Shanghai Conant Optical Co., Ltd.
上海康耐特光學科技集團股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2276)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Conant Optical Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**") together with the audited comparative figures for the year ended 31 December 2021.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

HIGHLIGHTS

- Revenue for the year ended 31 December 2022 amounted to approximately RMB1,561.3 million, representing an increase of approximately 15.1% as compared with 2021.
- Gross profit for the year ended 31 December 2022 amounted to approximately RMB537.9 million, representing an increase of approximately 16.9% as compared with 2021.
- Profit for the year attributable to owners of the parent for the year ended 31 December 2022 amounted to approximately RMB248.6 million, representing an increase of approximately 35.4% as compared with 2021.
- Earnings per share for the year ended 31 December 2022 remained relatively stable at approximately RMB0.58.

- For the year ended 31 December 2022, total sales volume of our products amounted to approximately 151.4 million pieces, representing an increase of approximately 12.2% as compared with 2021.

- The Board has recommended the payment of a final dividend of RMB0.15 (tax inclusive) per share for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*3*	**1,561,317**	1,356,082
Cost of sales		**(1,023,447)**	(895,923)
Gross profit		**537,870**	460,159
Other income and gains	*3*	**34,300**	25,958
Selling and distribution expenses		**(69,886)**	(76,235)
Administrative expenses		**(154,828)**	(145,775)
Impairment loss of financial assets		**(7,263)**	(4,701)
Other expenses		**(33,120)**	(8,461)
Finance costs	*5*	**(25,741)**	(34,954)
Share of loss of:			
A joint venture		**(30)**	(192)
An associate		**237**	(697)
PROFIT BEFORE TAX	*4*	**281,539**	215,102
Income tax expense	*6*	**(32,973)**	(31,580)
PROFIT FOR THE YEAR		**248,566**	183,522
Attributable to:			
Owners of the parent		**248,566**	183,522
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**RMB0.58**	RMB0.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**248,566**	183,522
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,089)**	(16,368)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**244,477**	167,154
Attributable to:		
Owners of the parent	**244,477**	167,154

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**402,733**	333,373
Investment properties		**16,852**	18,184
Right-of-use assets		**8,551**	8,414
Other intangible assets		**309**	543
Investment in a joint venture		**2,299**	2,329
Investment in an associate		**60,230**	11,875
Long-term prepayments		**5,750**	11,479
Deferred tax assets		**28,460**	27,026
Total non-current assets		**525,184**	413,223
CURRENT ASSETS			
Inventories	*9*	**533,244**	408,914
Trade and bills receivables	*10*	**251,292**	212,645
Due from related parties		**2**	56
Prepayments, deposits and other receivables		**26,769**	41,170
Financial assets at fair value through profit or loss		**116,523**	145,505
Cash and cash equivalents		**335,618**	589,836
Total current assets		**1,263,448**	1,398,126
CURRENT LIABILITIES			
Trade payables	*11*	**94,132**	78,958
Other payables and accruals		**135,783**	142,712
Derivative financial instruments		**–**	517
Interest-bearing bank and other borrowings		**172,430**	285,042
Lease liabilities		**1,750**	1,379
Due to related parties		**214**	–
Tax payable		**17,317**	17,464
Total current liabilities		**421,626**	526,072
NET CURRENT ASSETS		**841,822**	872,054
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,367,006**	1,285,277

	2022	2021
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**180,000**	311,623
Defined benefit obligations	**10,435**	10,017
Lease liabilities	**901**	1,187
Deferred tax liabilities	**18,457**	11,383
Deferred income	**11,599**	13,669
Total non-current liabilities	**221,392**	347,879
NET ASSETS	**1,145,614**	937,398
EQUITY		
Equity attributable to owners of the parent		
Share capital	**426,600**	426,600
Reserves	**719,014**	510,798
TOTAL EQUITY	**1,145,614**	937,398

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*

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

(a) The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of resin spectacle lenses.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of the 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

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**447,167**	389,253
Americas	**391,529**	369,905
Asia (except the Mainland China)	**356,602**	287,802
Europe	**289,177**	232,006
Oceania	**62,704**	47,004
Africa	**14,138**	30,112
	1,561,317	1,356,082

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

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**473,671**	362,564
Japan	**22,314**	23,208
United States	**670**	325
Mexico	**69**	100
	496,724	386,197

