



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

Annual Report 2023



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Corporate Information

Executive Directors

Mr. Fei Zhengxiang (Chairman)
Mr. Zheng Yuhong
Mr. Xia Guoping
Mr. Chen Junhua
Mr. Wang Chuanbao

Non-executive Directors

Ms. Zhao Xiaoyun

Independent non-executive Directors

Dr. Xiao Fei
Mr. Chen Yi
Dr. Wu Ying

Supervisors

Mr. Xu Jingming
Mr. Tang Baohua
Ms. Li Yan

Joint Company Secretaries

Ms. Cao Xue
Mr. Chan Pui Hang

Authorized Representatives

Mr. Fei Zhengxiang
Mr. Chan Pui Hang

Audit Committee

Mr. Chen Yi (Chairman)
Dr. Wu Ying
Dr. Xiao Fei

Remuneration Committee

Dr. Wu Ying (Chairman)
Dr. Xiao Fei
Mr. Chen Junhua

Nomination Committee

Dr. Xiao Fei (Chairman)
Mr. Chen Yi
Mr. Xia Guoping

Strategy Committee

Mr. Fei Zhengxiang (Chairman)
Mr. Wang Chuanbao
Dr. Xiao Fei

Corporate Information

Risk Management Committee	Mr. Fei Zhengxiang (Chairman) Mr. Zheng Yuhong Mr. Chen Yi
ESG Committee	Mr. Fei Zhengxiang (Chairman) Mr. Zheng Yuhong Mr. Xia Guoping
Registered Office, Headquarters and Principal Place of Business in the PRC	4th Floor, Building 35, No. 1-42 Lane 83 Hongxiang North Road, Lin-gang Special Area China (Shanghai) Pilot Free Trade Zone China
Principal Place of Business in Hong Kong	1901A, 1902 & 1902A, 19/F, New World Tower I, 16-18 Queen's Road Central, Central, Hong Kong
Company Website	www.conantoptical.com.cn
Auditor	Deloitte Touche Tohmatsu
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Stock Code	2276
Legal Counsel	LI & CO., MICHAEL

Definitions

“AGM”	the annual general meeting of the Company to be held on 4 June 2024
“Articles of Association”	the articles of association of the Company as supplemented, amended or otherwise modified from time to time
“Asahi Holdings”	Asahi Lite Holdings Limited (朝日鏡片控股有限公司), a limited liability company incorporated in Hong Kong on 3 July 2013 and a direct wholly-owned subsidiary of the Company
“Asahi Optical”	Asahi Lite Optical Co., Ltd (株式会社アサヒオプティカル), a stock company incorporated in Japan with limited liability on 12 December 1980
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of Directors
“Board of Supervisors” or “Supervisory Committee”	the supervisory committee of the Company established pursuant to the PRC Company Law
“CG Code”	the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules
“China” or the “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this annual report, references to China or the PRC excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

Definitions

“Company”	Shanghai Conant Optical Co., Ltd. (上海康耐特光學科技集團股份有限公司), a limited liability company established in the PRC on 20 June 2018 and subsequently converted into a joint stock company with limited liability on 23 February 2021
“Conant Eyewear”	Jiangsu Conant Optics Eyewear Co., Ltd.* (江蘇康耐特光學眼鏡有限公司), a limited liability company established in the PRC on 27 January 2011 and an indirect wholly-owned subsidiary of the Company
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meeting or are in a position to control the composition of a majority of the Board, which as at the Latest Practicable Date consisted of Mr. Fei
“Director(s)” or “our Directors”	the director(s) of our Company
“ESG Committee”	the environmental, social and governance committee of the Company
“Global Offering”	the Hong Kong Public Offering (as defined in the Prospectus) and the International Placing (as defined in the Prospectus)



Definitions

“Group”, “our Group”, “we”, “our” or “us”	the Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were the Company’s subsidiaries at the relevant time, or the businesses acquired or operated by them or (as the case may be) their predecessors
“H Share(s)” or “Share(s)”	overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Stock Exchange (stock code: 2276)
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollar(s)” or “HK\$”	Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person of our Company within the meaning of the Hong Kong Listing Rules
“Latest Practicable Date”	23 April 2024, being the latest practicable date prior to the bulk printing and publication of this annual report
“Listing”	the listing and the commencement of dealings of the H Shares on the Main Board

Definitions

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
“Mr. Fei”	Fei Zhengxiang (費錚翔), the founder of our Group, chairman of our Board, an executive Director, the general manager of our Company and our Controlling Shareholder
“Nomination Committee”	the nomination committee of the Company
“PRC Company Law”	the Company Law of the PRC* (《中華人民共和國公司法》), as enacted the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	the Accounting Standards for Business Enterprises (《企業會計準則》) promulgated by the Ministry of Finance
“Prospectus”	the prospectus of the Company dated 30 November 2021
“Qitian Technology”	Qitian Technology Group Co., Ltd. (旗天科技集團股份有限公司) (formerly known as Shanghai Conant Optics Co., Ltd. (上海康耐特光學有限公司) from 5 December 1996 to 28 April 2008, Shanghai Conant Optics Co., Ltd. (上海康耐特光學股份有限公司) from 29 April 2008 to 23 July 2017 and Shanghai Conant Macroflag Group Co., Ltd. (上海康耐特旗計智能科技集團股份有限公司) from 24 July 2017 to 14 January 2020), a joint stock limited company established in the PRC whose shares are listed on the ChiNext Market of the Shenzhen Stock Exchange (stock code: 300061)

