		RMB'000 (Unaudited)	RMB'000 (Audited)
Associates:			
Sales of products	(ii)	5,016	1,854
Entities controlled by close relatives of Mr. Lyu Yixiong:			
Purchases of products	(i),(iii)	26,784	12,363

Notes:

- (i) The purchases of products and services from the related parties were made according to the prices and terms offered by the related parties with reference to the market price.
- (ii) The sales of products to the related parties were made according to the prices and terms offered by the related parties with reference to the market price.
- (iii) This related party transaction constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules.

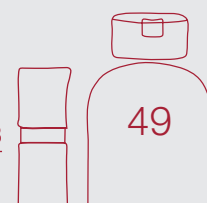


**18. Related party transactions (Continued)****(c) Outstanding balances with related parties:**

	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade:		
Associates:		
Trade receivables	8,381	8,369
Entities controlled by close relatives of Mr. Lyu Yixiong:		
Trade payables	24,449	15,628

**(d) Compensation of key management personnel of the Group:**

	For the six months ended 30 June	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Audited)
Short term employee benefits	3,820	2,420



# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 19. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	318,346	–	318,346	–
Debt investments at fair value through other comprehensive income	7,484	7,240	7,484	7,240

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

### Assets measured at fair value:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
As at 30 June 2023				
Financial assets at fair value through profit or loss	–	318,346	–	318,346
Debt investments at fair value through other comprehensive income	–	7,484	–	7,484



## 19. Fair value and fair value hierarchy of financial instruments (Continued)

### Assets measured at fair value: (Continued)

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
As at 31 December 2022				
Debt investments at fair value through other comprehensive income	–	7,240	–	7,240

As at 31 December 2022

Debt investments at fair value through other  
comprehensive income

–                      7,240                      –                      7,240

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Management has assessed that the fair values of cash and cash equivalents, bills receivable, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, current bank loans, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of the reporting period were assessed to be insignificant.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer and also are discussed with the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 20. Events after the reporting period

There is no material subsequent event undertaken by the Group after 30 June 2023.

## 21. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 30 August 2023.