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

Information about major customers

Revenue of approximately RMB207,169,000 (2021: RMB191,006,000) was derived from a single customer, including sales to a group of entities which are known to be under common control with that customer.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,561,317**	1,356,082

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Type of goods or services		
Standardised lenses	**1,244,057**	1,062,140
Customised lenses	**303,000**	281,262
Others	**14,260**	12,680
	1,561,317	1,356,082
Geographical markets		
Mainland China	**447,167**	389,253
Americas	**391,529**	369,905
Asia (except the Mainland China)	**356,602**	287,802
Europe	**289,177**	232,006
Oceania	**62,704**	47,004
Africa	**14,138**	30,112
Total revenue from contracts with customers	**1,561,317**	1,356,082

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**1,561,317**	1,356,082

The following table shows the amounts of revenue recognised in the Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at beginning of the Reporting Period:		
Sale of resin spectacle lenses	**20,220**	14,578

(b) Performance obligations

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

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**112,011**	130,385

The amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

		2022	2021
	Notes	***RMB'000***	*RMB'000*
Other income			
Government grants and subsidies			
related to income	*(i)*	**3,988**	4,905
related to assets	*(ii)*	**2,418**	2,237
Gross rental income from investment property operating leases		**11,623**	9,992
Bank interest income		**2,425**	275
Others		**99**	3,767
		20,553	21,176
Gains			
Foreign exchange differences, net		**13,230**	–
Gain on derivative financial instruments		**517**	1,844
Gain on financial assets at fair value through profit or loss		**–**	2,938
		13,747	4,782
		34,300	25,958

(i) The government grants and subsidies related to income have been received principally to reward for the contribution to the local economic growth. These grants related to income are recognised in profit or loss upon receipt of these rewards. There are no unfulfilled conditions or contingencies relating to these grants.

(ii) The Group has received certain government grants related to the investments in production bases. The grants related to assets were recognised in profit or loss over the useful lives of relevant assets.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold*	**1,023,447**	895,923
Depreciation of property, plant and equipment	**44,427**	43,418
Depreciation of right-of-use assets	**1,671**	1,632
Depreciation of investment properties	**1,332**	1,332
Amortisation of intangible assets	**263**	452
Research and development costs	**65,826**	47,513
Lease payments not included in the measurement of lease liabilities	**1,762**	1,860
Auditor's remuneration	**2,050**	2,000
Listing expenses	**–**	22,928
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other allowances	**274,714**	260,781
Pension scheme contributions and social welfare	**83,197**	58,262
	357,911	319,043
Foreign exchange differences, net	**(13,230)**	6,485
Gain on derivative financial instruments	**(517)**	(1,844)
Impairment of trade receivables and other receivables	**7,263**	4,701
Write-down of inventories to net realisable value	**3,105**	9,402
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**146**	148

* During the year, employee benefit expense of RMB204,073,000 (2021: RMB182,841,000) and write-down of inventories to net realisable value of RMB3,105,000 (2021: RMB9,402,000) were included in cost of inventories sold disclosed above.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans	**24,978**	32,878
Interest on other loans	**626**	1,896
Interest on lease liabilities	**108**	128
Interest on defined benefit obligations	**29**	52
	25,741	34,954

6. INCOME TAX

Jiangsu Conant Optics Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2020, and therefore the Company is entitled to a preferential EIT rate of 15% during the year (2021: 15%). "High and New Technology Enterprise" qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Shanghai Conant Optics Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2021, and therefore the Company is entitled to a preferential EIT rate of 15% during the year (2021: 15%). "High and New Technology Enterprise" qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Other subsidiaries located in Mainland China were subject to corporate income tax at the statutory rate of 25% under the income tax rules and regulations in the PRC.

Hong Kong profits tax was provided at the rate of 16.5% on the estimated taxable income arising in Hong Kong during the year.

Pursuant to the relevant tax laws, the subsidiary incorporated in the United States was subject to federal corporation income tax at the rate of 21% (2021: 21%) on the federal taxable income as well as Georgia's state corporate income tax at the rate of 5.75% (2021: 5.75%) on its Georgia taxable income during the year.

According to the prevailing Mexican tax law, the subsidiaries located in Mexico were subject to federal corporate income tax at a rate of 30% (2021: 30%) during the year.

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan was subject to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rates for these taxes were 34.26% for the year ended 31 December 2022 (2021: 34.26%).

