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CHICMAX

Shanghai Chicmax Cosmetic Co., Ltd.

上海上美化妝品股份有限公司

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

(Stock Code: 2145)

CONTINUING CONNECTED TRANSACTIONS

(1) EXCEEDED THE 2023 ANNUAL CAP

AND

(2) REVISION OF THE ANNUAL CAP FOR THE YEAR ENDING 31 DECEMBER 2024

As disclosed in the Prospectus, the Group entered into the Products Purchasing Framework Agreement on 24 November 2022 with Suzhou Xiongze, pursuant to which the Group agreed to purchase packaging and ancillary materials as well as printing materials from Suzhou Xiongze for a term commencing from the Listing Date and ending on 31 December 2024.

(1) EXCEEDED THE 2023 ANNUAL CAP

In January 2024, in the course of preparing the annual results of the Company for the year ended 31 December 2023 and during a review of continuing connected transactions of the Company, it came to the attention of the Company that the actual transaction amount of the continuing connected transactions contemplated under the Products Purchasing Framework Agreement for the year ended 31 December 2023 reached approximately RMB74.3 million, which exceeded the 2023 Annual Cap (being RMB50.2 million). The 2023 Annual Cap was exceeded because of the expansion of the Group's business in the fourth quarter in 2023, which led to an increase in the procurement amounts of packaging and ancillary materials as well as printing materials from Suzhou Xiongze to satisfy the Group's business needs.

Pursuant to Rule 14A.54(1) of the Listing Rules, the Company must re-comply with the announcement requirement under Chapter 14A of the Listing Rules before the cap is exceeded. The delay in publication of an announcement by the Company before the 2023 Annual Cap was exceeded constituted a breach of Rule 14A.54(1) of the Listing Rules. The delay was due to the rapid expansion of the Group's business in the fourth quarter in 2023 and inadvertent oversight of the Company in monitoring the transaction amounts incurred under the continuing connected transactions. This oversight was not discovered until during the course of preparing the annual results of the Company for the year ended 31 December 2023. The Company has taken steps to rectify the breach as soon as practicable by way of this announcement.

(2) REVISION OF THE ANNUAL CAP FOR THE YEAR ENDING 31 DECEMBER 2024

As disclosed in the Prospectus, the previous annual caps for the continuing connected transactions contemplated under the Products Purchasing Procurement Framework Agreement were determined after arm's length negotiations between the parties with reference to:

- (i) the historical procurement amount from Suzhou Xiongze for the year ended 31 December 2021;
- (ii) the expected growth in revenue of the Group; and
- (iii) the expected procurement from Suzhou Xiongze remaining at a relatively stable rate.

In view of the 2023 Annual Cap having been exceeded and considering the business needs of the Group in 2024 and the expected increase in production volume of cosmetics gift sets, the annual cap under the Products Purchasing Framework Agreement for the year ending 31 December 2024 is revised.

Set out below are the (i) actual transaction amounts for the three years ended 31 December 2021, 2022 and 2023; (ii) original annual cap under the Products Purchasing Framework Agreement for the year ending 31 December 2024; and (iii) the Revised Annual Cap:

Actual transaction amount for the year ended 31 December			Original annual cap for the year ending 31 December 2024	Revised Annual Cap for the year ending 31 December 2024
2021	2022	2023 (unaudited)		
<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
44.6	28.2	74.3	55.2	110.0

Notwithstanding the revision of the original annual cap under the Products Purchasing Framework Agreement for the year ending 31 December 2024, all the terms and conditions of the Products Purchasing Framework Agreement remain unchanged.

The Directors (including the executive Directors, non-executive Directors and independent non-executive Directors) consider that the transactions are and will continue to be conducted in the ordinary course of business of the Group and on arm's length basis, the terms of the Products Purchasing Framework Agreement have been determined on an arm's length basis and are on normal commercial terms, and the Revised Annual Cap is fair and reasonable and are in the interests of the Group and the shareholders of the Company taken as a whole.