Definitions

“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the period beginning from 1 January 2023 and ending on 31 December 2023
“Risk Management Committee”	the risk management committee of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Conant”	Shanghai Conant Optics Co., Ltd.* (上海康耐特光學有限公司), a limited liability company established in the PRC on 13 April 2011 and a wholly-owned subsidiary of the Company
“Shanghai Fengchang”	Shanghai Fengchang Enterprise Management Partnership (Limited Partnership)* (上海風暢企業管理合夥企業(有限合夥)), one of the Company’s pre-IPO investors
“Shanghai Shuyun”	Shanghai Shuyun Enterprise Management Partnership (Limited Partnership)* (上海書雲企業管理合夥企業(有限合夥)), one of the Company’s pre-IPO investors
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Company
“Supervisor(s)”	the supervisor(s) of our Company
“SZSE”	The Shenzhen Stock Exchange
“%”	per cent

* for identification purpose only

Five-Year Financial Summary

Set out below are the figures of the Group for the years ended 31 December 2019, 2020, 2021, 2022 and 2023 respectively.

	For the year ended 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	1,058,846	1,093,164	1,356,082	1,561,317	1,759,641
Gross profit	349,878	382,051	460,159	537,870	658,134
Profit before tax	139,316	155,263	215,102	281,539	393,010
Income tax expense	(27,415)	(26,801)	(31,580)	(32,973)	(65,988)
Profit for the year	111,901	128,462	183,522	248,566	327,022
Profit attributable to owners of the parent	111,901	128,462	183,522	248,566	327,022

	As at 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Total assets	1,374,654	1,444,200	1,811,349	1,788,632	1,984,313
Total liabilities	996,456	939,666	873,951	643,018	589,413
Net assets	378,198	504,534	937,398	1,145,614	1,394,900

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the Reporting Period.

BUSINESS REVIEW AND OUTLOOK

Overview

We are a leading resin spectacle lens product and service provider 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 with personalized, differentiated and high-end features. 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 90 countries, including but not limited to the PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil. We strive to become and continue to be one of the world's most prominent spectacle lens product and service provider in the world as a long term of objective and we strive to provide customers with highest quality of products.

Building on the foundation made in the financial year of 2022, our results for the financial year of 2023 experienced further growth. Our revenue increased by 12.7% from RMB1,561.3 million for the year ended 31 December 2022 to RMB1,759.6 million for the year ended 31 December 2023, and our profit increased by 31.6% from RMB248.6 million for the year ended 31 December 2022 to RMB327.0 million for the year ended 31 December 2023, primarily due to the increase in our sales volume from 151.4 million pieces in 2022 to 158.8 million pieces in 2023. Meanwhile, we had further optimized our product structure, and were benefited from the business development of our customized lenses products and end-to-end services. The total annual production volume of our three production bases reached 181.2 million pieces, representing a 9.3% year-on-year growth.

Outlook for 2024

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

Enhancing our production capacity and our level of automation. For our future layout, we plan to further enhance the production capacities of our Shanghai customised processing centre and Jiangsu Production Base. Over the past years, the Company has been gradually commenced production capacity enhancement and automation projects in an orderly manner. New production equipment has been purchased and the modification of the production lines have been conducted for the Shanghai customised processing centre and the Jiangsu high refractive lenses workshop. Currently, the investment programmes were basically completed in phases. As of the end of 2023, the aforementioned automation equipment had gradually commenced operation, which helped save labour hours and also effectively improve our production efficiency. In 2024, we will continue to facilitate our pace to enhance production capacity and automation so as to increase our competitiveness in this regard.

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 planned and implemented. Moreover, the Company has been researching and developing superimposed and innovative products with different refraction index and different functions, and actively enhancing and upgrading the existing 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, we will participate in industry exhibitions, event organisation and customer visits, and collaborate with ophthalmology service providers and retailers to boost the building of our distribution channels. We also plan to enhance our online marketing strategies by increasing our online advertising and promotion on multiple platforms and adopt new sales channel. The Company currently adopt a vigorous strategy for brand promotion to attract the attention of the market and consumers. In 2023, we actively participated in various trade fairs, organisational



Chairman's Statement

activities and customer visits, and we also established numerous in-hospital ophthalmology centres through active collaboration with hospital systems 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 also focus 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. In 2024, we will continue to improve our image promotion and brand enhancement in the domestic market, and strive to develop different distribution channels.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, suppliers and customers of the Company for their continued support and trust. The Board would also like to thank all the employees and management team for executing the Group's strategies with professionalism, integrity and dedication.

Shanghai Conant Optical Co., Ltd.

Fei Zhengxiang

Chairman of the Board

Shanghai, the PRC

27 March 2024

Management Discussion and Analysis

REVENUE

We generate revenue primarily through the sales of our resin spectacle lenses. Our revenue increased by 12.7% from RMB1,561.3 million in 2022 to RMB1,759.6 million in 2023.

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 across the world increased, of which, the sales in Mainland China increased significantly to 29% as compared to 2022, 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 12.9% and 16.7% in 2023 as compared to 2022, 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 7.6% from RMB1,023.4 million in 2022 to RMB1,101.5 million in 2023, 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 22.4% from RMB537.9 million in 2022 to RMB658.1 million in 2023. Our gross profit margin increased from 34.4% in 2022 to 37.4% in 2023. The gross profit margin of standardised lens and customised lens increased from 29.4% and 54.8% in 2022 to 31.7% and 57.6% in 2023, respectively, primarily due to (i) an increase in the number of orders; (ii) the appreciation of U.S. dollar against Renminbi; and (iii) upgrade of product structure.