	2022	2021
	RMB'000	*RMB'000*
Current – Mainland China	**19,281**	18,979
Current – Japan	**5,355**	4,151
Current – United States	**2,501**	2,189
Current – Hong Kong	**637**	535
Current – Mexico	**–**	–
Deferred tax expense	**5,199**	5,726
Total tax charge for the year	**32,973**	31,580

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**281,539**	215,102
Tax at the statutory tax rate of 25%	**70,385**	53,775
Different tax rates for specific provinces or enacted by local authority	**(24,467)**	(16,853)
Adjustments in respect of current tax of previous periods	**(1,171)**	–
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries	**765**	978
Profits and losses attributable to a joint venture and an associate	**30**	32
Effect of tax concessions	**(4,835)**	(371)
Expenses not deductible for tax	**296**	563
Additional deduction on research and development expenses	**(9,463)**	(7,098)
Temporary difference not recognised	**632**	3,498
Tax losses not recognised	**696**	(3,399)
Others	**105**	455
Tax charge at the Group's effective rate	**32,973**	31,580

7. DIVIDENDS

The proposed 2021 final dividend of RMB0.085 (tax inclusive) per ordinary share, amounting to a total of RMB36,261,000 was approved by the Company's shareholders at the annual general meeting on 14 June 2022. The above-mentioned declared dividend was paid on 12 August 2022.

Subsequent to the end of the Reporting Period, a final dividend for the year 2022 of RMB0.15 (tax inclusive) per ordinary share, amounting to a total of RMB63,990,000, has been proposed and is subject to approval by the shareholders at the forthcoming annual general meeting. The final dividend has been proposed after the end of the Reporting Period and, therefore, has not been recognised as a liability at the end of the Reporting Period.

8. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 426,600,000 (2021: 309,997,260) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2022 (2021: Nil).

9. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**286,387**	184,892
Finished goods	**232,646**	213,028
Work in progress	**14,211**	10,994
	533,244	408,914

10. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**288,262**	256,463
Bills receivables	**–**	269
Impairment	**(36,970)**	(44,087)
	251,292	212,645

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months. Most customers have a maximum credit limit.

The Group seeks to maintain strict control over its outstanding receivables and reconciled the balance to customers monthly. Overdue balances are reviewed regularly by the sales and financial department. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral over its trade receivable balances. In order to protect the default risk of customers, the Group has purchased certain insurance against credit risk. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's associates of RMB1,500,000 (2021: Nil), which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**214,035**	189,096
3 to 6 months	**27,160**	15,755
6 to 12 months	**5,986**	6,118
1 to 2 years	**3,948**	1,248
2 to 3 years	**163**	159
	251,292	212,376

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**44,087**	59,806
Impairment losses recognised	**7,216**	4,241
Exchange realignment	**1,879**	–
Amount written off as uncollectible	**(16,212)**	(19,960)
At end of year	**36,970**	44,087

The decrease (2021: decrease) in the loss allowance was due to the following significant changes in the gross carrying amount:

(a) Increase in the loss allowance of RMB7,216,000 as a result of an increase in trade receivables which were past due (2021: RMB4,241,000); and

(b) Decrease in the loss allowance of RMB16,212,000 (2021: RMB19,960,000) as a result of the write-off of certain trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than three years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

		Past due						
	Current	**less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Expected credit loss rate	**3.58%**	**5.06%**	**11.44%**	**21.40%**	**30.09%**	**90.17%**	**100.00%**	**12.83%**
Gross carrying amount (RMB'000)	**185,274**	**42,017**	**25,597**	**7,616**	**5,647**	**1,659**	**20,452**	**288,262**
Expected credit loss (RMB'000)	**6,640**	**2,125**	**2,928**	**1,630**	**1,699**	**1,496**	**20,452**	**36,970**

As at 31 December 2021

		Past due						
	Current	less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.53%	3.51%	15.53%	21.11%	60.44%	94.22%	100.00%	17.19%
Gross carrying amount (RMB'000)	158,675	42,324	9,376	7,556	3,155	2,752	32,625	256,463
Expected credit loss (RMB'000)	2,425	1,486	1,456	1,595	1,907	2,593	32,625	44,087

11. 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:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**82,553**	68,671
3 to 6 months	**10,739**	9,732
6 to 12 months	**193**	190
Over 1 year	**647**	365
	94,132	78,958

Trade payables are non-interest-bearing and are normally settled on 90-day terms.