Reasons for the transactions

For over 10 years, the Group has been purchasing packaging and ancillary materials as well as printing materials from Suzhou Xiongze to satisfy the Group's business needs in its ordinary and usual course of business. Owing to the longstanding supplier relationship, Suzhou Xiongze has acquired a comprehensive understanding of the Group's business and operational requirements and has established a foundation for mutual trust. Taking into account the Group's previous procurement experience with Suzhou Xiongze, the Group believes that Suzhou Xiongze is capable of fulfilling its demands efficiently and reliably with a stable supply of products and materials.

Management system for the transactions contemplated under the Products Purchasing Framework Agreement

In order to ensure that any procurement made is fair and reasonable and on normal commercial terms, the Group has adopted and implemented a management system in managing its suppliers and procurement, and the procurement from Suzhou Xiongze will be subject to such management system like other suppliers of the Group. Under the management system, the Group invites fee quotes from a list of designated suppliers maintained by it and select the supplier taking into account factors such as the estimated time of delivery of goods and the capacity of the supplier. The terms of the framework agreement entered into between the Group and Suzhou Xiongze are substantially the same as those entered into between the Group and other suppliers on the Group's list of suppliers. The Group's procurement department will review the pricing terms and/or basis offered by the current suppliers on its list of suppliers on an annual basis and will compare the same against those offered by the suppliers who are not included in such list.

Internal control system for the transactions contemplated under the Products Purchasing Framework Agreement

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, the Group's procurement team will be responsible for maintaining and reviewing its list of designated suppliers on an annual basis. Additionally, the Group has adopted the following internal control procedures:

- the office of the Board is responsible for the control and daily management in respect of the continuing connected transactions;
- the office of the Board, the procurement department and the financial department are jointly responsible for evaluating the terms under the framework agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- the office of the Board and the financial department regularly monitor the fulfillment status of the annual caps and the transaction updates under the framework agreement; and

- the independent non-executive Directors and auditors of the Group will conduct annual review of the continuing connected transactions under the framework agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the framework agreement, on normal commercial terms and in accordance with the relevant pricing policies.

ENHANCED INTERNAL CONTROL MEASURES ADOPTED BY THE COMPANY

In order to avoid any recurrence of similar events in the future and to ensure the applicable Listing Rules requirements will be complied with going forward, the Company has taken the following steps to further strengthen its internal monitoring procedures:

- (a) enhancing supervision over and designating a dedicated personnel to closely monitor the actual transaction amounts incurred under the continuing connected transactions of the Company on a monthly basis. If the actual transaction amount reaches 70% or more of the relevant annual cap at any time of the year, the dedicated personnel will inform the Board as soon as possible. The Board would then consider taking appropriate measures in accordance with the requirements of the Listing Rules, including, but not limited to, publishing announcement for an increase annual cap amount and seeking approval from the shareholders of the Company, if applicable; if the actual transaction amount reaches 80% or more of the relevant annual cap at any time of the year (and any 5% increment thereafter), besides informing the Board as soon as possible, the dedicated personnel will closely monitor the actual transaction amounts incurred under the continuing connected transactions of the Company on a weekly basis (or on alternate days if the actual transaction amount reaches 90% or more of the relevant annual cap); and
- (b) arranging trainings for the Directors, senior management and employees of the Group, to strengthen their knowledge of the Listing Rules and enhance their awareness of the importance of compliance with the Listing Rules.

The Directors are of the view that the above enhanced internal control measures could strengthen the internal control procedures of the Company and effectively prevent the occurrence of similar non-compliance in the future. The Board considers that the 2023 Annual Cap under the Products Purchasing Framework Agreement having been exceeded was an isolated event and was not systematic in nature, and believes that it does not bring about any material impact on the business and operations of the Company, nor does it have a material financial impact on the Company.

By implementing the above procedures and internal control measures, the Directors consider that the Group has established sufficient internal control measures to ensure the terms under the Products Purchasing Framework Agreement will be on market terms and on normal commercial terms and will be fair and reasonable to the Group and the shareholders of the Company as a whole.