OTHER INCOME AND GAINS

Our other income and gains increased by 40.7% from RMB34.3 million in 2022 to RMB48.2 million in 2023, primarily due to an increase in the fair value of financial assets at FVTPL of RMB7.5 million, an increase in gain on wealth management products purchased and appreciation of U.S. dollar against Renminbi.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased by 47.6% from RMB69.9 million in 2022 to RMB103.2 million in 2023, which was primarily due to an increase in the employee remuneration of RMB15.0 million and an increase in business development expenditure of RMB12.0 million.

ADMINISTRATIVE EXPENSES

Our administrative expenses increased by 13.0% from RMB154.8 million in 2022 to RMB175.0 million in 2023, primarily attributable to (i) an increase in research and development expenses of RMB4.3 million; (ii) an increase in staff salaries and benefits of RMB4.0 million; and (iii) an increase in agency fees of RMB6.0 million.

OTHER EXPENSES

Our other expenses significantly decreased by 78.9% from RMB33.1 million in 2022 to RMB7.0 million in 2023, primarily attributable to an increase in loss on investment in a joint venture of RMB2.2 million, offset by the loss on fair value of financial assets at FVTPL of RMB27.5 million recorded from the Company's investment in Viner Total Investments Fund.

IMPAIRMENT LOSS OF FINANCIAL ASSETS

Our impairment loss of financial assets increased by 98.1% from RMB7.3 million in 2022 to RMB14.4 million in 2023. The increase in impairment on financial assets in 2023 was mainly due to an increase in the gross amount of trade receivables as of 31 December 2023 that were in line with the increase in revenue as compared to that of 31 December 2022.

FINANCE COSTS

Our finance costs decreased by 47.0% from RMB25.7 million in 2022 to RMB13.6 million in 2023, primarily due to a decrease in interest on bank and other loans of RMB12.3 million as a result of the repayment of bank and other loans.

INCOME TAX EXPENSES

Our income tax expenses increased by 100.1% from RMB33.0 million in 2022 to RMB66.0 million in 2023, 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 31.6% from RMB248.6 million for the year ended 31 December 2022 to RMB327.0 million for the year ended 31 December 2023.

CAPITAL STRUCTURE

Our total assets increased by 10.9% from RMB1,788.6 million as of 31 December 2022 to RMB1,984.3 million as of 31 December 2023. Our total liabilities decreased by 8.3% from RMB643.0 million as of 31 December 2022 to RMB589.4 million as of 31 December 2023. Liabilities-to-assets ratio decreased from 36.0% as of 31 December 2022 to 29.7% as of 31 December 2023.

The current ratio, being current assets divided by current liabilities as of the respective date, increased from 3.0 times as of 31 December 2022 to 3.3 times as of 31 December 2023.

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 2023, 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 1.5% from RMB335.6 million as of 31 December 2022 to RMB330.5 million as of 31 December 2023, 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 30.8% as of 31 December 2022 to 14.7% as of 31 December 2023, primarily due to a decrease in interest-bearing bank and other borrowings of RMB147.2 million due to repayment of bank loans.

As of 31 December 2023, the Group had interest-bearing bank and other borrowings of RMB205.2 million (as of 31 December 2022: RMB352.4 million), representing 34.8% (as of 31 December 2022: 54.8%) of its total liabilities as of the same date. Of all the borrowings of the Group as of 31 December 2023, RMB95.2 million were repayable within one year and RMB110.0 million were repayable beyond one year. The Group’s bank borrowings amounting to RMB180.2 million as of 31 December 2023 (as of 31 December 2022: RMB240.5 million) were borrowings with floating interest rates.

Except for the bank and other loans amounting to RMB5.0 million as of 31 December 2023 (as of 31 December 2022: RMB6.8 million), which were denominated in Japanese Yen, all the Group’s bank and other borrowings as of 31 December 2023 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.

Management Discussion and Analysis

As of 31 December 2023, banking facilities of the Group totaling RMB494 million (as of 31 December 2022: RMB445.5 million) were utilised to the extent of RMB205.0 million (as of 31 December 2022: RMB351.8 million).

CAPITAL EXPENDITURES

Our capital expenditure increased significantly by 5.9% from RMB119.5 million in 2022 to RMB126.5 million in 2023. 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 2023, 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 2023, the Group's property, plant and equipment with carrying values of RMB131.6 million (as of 31 December 2022: RMB136.4 million), investment properties with carrying values of RMB15.5 million (as of 31 December 2022: RMB16.9 million) and leasehold land with carrying values of RMB5.5 million (as of 31 December 2022: RMB5.7 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 RMB180.2 million as of 31 December 2023.

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 2023, the Group did not have any significant investment which exceeded 5% of the Group's total assets. As of 31 December 2023, the Group held financial assets at FVTPL of RMB221.0 million (as of 31 December 2022: RMB116.5 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 2023.

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 2023. 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 report, there are no material events subsequent to 31 December 2023 which could have a material impact on our operating and financial performance as of the date of this report.

EMPLOYEES

Employees As of 31 December 2023, we had a total of 2,509 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 2023, 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 RMB387.5 million (for the year ended 31 December 2022: RMB357.9 million).

Management Discussion and Analysis

On 18 December 2023 (the “**Adoption Date**”), the Company adopted a restricted share unit scheme (the “**2023 Share Award Scheme**”), the purposes of which are to recognize eligible participants’ contribution by providing incentives to retain them for the continual operation and development of the Group, to attract talents and to increase talents’ competitive edge for further growth of the Group, and to link the interests of the eligible participants with the Group’s value, so as to drive the employees to be dedicated to realising the Group’s long-term goals.