BUSINESS REVIEW AND OUTLOOK

Overview

We are a leading resin spectacle lens manufacturer in the PRC. With the production facilities in our three production bases, namely the Shanghai Production Base and Jiangsu Production Base in the PRC and the Sabae Production Base in Japan, our Group is capable of manufacturing resin spectacle lens of various specifications. We offer a wide range of resin spectacle lenses to our customers including standardised lenses and customised lenses. We pride ourselves on our broad network of trusted customers worldwide which include some of the most renowned spectacle lens brand owners and international ophthalmic optic companies. Leveraging on our extensive experience in the spectacle lens industry, we have currently produced and sold quality products to over 80 countries, including but not limited to the PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil.

Driven by the recovery of global economy from the COVID-19 pandemic and the increasing number of individuals with ametropia, we experienced rapid growth during the year of 2022. Our revenue increased by 15.1% from RMB1,356.1 million for the year ended 31 December 2021 to RMB1,561.3 million for the year ended 31 December 2022, and our profit increased by 35.4% from RMB183.5 million for the year ended 31 December 2021 to RMB248.6 million for the year ended 31 December 2022, primarily due to the increase in our sales volume from 134.9 million pieces in 2021 to 151.4 million pieces in 2022. The total annual production volume of our three production bases reached 165.8 million pieces in 2022, representing a 14.9% year-on-year growth.

Outlook for 2023

Going forward, we will continue to strengthen our market position and increase our market share by pursuing the following strategies:

Enhancing our production capacity. To capture our possible business growth, we plan to enhance the production capacity of our Shanghai Production Base for the production of customised lenses and Jiangsu Production for the production of standardised lenses. To this end, we gradually started production capacity enhancing projects in an orderly manner with respect to the investment programmes under our intended use of the net proceeds during 2022, and purchased new production equipment for the Shanghai customised processing centre and the Jiangsu high refractive lenses workshop. As of the end of 2022, the investment programmes for the year were basically completed. We will actively look for suitable suppliers of automation equipment for jointly developing customized automation equipment to streamline our labour-intensive production processes. We plan to deploy the aforementioned customized automation equipment on our production line in the near future in order to save labour hours and improving our production efficiency.

Strengthening our product development capability. We consider our research and development capacity crucial to our success in business operation and market competitiveness. We intend to upgrade our research and development centre to a state-level research and development centre by scaling up our research and development centre in terms of equipment, manpower and area, which are expected to enhance our research and development capabilities and help maintain our competitiveness in the market. The Company's upgrade project on its research and development centre has been gradually implemented, and we plan to apply for relevant certifications after upgrading our research and development centre to the state-level standard. Moreover, the Company has been researching and developing new functions of different refraction index, new types of products, and enhancing and upgrading the existing products including anti-defocus lens for youth, anti-infrared, and anti-blue light products.

Expansion of customer base in the PRC market and promotion of our brands. We plan to allocate more resources on sales and marketing. As for offline marketing, our strategies include establishing our physical eyewear stores to reach out to individual end-users; participation in industry exhibitions, event organisation and customer visits, and collaboration with ophthalmology service providers and retailers for boosting sales to spectacle lens brand owners, wholesalers, retailers and authorised distributors. We also plan to enhance our online marketing strategies by increasing our online advertising and promotion on multiple platforms and adopt new sales channel such as live streaming e-commerce. The Company currently adopt a vigorous strategy for brand promotion to attract the attention of the market and consumers. The COVID-19 pandemic in the early 2022 had a great impact on the retail consumer industry as well as the consumption patterns and spending habits of individual consumers. Our original plan of making direct investment on opening our own physical eyewear stores may not be in line with the newly emerging spending habits, thus it may fail to achieve expected revenue and results. As disclosed in the announcement of the Company dated 29 November 2022, the Company has changed the use of partial proceeds from its global offering for establishing physical eyewear stores. Nevertheless, the Company has continued its efforts on other aspects of brand promotion in an orderly manner. We actively participated in various trade fairs, organisational activities and customer visits, and we also established in-hospital ophthalmology centres through collaboration with hospitals to provide customers with one-stop integrated ophthalmology services for diagnosis, treatment, examination and fitting. Meanwhile, hospitals are usually regarded as the authoritative institutes in ophthalmology, which would bring customers sufficient trust and confidence and in turn contribute to enhance the overall image of the brand and the products of the Company. This year, we are also focused on enhancing our online marketing strategy by utilizing new marketing channels such as Douyin and WeChat mini programme to further promote the Company's brand image. Our efforts in this area have yielded positive results.