INFORMATION OF THE PARTIES TO THE PRODUCTS PURCHASING FRAMEWORK AGREEMENT

1. Information of the Company

The Company is a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Stock Exchange. The Company is primarily engaged in research and development, manufacturing and sales of skincare and maternity and childcare products in the PRC.

2. Information of Suzhou Xiongze

Suzhou Xiongze is a limited liability company incorporated in the PRC and is wholly owned by the husband of Ms. Lyu Lichun (呂麗純), a sibling of Mr. Lyu Yixiong (呂義雄), an executive Director, the chairperson of the Board, the chief executive officer and one of the Controlling Shareholders of the Company as at the date of this announcement. Suzhou Xiongze is primarily engaged in manufacturing and sales of packaging and printing materials.

IMPLICATIONS UNDER THE LISTING RULES

Suzhou Xiongze is a company wholly owned by the husband of Ms. Lyu Lichun (呂麗純), a sibling of Mr. Lyu Yixiong (呂義雄), an executive Director, the chairperson of the Board, the chief executive officer and one of the Controlling Shareholders of the Company. Pursuant to Rule 14A.21 of the Listing Rules, Suzhou Xiongze is a deemed connected person of the Company. Therefore, the transactions contemplated under the Products Purchasing Framework Agreement constitute connected transactions under the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, as the actual transaction amount for the year ended 31 December 2023 under the Products Purchasing Framework Agreement exceeded the 2023 Annual Cap, and the highest applicable percentage ratio in respect of such actual transaction amount calculated for the purpose of Chapter 14A of the Listing Rules is more than 0.1% but less than 5%, the Company is required to re-comply with the announcement requirement under Chapter 14A of the Listing Rules (and is exempt from the circular, independent financial advice and shareholders' approval requirements).

Pursuant to Rule 14A.76 of the Listing Rules, as the highest applicable percentage ratio in respect of the Revised Annual Cap calculated for the purpose of Chapter 14A of the Listing Rules is more than 0.1% but less than 5%, the Revised Annual Cap is subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

Mr. Lyu Yixiong has abstained from voting on the relevant Board resolutions approving the Revised Annual Cap as he is considered to have a material interest in the transactions contemplated under the Products Purchasing Framework Agreement.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms used shall have the following meaning:

“2023 Annual Cap”	the annual cap for continuing connected transactions contemplated under the Products Purchasing Framework Agreement for the year ended 31 December 2023 of RMB50.2 million as disclosed in the Prospectus
“Board” or “Board of Directors”	the board of Directors
“Company”	Shanghai Chicmax Cosmetic Co., Ltd. (上海上美化妝品股份有限公司), a joint stock company established in the PRC with limited liability and its H shares are listed on the Main Board (Stock Code: 2145)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	directors of the Company
“Group”	the Company and its subsidiaries
“H Share”	Overseas listed foreign invested ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and are subscribed for and traded in Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Date”	22 December 2022
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Products Purchasing Framework Agreement”	a framework agreement entered into between the Group and Suzhou Xiongze on 24 November 2022 in relation to the Group’s purchasing of packaging and ancillary materials as well as printing materials from Suzhou Xiongze

“Prospectus”	the prospectus issued by the Company dated 12 December 2022
“Revised Annual Cap”	the revised annual cap under the Products Purchasing Framework Agreement for the year ending 31 December 2024
“RMB”	the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suzhou Xiongze”	Suzhou Xiongze Packaging Co., Ltd. (蘇州雄澤包裝有限公司), a company wholly owned by the husband of Ms. Lyu Lichun (呂麗純), a sibling of Mr. Lyu Yixiong (呂義雄), an executive Director, the chairperson of the Board, the chief executive officer and one of the Controlling Shareholders of the Company

By order of the Board
Shanghai Chicmax Cosmetic Co., Ltd.
 上海上美化妝品股份有限公司
Mr. Lyu Yixiong
*Chairman of the Board, Executive Director
 and Chief Executive Officer*

Shanghai, the PRC, 2 February 2024

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