With effective from the Adoption Date, the 2023 Share Award Scheme is valid for ten (10) years until 26 October 2030, subject to the Directors’ decision of early termination.

According to the 2023 Share Award Scheme, the Board and/or the authorized parties may, from time to time, decide, on their absolute discretion, the selected grantees upon consideration of various factors, and determine the terms and conditions of the incentives to be granted to each selected grantee. Eligible participants of 2023 Share Award Scheme include the following individuals, i.e. individuals who are considered to have made or will make significant contribution to the development of the Group by the Board or the authorized parties on their absolute discretion: (a) the employees; (b) the Directors (including executive, non-executive and independent non-executive Directors); (c) the Supervisors; (d) the senior management; and (e) members of main operating teams of any members of the Group.

According to the 2023 Share Award Scheme, 2023 Share Award Scheme should be managed by the Board or authorized parties under the rules of the Scheme or trust deed, and the trustees should hold the trusted fund pursuant to the rules of the Scheme and the trust deed. During the year ended 31 December 2023, the trustee of the 2023 Share Award Scheme had not repurchased any H Share of the Company as incentive. Subsequently, from the beginning of 2024 to the date of publication of this report, the trustee has repurchased an aggregate of 9,000,000 H Shares, representing approximately 2.11% of the issued shares of the Company, from the open market of the Stock Exchange as incentives under 2023 Share Award Scheme.

Pursuant to the 2023 Share Award Scheme, if the total number of H Shares under all the restricted share unit granted exceed three percent (3%) of the total number of H Shares in issue at of the Adoption Date, the Board shall not offer further grant. However, there is no maximum limit to the number of shares to be granted to any independent eligible participants.

Within the valid term of the 2023 Share Award Scheme, subject to all the applicable laws, rules and regulations, the Board or the authorized parties could decide the vesting standards and conditions or term for the 2023 Share Awards. The decision of the Board or the authorized parties in respect of the satisfaction or fulfilment of the vesting conditions shall be irrevocable and conclusive.

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 2023, 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 annual report, 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 annual report have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Profiles of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Fei Zhengxiang (費錚翔) (“Mr. Fei”), aged 63, is the Controlling Shareholder and the founder of the Group. Mr. Fei was re-elected as our executive Director of the second session of the Board on 7 March 2024. Mr. Fei was appointed as the general manager of the Company on 20 June 2018 and is primarily responsible for formulating the overall development strategies and overseeing the operation of our Group. Mr. Fei is also the executive director of Shanghai Conant, Jiangsu Conant Optics Co., Ltd.* (江蘇康耐特光學有限公司) and Jiangsu Asahi Optical Co., Ltd.* (江蘇朝日光學有限公司), each a wholly-owned subsidiary of our Company, the chairman of board of directors of Conant Eyewear and a director of Asahi Holdings and Asahi Optical. As of the Latest Practicable Date, Mr. Fei held approximately 49.87% of the total issued share capital in the Company.

Mr. Fei has over 27 years of experience in the eyewear industry. He founded Qitian Technology on 5 December 1996 which was listed on the SZSE (stock code: 300061) in March 2010. Mr. Fei acted as the chairman of board of directors of Qitian Technology from March 2008 to November 2019 and was re-designated as a director of Qitian Technology from November 2019 to May 2020. Mr. Fei had served as a supervisor of Qitian Technology until August 2022.

He obtained a bachelor’s degree in chemistry from the department of chemistry of Zhejiang University (浙江大學, formerly known as Hangzhou University (杭州大學)) in Zhejiang province, the PRC in April 1982. Prior to joining our Group, Mr. Fei was a post-doctoral fellow at Emory University in Georgia, the United States from 1989 to 1991. Mr. Fei was awarded as one of the 2010 Shanghai Leading Talents (2010年上海領軍人才) in December 2010 by the Organisational Department of the CPC Shanghai Municipal Committee and Shanghai Human Resources and Social Insurance Bureau. He is also a standing member of the Chinese People’s Political Consultative Conference of Pudong New Area, Shanghai and the vice president of Shanghai Overseas Chinese Chamber of Commerce (上海市僑商會).

Profiles of Directors, Supervisors and Senior Management

Mr. Zheng Yuhong (鄭育紅) (“Mr. Zheng”), aged 55, was re-elected as our executive Director on 7 March 2024. Mr. Zheng was appointed as a deputy general manager of the Company on 1 January 2019 and is primarily responsible for formulating the overall development strategies and overseeing the Shanghai operation of our Group. Mr. Zheng is also (i) the general manager of Shanghai Conant; and (ii) the general manager and a director of Conant Eyewear. Mr. Zheng acted as a director of Qitian Technology from April 2008 to November 2019 and as the deputy general manager of Qitian Technology from April 2008 to January 2019.

Mr. Zheng graduated with a Bachelor of Engineering degree majoring in lifting transportation and construction machinery from Wuhan University (武漢大學, formerly known as Wuhan University of Hydraulic and Electrical Engineering (武漢水利電力學院)) in Hubei province, the PRC in June 1990.

Mr. Xia Guoping (夏國平) (“Mr. Xia”), aged 65, was re-elected as our executive Director on 7 March 2024. Mr. Xia was appointed as a deputy general manager of the Company on 1 January 2019 and is responsible for formulating the overall development strategies and overseeing the Jiangsu operation of our Group.

Mr. Xia worked at Qitian Technology as a director from September 2010 to January 2017, and as a deputy general manager from May 2010 to January 2019. He was responsible for the overall management of such company during the time.