Advancing our technology in craftsmanship and production process. Our Directors consider that it is important to keep pace with the technological advancement on the production facilities in order to maintain our competitiveness. In this connection, we plan to purchase (i) photochromic spin coating machines in our Shanghai Production Base; and (ii) lens moulds processing machines in our Jiangsu Production Base to follow the market trend and reduce our cost. We are committed to enhancing production processes and techniques, keeping our products in line with market and consumer demands, and continuously enhancing product quality. Therefore, we invested in and revamped two projects in 2022: our Shanghai Photochromic Spin Coating Production and Jiangsu Mould Cold Processing Production, with the expectation of achieving the planned results. Among them, the mould technology renovation, upgraded to cold processing, greatly improves mould accuracy, and optimization of the mould processing process has significantly increased the lifespan of the mould. We plan to adopt advanced mould processing equipment to further expand the categories of our high-end mould products in the next two years, effectively improving the accuracy of craftsmanship of our existing high-value-added products and ensuring the processing accuracy required for our newly developed products.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

We generate revenue primarily through the sales of our resin spectacle lenses. Our revenue increased by 15.1% from RMB1,356.1 million in 2021 to RMB1,561.3 million in 2022.

We principally sell our products to customers in the PRC, other Asian countries such as India and Japan, the United States and Europe such as the Netherlands, Germany and Italy. Our sales in most geographic locations increased in 2022 as compared to 2021, primarily attributable to an increase in the number of orders as well as the appreciation of U.S. dollar against Renminbi.

We recorded an increase in our revenue in both the standardised lens segment and customised lens segment. Revenue from standardised lens and customised lens increased by 17.1% and 7.7% in 2022 as compared to 2021, respectively. Such increases were mainly due to more orders from customers and the appreciation of U.S. dollar against Renminbi.

Cost of Sales

Our cost of sales increased by 14.2% from RMB895.9 million in 2021 to RMB1,023.4 million in 2022, primarily in line with the growth of our revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 16.9% from RMB460.2 million in 2021 to RMB537.9 million in 2022. Our gross profit margin remained relatively stable at 33.9% and 34.4% in 2021 and 2022, respectively. The gross profit margin of standardised lens and customised lens increased from 28.8% and 53.2% in 2021 to 29.4% and 54.8% in 2022, respectively, primarily due to (i) an increase in the number of orders and (ii) the appreciation of U.S. dollar against Renminbi.

Other Income and Gains

Our other income and gains increased by 32.1% from RMB26.0 million in 2021 to RMB34.3 million in 2022, primarily due to an increase in gain on foreign exchange of RMB13.2 million as a result of the appreciation of U.S. dollar against Renminbi.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 8.3% from RMB76.2 million in 2021 to RMB69.9 million in 2022. The decrease was primarily due to a decrease in business development expenses and travel expenses attributable to the impact of COVID-19 pandemic in the first half of the year.

Administrative Expenses

Our administrative expenses increased by 6.2% from RMB145.8 million in 2021 to RMB154.8 million in 2022, primarily attributable to (i) an increase in research and development expenses of RMB22.1 million and (ii) an increase in staff salaries and benefits of RMB7.0 million, partially offset by (iii) a decrease in listing expenses of RMB22.9 million as no listing expenses have been incurred during the year.

Other Expenses

Our other expenses increased significantly by 291.4% from RMB8.5 million in 2021 to RMB33.1 million in 2022, primarily attributable to an increase in fair value loss on financial assets at fair value through profit or loss of RMB27.5 million attributable to the Company's investment in Viner Total Investments Fund which mainly invest in listed and unlisted equities, debt securities and other derivative instruments, as a result of volatile markets in 2022 in the face of challenging macroeconomic conditions. Please refer to the announcement of the Company dated 3 January 2022 for details.

Impairment Loss of Financial Assets

Our impairment loss of financial assets increased by 54.5% from RMB4.7 million in 2021 to RMB7.3 million in 2022. The increase in impairment on financial assets in 2022 was mainly due to an increase in the gross amount of trade receivables as of 31 December 2022 that were aged over three months as compared to that of 31 December 2021.

Finance Costs

Our finance costs decreased by 26.4% from RMB35.0 million in 2021 to RMB25.7 million in 2022, primarily due to a decrease in interest on bank and other loans of RMB9.2 million as a result of the repayment of bank and other loans.

Income Tax Expenses

Our income tax expenses increased slightly by 4.4% from RMB31.6 million in 2021 to RMB33.0 million in 2022, primarily due to the increase in taxable income.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 35.4% from RMB183.5 million for the year ended 31 December 2021 to RMB248.6 million for the year ended 31 December 2022.

Capital Structure

Our total assets decreased slightly by 1.3% from RMB1,811.3 million as of 31 December 2021 to RMB1,788.6 million as of 31 December 2022. Our total liabilities decreased by 26.4% from RMB874.0 million as of 31 December 2021 to RMB643.0 million as of 31 December 2022. Liabilities-to-assets ratio decreased from 48.2% as of 31 December 2021 to 36.0% as of 31 December 2022.

The current ratio, being current assets divided by current liabilities as of the respective date, increased from 2.7 times as of 31 December 2021 to 3.0 times as of 31 December 2022.

Liquidity and Financial Resources

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. For the year ended 31 December 2022, we financed our operations primarily through internal resources, bank and other borrowings, and net proceeds from the global offering (the "**Global Offering**") of its H shares in connection with the listing of the H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 December 2021. Our cash and cash equivalents decreased by 43.1% from RMB589.8 million as of 31 December 2021 to RMB335.6 million as of 31 December 2022, primarily attributable to the use of net proceeds from the Global Offering received in 2021, partially offset by an increase in our net cash generated from operating activities.

Our gearing ratio, which is calculated based on the total borrowings divided by the total equity and multiplied by 100%, decreased from 63.4% as of 31 December 2021 to 30.8% as of 31 December 2022 , primarily due to a decrease in interest-bearing bank and other borrowings of RMB244.2 million due to repayment of bank loans.

As of 31 December 2022, the Group had interest-bearing bank and other borrowings of RMB352.4 million (as of 31 December 2021: RMB596.7 million), representing 54.8% (as of 31 December 2021: 68.3%) of its total liabilities as of the same date. Of all the borrowings of the Group as of 31 December 2022, RMB172.4 million were repayable within one year and RMB180.0 million were repayable beyond one year. The Group's bank borrowings amounting to RMB240.5 million as of 31 December 2022 (as of 31 December 2021: RMB360.7 million) were borrowings with floating interest rates.

Except for the bank and other loans amounting to RMB6.8 million as of 31 December 2022 (as of 31 December 2021: RMB9.9 million), which were denominated in Japanese Yen, all the Group's bank and other borrowings as of 31 December 2022 were denominated in Renminbi. The Group mainly uses Renminbi, Japanese Yen, U.S. dollar and Hong Kong dollar to make borrowings and loans and to hold cash and cash equivalents.

As of 31 December 2022, banking facilities of the Group totaling RMB445.5 million (as of 31 December 2021: RMB652.8 million) were utilised to the extent of RMB351.8 million (as of 31 December 2021: RMB594.8 million).

Capital Expenditures

Our capital expenditure increased significantly by 217.4% from RMB37.6 million in 2021 to RMB119.5 million in 2022. Our capital expenditure was used primarily for the purchase of plant and machineries and other items of fixed assets. We financed our capital expenditure primarily through our cash flow generated from operating activities, bank borrowings and the net proceeds from the Global Offering.

Contingent Liabilities

As of 31 December 2022, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Pledge of Assets

As of 31 December 2022, the Group's property, plant and equipment with carrying values of RMB136.4 million (as of 31 December 2021: RMB170.9 million), investment properties with carrying values of RMB16.9 million (as of 31 December 2021: RMB18.2 million) and leasehold land with carrying values of RMB5.7 million (as of 31 December 2021: RMB5.9 million) were pledged to secure general banking facilities granted to the Group. The Company has pledged the equity interests in certain of its subsidiaries to secure the Company's bank loans of RMB240.5 million as of 31 December 2022.

Foreign Exchange Risk and Hedging

The Group has a significant amount of overseas sales from overseas customers and purchases of raw materials from overseas suppliers. Most of the Group's overseas sales are denominated in U.S. dollar. The Group's sales or purchases may also be denominated in U.S. dollar, Japanese Yen, Renminbi or Euro, which are the currencies other than local currency adopted by the relevant subsidiaries. As such, the Group is exposed to foreign currency risk. The Group currently does not have any hedging policy, but will closely monitor the exposure and will take measures when necessary to make sure the foreign exchange risks are manageable.