Mr. Xia graduated with a bachelor’s degree majoring in physics from the department of physics of Zhejiang University (浙江大學, formerly known as Hangzhou University (杭州大學)) in Zhejiang province, the PRC in January 1982. In May 2003, Mr. Xia obtained an Executive Master in Business Administration degree from Bircham International University in Madrid, Spain.

Mr. Chen Junhua (陳俊華) (“Mr. Chen”), aged 56, was re-elected as our executive Director on 7 March 2024. Mr. Chen was appointed as a deputy general manager of the Company on 1 January 2019 and is primarily responsible for overseeing the marketing operations of our Group. Mr. Chen joined our Group in October 2009 as a manufacturing manager responsible for supervising production process and improving production technology. He has served as deputy general manager of Shanghai Conant since 5 March 2014 and was a director of Asahi Optical between 22 April 2017 and 31 March 2021.

Mr. Chen graduated from Shanghai Open University (上海開放大學, formerly known as Shanghai Television University (上海電視大學)) with a college degree majoring in public relations in Shanghai, the PRC, in July 1991.

Profiles of Directors, Supervisors and Senior Management

Mr. Wang Chuanbao (王傳寶) ("Mr. Wang"), aged 37, was appointed as our executive Director on 7 March 2024. Mr. Wang joined the Group in August 2016 as a deputy director of the research and development center. He was responsible for the research and development of production craftsmanship and techniques. He was appointed as a technical director of the Company and a vice-general manager of Jiangsu Conant Optics Co., Ltd. on 1 April 2023. Mr. Wang is a Jiangsu (Qidong Nantong) representative of the Chinese People's Political Consultative Conference. He is currently a technical director of the Company and a vice-general manager of Jiangsu Conant Optics Co., Ltd, a wholly-owned subsidiary of the Company. Prior to joining the Group, Mr. Wang was a technology development engineer of the research and development department of YAPP Automotive Systems (亞普汽車部件股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603013).

Mr. Wang obtained his bachelor degree in Polymer Material Science & Engineering from Yangzhou University in 2009, and further obtained a doctorate degree in Materials Science and Engineering from Nanjing University of Science and Technology in 2014.

Non-executive Directors

Ms. Zhao xiaoyun (趙曉雲) ("Ms. Zhao"), aged 51, was re-elected as our non-executive Director on 7 March 2024. She is currently the supervisor (part-time) of Asahi Optical.

Prior to joining the Group in April 2018, Ms. Zhao worked in a number of financial consultancy, asset management and securities companies in the PRC as their legal representative and/or financial controller.

Ms. Zhao holds a Bachelor of Arts in Literature from Waseda University in Japan. She passed the examination for the securities qualification issued by the Securities Association of China (中國證券業協會) in September 2009 and the fund qualification issued by the Asset Management Association of China (中國證券投資基金業協會) in June 2018, and possesses the accounting qualification (intermediate level) (會計中級職稱) issued by the Ministry of Personnel of the PRC in May 2007.

Profiles of Directors, Supervisors and Senior Management

Independent Non-executive Directors

Dr. Xiao Fei (肖斐) (“Dr. Xiao”), aged 61, was re-elected as our independent non-executive Director on 7 March 2024. Dr. Xiao is responsible for providing independent advice and judgement to our Board.

Dr. Xiao has at least 16 years of experience in education and academic research in material science. Dr. Xiao commenced his career as a lecturer in Fudan University (復旦大學) in March 1992 and has served as a professor for materials science since June 1997 prior to joining our Group. He is primarily responsible for teaching classes, mentoring graduate students and conducting academic researches. Prior to that, Dr. Xiao was a visiting scholar focusing on electronic packaging material in Eastern Michigan University and Georgia Institute of Technology respectively.

Dr. Xiao obtained his Bachelor of Science degree majoring in chemistry from Fudan University (復旦大學) in July 1983, and further obtained a Master of Science degree from Fudan University (復旦大學) in July 1986. In December 1991, Dr. Xiao graduated from Shanghai Institute of Organic Chemistry, Chinese Academy of Sciences (中國科學院上海有機化學研究所) with a Doctor of Science degree majoring in organic chemistry. He obtained the teacher’s qualification for higher education institutions (高等學校教師資格) granted by Shanghai Municipal Education Commission (上海市教育委員會) in December 1996.

Mr. Chen Yi (陳一) (“Mr. Chen”), aged 39, was re-elected as our independent non-executive Director on 7 March 2024. Mr. Chen is responsible for providing independent advice and judgement to our Board.

Mr. Chen has over 16 years of experience in financial industry. Prior to joining our Group, from October 2007, Mr. Chen served as an auditor and a senior advisor on merger and acquisition in PricewaterhouseCoopers Hong Kong (香港羅兵咸永道會計師事務所). From October 2011, Mr. Chen served as a senior executive in The Bank of East Asia (China) Limited (東亞銀行(中國)) responsible for strategic planning. From July 2016, he worked at China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司), whose principal business is investment management, as the manager of strategy and investment department and was responsible for strategic planning. From April 2017, Mr. Chen served as the chief financial officer and secretary of board of directors in Jiangsu PayEgis Co., Ltd (江蘇通付盾科技有限公司), an intelligent network service provider focusing on digital identity authentication, responsible for the financial management of the company. From January 2018, Mr. Chen served as the financial director in Guangdong Te-pemic Medical Co., Ltd (廣東騰湃醫療股份有限公司), which provides preventive medical services, responsible for financial management. Since November 2021, Mr. Chen has served as the financial director of Shenzhen Ruiji Biotechnology Co., Ltd. (深圳市瑞吉生物科技有限公司), an biotechnology company devoted to developing mRNA-based vaccines and therapeutics, responsible for financial management.

Profiles of Directors, Supervisors and Senior Management

Mr. Chen obtained his bachelor's degree in economics and finance from the University of Hong Kong (香港大學) in November 2007. He then obtained a Finance Master of Business Administration degree from China Europe International Business School (中歐國際工商學院) in November 2022. He was admitted as a certified public accountant of Hong Kong Institute of Certified Public Accountants (香港會計師公會) in January 2011.

Dr. Wu Ying (吳瑩), aged 46, was appointed as our independent non-executive Director on 7 March 2024. Dr. Wu is responsible for providing independent advice and judgement to our Board. Dr. Wu was graduated from Fudan University with a bachelor's degree in Clinical Medicine. She ranked second in the five-year overall evaluation during her study, and was exempted from examination and was recommended to Fudan University Affiliated Eye, Ear, Nose and Throat Hospital for a master's degree in ophthalmology. She was then awarded the Outstanding Doctoral Graduate of Fudan University in 2006 and stayed in the hospital to work as an ophthalmologist, majoring in: Optometry and refractive surgery. She was promoted to attending physician in 2007. From 2008 to 2009, she served as a visiting scholar at Nova Southeastern University College of Optometry in the United States. In 2014, she was promoted to associate chief physician. Currently, she serves as secretary of the Department of Optometry at the Eye, Ear, Nose and Throat Hospital of Fudan University, youth committee member of the Optometry Branch of the Shanghai Medical Association, member of the Optometry Professional Committee of the Chinese Female Doctors Association, senior lecturer at the EVO ICL Asia Pacific Training Center, and mentor at the SMILE Asia Pacific Training Center. Her professional direction is various types of refractive surgery (SMILE/TransPRK/LASIK/PTK), endoscopic EVO ICL implantation, more than 20,000 cases of various refractive surgeries such as SMILE and ICL implantation have been completed, and the diagnosis and treatment of adolescent myopia, diagnosis and treatment of strabismus and amblyopia in children, and has completed more than 3,000 cases of various types of strabismus surgery.

Further Information about the Biography of the Director

For further information of Mr. Fei under Rule 13.51(2)(h) of the Hong Kong Listing Rules, please refer to the section headed "Directors, Supervisors and Senior Management – Directors" in the Prospectus.

Profiles of Directors, Supervisors and Senior Management

SUPERVISORY COMMITTEE

Mr. Xu Jingming (徐敬明) (“Mr. Xu”), aged 60, was appointed as a Supervisor on 7 March 2024. He has been a chairman of the Supervisory Committee since 7 March 2024. He is responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company. As of the Latest Practicable Date, Mr. Xu held approximately 12.58% of the total issued share capital in Shanghai Shuyun, which held approximately 4.31% of the total issued share capital in the Company.

Mr. Xu joined our Group in December 2006, where he served as head of manufacturing department, procurement manager, and deputy general manager from December 2006 to December 2009, from January 2010 to December 2018, from January 2019 to present, respectively. He was appointed as (i) director of Qitian Technology from January 2014 to January 2017 and (ii) a deputy general manager of Shanghai Conant on 1 January 2019, where he is primarily responsible for procurement management, human resource management and other administrative work.

Mr. Tang Baohua (唐寶華) (“Mr. Tang”), aged 42, was appointed as a Supervisor on 7 March 2024. He is responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company. Since January 2016, Mr. Tang has served in Shanghai Conant as a human resources manager assistant, where he is primarily responsible for facilitating the manager of the human resources department and managing the administrative work of the department. He was appointed as a supervisor of Qitian Technology from December 2014 to May 2017 and from March 2018 to November 2019, respectively.

Mr. Tang obtained his Bachelor of Management degree from The Open University of China (國家開放大學) majoring in administrative management in January 2017.

Ms. Li Yan (李艷) (“Ms Li”), aged 41, was appointed as a Supervisor on 7 March 2024. She is responsible for the supervision of the performance of the Company’s duties by the members of the Board and the senior management. She has joined the procurement department of the Company since 2006, and acted as the assistant to the procurement manager since 2013 to 2019, as the vice-procurement manager since 2019 to 2021, as the senior vice-procurement manager since 2021 to 2023 and since then has been promoted to the manager of the procurement department of the Company. Ms. Li graduated from Zhengzhou University with a bachelor degree in Business Administration in 2005 which was recognised by Fort Hays State University and has the equivalent status as the bachelor degree of General Studies (Concentration: Business Management) thereof.

Profiles of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Xu Huyin (許胡寅) (“Mr. Xu”), aged 37, was appointed as the financial controller of the Company on 29 January 2024 and is primarily responsible for overseeing the accounting and financial management of our Group. Mr. Xu was also appointed as the financial director of Shanghai Conant in January 2019. As of the Latest Practicable Date, Mr. Xu held approximately 3.61% of the total issued share capital in Shanghai Shuyun, which held approximately 4.31% of the total issued share capital in the Company.

Mr. Xu has over ten years of experience in accounting and financial management. He joined Shanghai Conant as financial supervisor from January 2012 to December 2012 and then served as assistant to financial manager from January 2013 to December 2013, as deputy financial manager from January 2014 to July 2015 and as financial manager from July 2015 to December 2018, respectively. He was appointed as the financial controller of Shanghai Conant since January 2019. Prior to joining our Group, Mr. Xu worked at Shanghai Liandong Tianxia Network Technology Co., Ltd. (上海聯動天下網絡科技有限公司), whose principal business is online marketing, as a product manager responsible for web projects and marketing planning from March 2010 to September 2010. Mr. Xu served as a supervisor in Shanghai Qiji Intelligent Technology Co., Ltd. (上海旗計智能科技有限公司) from October 2016 to May 2019.