Significant Investment

In 2022, the Group did not have any significant investment which exceeded 5% of the Group's total assets. As of 31 December 2022, the Group held financial assets at fair value through profit or loss of RMB116.5 million (as of 31 December 2021: RMB145.5 million), accounting for more than 5% of the Group's total assets as of the same date. Such financial assets included investments in various fund or wealth management products which were managed or issued by several major and reputable financial institution or commercial banks in the PRC. The value of such investments from any single financial institution or bank did not reach 5% of the Group's total assets as of 31 December 2022.

Material Acquisitions and Future Plans for Major Investment

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the year of 2022. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 November 2021 (the "**Prospectus**"), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Significant Events after the Reporting Period

Except as disclosed in this announcement, there are no material events subsequent to 31 December 2022 which could have a material impact on our operating and financial performance as of the date of this announcement.

Final Dividend

The Board recommends the payment of a final dividend of RMB0.15 (tax inclusive) per ordinary share for the year ended 31 December 2022 (the "**Proposed Final Dividend**") (for the year ended 31 December 2021: RMB0.085 per share). Subject to the approval of shareholders of the Company (the "**Shareholders**") at the annual general meeting to be held on Wednesday, 14 June 2023 (the "**AGM**"), the Proposed Final Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2023. The Proposed Final Dividend will be declared in Renminbi and paid in Hong Kong dollars based on the average exchange rate of Renminbi against Hong Kong dollars published by the People's Bank of China five business days prior to the date of the AGM. The Proposed Final Dividend is expected to be distributed to the Shareholders on or around Tuesday, 15 August 2023.

Annual General Meeting

The AGM will be held on Wednesday, 14 June 2023. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the AGM

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Thursday, 8 June 2023 to Wednesday, 14 June 2023, both days inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 7 June 2023.

(b) Entitlement to the Proposed Final Dividend

For determining the entitlement of the Shareholders to receive the Proposed Final Dividend, the Company's register of members will be closed from Tuesday, 20 June 2023 to Tuesday, 27 June 2023, both days inclusive, during which period no transfer of share will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 June 2023.

Company Information

The Company was incorporated in the People's Republic of China on 20 June 2018 and is a joint stock company with limited liability. The shares of the Company were listed on the Main Board of the Stock Exchange on 16 December 2021.

Employees

As of 31 December 2022, we had a total of 2,453 employees who were based in PRC, Japan, United States and Mexico.

The ability to recruit and retain experienced and skilled labour is crucial to our business development and growth. The remuneration payable to our employees generally includes basic salaries and discretionary bonuses. The basic salaries of our employees are generally determined by the employee's rank, position, qualification, experience and performance. The discretionary bonuses are paid on an annual basis, depending on the performance of the individual staff. In order to incentivise, attract and retain our employees, we assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made. For the year ended 31 December 2022, our employee benefit expenses including Director's and chief executive's remuneration, wages, salaries and other allowances, and pension scheme contributions and social welfare amounted to approximately RMB357.9 million (for the year ended 31 December 2021: RMB319.0 million).

Use of Proceeds

The Company obtained net proceeds of approximately HK$473.5 million from the Global Offering. For the change in the intended use of net proceeds as previously disclosed in the Prospectus, please refer to the announcement of the Company dated 29 November 2022 (the "**Change in Use of Proceeds Announcement**"). As of 31 December 2022, the Company has utilised approximately HK$267.6 million of the net proceeds for the intended purposes set out in the Prospectus and the Change in Use of Proceeds Announcement, accounting for approximately 56.5% of all raised funds, and the remaining unutilised net proceeds was approximately HK$205.9 million. It is expected that the unutilised net proceeds from the Global Offering will continue to be used according to the purposes and proportions as disclosed in the Prospectus and the Change in Use of Proceeds Announcement. Details of the use of net proceeds from the Global Offering was as follows:

Intended use of net proceeds	Percentage of net proceeds	Net proceeds from the Global Offering	Actual use of net proceeds up to 31 December 2022	Unutilised net proceeds as of 31 December 2022	Expected timeline for use of unutilised net proceeds
		Approximately HK$ million	*Approximately HK$ million*	*Approximately HK$ million*	
Increase the Group's production capacity of the Shanghai Production Base and the Jiangsu Production Base	46.4%	219.7	129.1	90.6	By the second half of 2023
Strengthening the Group's research and development capability	19.9%	94.2	14.9	79.3	By the second half of 2023[2]
Enhancing the Group's sales and marketing efforts	2.3%	10.9	0.9	10.0	By the second half of 2023[2]
Working capital and general corporate purposes	10.0%	47.3	47.3	–	N/A
Enhance the Group's production efficiency and technology in craftsmanship	8.1%	38.4	12.4	26.0	By the second half of 2023
Repayment of the Group's bank borrowings	13.1%	62.0[3]	62.0	–	N/A
Total[1]	**100.0%**	**473.5**	**267.6**	**205.9**	

Notes:

1. For the avoidance of doubt, any discrepancies between the total and the sums of the amounts listed in the table are due to rounding.

2. The Company expects to fully utilise the remaining unutilised net proceeds for (1) strengthening the Group's research and development capability; and (2) enhancing the Group's sales and marketing efforts by the second half of 2023, representing a one-year delay in its expected timeframe. The delay is primarily due to the adjustment of its business development strategy as affected by the social, economic and environmental impacts on the macroeconomic environment in China.

3. The net proceeds for the planned use under the original percentage, being approximately HK$25.1 million, have been fully utilised for the repayment of the Group's bank borrowings as set out in the Prospectus.

Effects of the Resurgence of COVID-19

Since the outbreak of COVID-19 in 2020, our management not only closely monitored the effects on operational and financial performance of our Group as a result of COVID-19, but also has implemented a series of preventive measures to monitor the health conditions of our employees and maintain a hygienic working environment inside our production bases, including, among others, the regular disinfection of the production facilities, the regular checking of body temperature, the mandatory wearing of facial masks, the social distancing maintained at the employee canteen and the provision of facial masks and hand sanitiser. Employees had been asked to provide their health codes and whereabouts track record for our review.

During the year of 2022, we did not encounter any material disruption to our business operations and supply chain, nor experience any labour shortages. Our business and financial performances improved as a result of the gradual easing of the COVID-19 pandemic and the overall improvement in the market demand for spectacle lens. In view of the above and based on information available up to the date of this announcement, our Directors are of the view that the COVID-19 outbreak has not caused a prolonged impact on our business operation, nor the demand for our Group's products. However, our Directors are aware of the potential rebounding of the COVID-19 in the PRC and worldwide, in the event of which, we shall be more proactive in taking preventive measures to minimise disruption to our business and financial conditions.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of governance. The Board is of the view that for the year ended 31 December 2022, the Company has complied with all the code provisions as set out in the CG Code, except for the deviation from code provision C.2.1 as explained below.

Mr. Fei Zhengxiang ("**Mr. Fei**") is the chairman of the Board and the general manager of the Company and he has been managing the Group's business and supervising the overall operations of the Group since 2006. The Directors consider that vesting the roles of the chairman of the Board and the general manager of the Company in Mr. Fei is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider splitting the roles of the chairman of the Board and the general manager at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. After making specific enquiry to all Directors, the Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2022.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Review of Annual Results

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Dr. Xiao Fei, Mr. Chen Yi and Mr. Jin Yiting (with Mr. Chen Yi possessing the appropriate professional qualifications and accounting and related financial management expertise). The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed this annual results announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2022 and considered this annual results announcement and that the audited consolidated financial statements have been prepared in accordance with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements and have made appropriate disclosures accordingly.

Scope of work of the Auditor

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been compared by the Company's independent auditor, Ernst & Young, Certified Public Accountant (the "**Auditor**"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022 and the amounts were found to be in agreement. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

Publication of Annual Results and Annual Report 2022

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.conantoptical.com.cn), and the annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

By order of the Board
Shanghai Conant Optical Co., Ltd.
Fei Zhengxiang
Chairman

Hong Kong, 17 March 2023

As at the date of this announcement, the Board comprises Mr. Fei Zhengxiang, Mr. Zheng Yuhong, Mr. Xia Guoping and Mr. Chen Junhua as executive Directors; Dr. Takamatsu Ken and Ms. Zhao Xiaoyun as non-executive Directors; and Dr. Xiao Fei, Mr. Chen Yi and Mr. Jin Yiting as independent non-executive Directors.