Mr. Xu obtained a bachelor’s degree in accounting from Shanghai Sanda University (上海杉達學院) in Shanghai, the PRC in July 2008. Mr. Xu is a member of the Chinese Institute of Certified Public Accountants, the China Certified Tax Agents Association (中國註冊稅務師協會) and the China Appraisal Society (中國資產評估協會). He was admitted as a senior accountant by Shanghai Municipal Human Resource and Social Security Bureau in November 2022. He was also admitted as a member of 2020 Shanghai Senior Accounting (reserve) Talents (2020年度上海市會計高級(後備)人才) recognised by Shanghai Finance Bureau and a member of 2022 Shanghai Outstanding Accounting Talents (2022年度上海優秀會計人才) recognised by Shanghai Finance Bureau and Shanghai National Accounting Institute (上海國家會計學院).

Profiles of Directors, Supervisors and Senior Management

JOINT COMPANY SECRETARIES

Ms. Cao Xue (曹雪) ("Ms. Cao"), aged 33, has been appointed as one of our joint company secretaries with effect from the date of Listing. Ms. Cao was appointed as the secretary of the Board on 22 February 2021.

Ms. Cao has over 10 years of experience in the resin spectacle lens industry. She has extensive knowledge about the business operations, corporate culture and matters concerning the corporate governance of the Company. Ms. Cao joined our Group in October 2013 and was responsible for the accounting and financial management of Shanghai Conant until December 2015. She served as a financial supervisor of Shanghai Conant from January 2016 to December 2020 and was appointed as the manager of overseas asset management department of Shanghai Conant in January 2021. She has also served as a director of Asahi Holdings since May 2017 and a director of Asahi Optical since April 2021. Ms. Cao obtained a bachelor's degree in literature majoring in Japanese from Tongji University (同濟大學) in July 2013. She obtained a master's degree of Corporate Governance from Hong Kong Metropolitan University (香港都會大學) in September 2023, and has become a member of The Hong Kong Chartered Governance Institute and the Chartered Governance Institute in January 2024. She also possesses the qualifications of Chartered Governance Professional and Chartered Secretary.

Mr. Chan Pui Hang (陳沛恒) ("Mr. Chan"), was appointed as as one of our joint company secretaries with effect from 1 December 2023.

Mr. Chan is currently a solicitor at the law firm of Michael Li & Co. in Hong Kong, specialising in corporate finance work including initial public offerings, mergers and acquisitions and restructuring. Mr. Chan is a practising solicitor and was admitted as a solicitor in Hong Kong in December 2011. He received a degree of Bachelor of Social Science (Government & Laws) and a degree of Bachelor of Laws from the University of Hong Kong in December 2002 and December 2003 respectively.

CHANGES OF INFORMATION OF DIRECTORS AND SUPERVISORS UNDER RULE 13.51B(1) OF THE LISTING RULES

As of the Latest Practicable Date, there was no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Report of the Directors

The Board hereby presents the report of the Directors and the audited consolidated financial statements for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is a joint stock company with limited liability registered under the PRC Company Law and was listed on the Main Board of the Stock Exchange on 16 December 2021. The Company, being a one-stop product and service provider of optical resin spectacle lenses, offers personalized and customized lenses, including standardized lenses. The Company's products are exported to the United States, Japan, India, Australia, Thailand, Germany, Brazil and other countries and regions. The business of the subsidiaries of the Company are set out in Note 1 to the financial statements. During the Reporting Period, there was no material change to the nature of the major business of the Company. For further discussion and analysis of the principal business, please refer to the section headed "Management Discussion and Analysis" as set out in this annual report.

BUSINESS REVIEW

The discussion and analysis on the performance review, results, financial position and other relevant significant factors of the Group during the year and the prospects of the business of the Group are set out in the section headed "Management Discussion and Analysis" in this annual report. Additionally, for particulars of major financial risks the Company is exposed to and the management goal and policies against such risks undertaken by the Company, please refer to Note 38 to the financial statements. These discussions form part of this Report of Directors.

INFORMATION ABOUT SUBSIDIARIES

Details of the information about the subsidiaries of the Company are set out in Note 1 to the financial statements.

DIVIDENDS

The results as at 31 December 2023 of the Company are set out in the consolidated financial statements of this annual report.

The Board recommends the distribution of a final dividend (the “**Proposed Final Dividend**”) of RMB0.20 (tax inclusive) per share during the Reporting Period, with a total amount of RMB85,320,000, which is subject to the approval by the Shareholders at the AGM. If such Proposed Final Dividend is approved by the Shareholders, the Proposed Final Dividend will be paid no later than Friday, 2 August 2024 to the Shareholders whose names are listed on the register of Shareholders on Thursday, 20 June 2024.

The Company will not be liable for any claim or dispute over the withholding mechanism arising from any delay in, or inaccurate determination of the status of the Shareholders.

The Board is not aware of any Shareholders who have waived or agreed to waive any dividend.

DIVIDEND POLICY

The Company currently does not have a pre-determined dividend payout ratio. Pursuant to the Articles of Association, the Board may declare dividends in the future after taking into account its results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. The Group’s historical declarations of dividends may not reflect its future declarations of dividends.

Since the Company and a majority of its major subsidiaries were established in the PRC, the future dividend payments of the Company will depend largely upon the availability of dividends received from its subsidiaries in the PRC, which were subject to the PRC laws. Under the PRC laws, dividends can only be paid out of distributable profit of a PRC company. PRC laws require that dividends be paid only out of the profit for the year calculated according to the PRC GAAP, which differ in certain aspects from the generally accepted accounting principles in other jurisdictions, including the IFRSs. PRC laws also require the Company’s subsidiaries to set aside at least 10% of its net profit as statutory reserves, which are not available for distribution as cash dividends. Distributable profit is the Company’s profit as determined under PRC GAAP or IFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other statutory funds we are required to make. Any declaration and payment as well as the amount of dividends will be subject to the Articles of Association, applicable PRC laws and approval by the Shareholders. No dividend shall be declared or payable except out of the Company’s profits and reserves lawfully available for distribution.

FINANCIAL HIGHLIGHTS FOR THE PAST FIVE FINANCIAL YEARS

Financial highlights of the Group's results and balance sheets prepared in accordance with IFRSs for the past five financial years are set out in the section headed "Five-Year Financial Summary" of this annual report.

ENVIRONMENTAL PROTECTION POLICY

The Company responds to the environmental policies proactively and has fully complied with environmental protection laws and regulations promulgated by the governments in the jurisdictions in which the Company operates its business. The Company has taken measures to ensure that its business operations are in line with relevant environmental protection provisions, including but not limited to establishing an ESG Committee to assist the Board in guiding and supervising the development and implementation of environmental, social and governance works of the Group to ensure compliance with relevant legal and regulatory requirements, treating production wastes and having procedures in place in compliance with applicable environmental standards and designating special staff to treat and dispose of any hazardous waste.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board attaches great importance to compliance of the Company's policies and practices with applicable legal and regulatory requirements in the PRC. As of 31 December 2023, to the best of knowledge of the Board, save as disclosed in the Prospectus, the Company did not have any material breach of or non-compliance with the laws and regulations applicable to the Company, neither was there any event that has had significant effect on the business and operation of the Company.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The success of the Group relies on the support of important relations such as employees, customers and suppliers. The Company maintains a good relationship with its employees, customers and suppliers in order to ensure smooth business operation.

During the Reporting Period, we did not experience any major disputes with our employees, and we believe our Group's working relationship with our employees is satisfactory in general.

SUBSEQUENT SIGNIFICANT EVENTS

Particulars of significant events subsequent to the Reporting Period are set out in Note 43 to the financial statements and the section headed “Significant Events after the Reporting Period” in “Management Discussion and Analysis” of this annual report.

FINANCIAL REVIEW

Property, Plant and Equipment

Movements in the property, plant and equipment of the Company during the Reporting Period are set out in Note 14 to the financial statements.

Bank Borrowings

Bank borrowings of the Company during the Reporting Period are set out in Note 29 to the financial statements.

Share Capital

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 30 to the financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the PRC laws, which oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

RESERVES AND DISTRIBUTABLE RESERVES

Particulars on changes on the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity and Note 42 to the financial statements, respectively. As calculated in accordance with the applicable laws in the PRC where the Company was registered, distributable reserves of the Company as at 31 December 2023 amounted to approximately RMB968.3 million (as at 31 December 2022: RMB719.0 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the aggregate revenue attributable to our top five customers and our largest customer accounted for approximately 29.3% and 10.4% of the Group's total revenue, respectively.

During the Reporting Period, the total purchases from our top five largest suppliers and our largest supplier accounted for 51.8% and 32.4% of the Group's total purchases, respectively.

None of the Directors, their close associates, or any Shareholders (that, as far as is known to the Directors, own more than 5% of the issued shares of the Company) held any interest in the Company's top five customers or suppliers.

PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.



Report of the Directors

DONATION

During the Reporting Period, the Group's made donations in the amount of RMB306,528 (for the year ended 31 December 2022: RMB25,400).

DIRECTORS AND SUPERVISORS

Directors and Supervisors in office during the Reporting Period and up to the date of this report are as follows:

Executive Directors

Mr. Fei Zhengxiang (Chairman)
Mr. Zheng Yuhong
Mr. Xia Guoping
Mr. Chen Junhua
Mr. Wang Chuanbao (appointed on 7 March 2024)

Non-Executive Directors

Dr. Takamatsu Ken (resigned on 7 March 2024)
Ms. Zhao Xiaoyun

Independent Non-Executive Directors

Dr. Xiao Fei
Mr. Chen Yi
Mr. Jin Yiting (resigned on 7 March 2024)
Dr. Wu Ying (appointed on 7 March 2024)

Supervisors

Mr. Xu Jingming
Mr. Tang Baohua
Ms. Li Yan (appointed on 7 March 2024)

Detailed biographies of the Directors, Supervisors and senior management of the Company are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this annual report.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 31 December 2023, to the best knowledge of the Directors, interests and short positions of Directors, Supervisors and chief executives in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under provision of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to herein, or will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

Long positions in Shares

Name of Director	Nature of interests	Number and Class of Shares held	Approximate percentage of shareholding in relevant class of Shares (%) ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company (%) ⁽¹⁾
Mr. Fei	Beneficial owner	212,740,030 H Shares	49.87	49.87

Note:

- The calculation is based on the total number of Shares in issue as at 31 December 2023, being 426,600,000 Shares.

Save as disclosed above, as at 31 December 2023, none of the Directors, Supervisors or chief executives of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under provision of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to herein, or will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, as far as known to the Directors, no persons (excluding Directors, Supervisors and chief executives of the Company) had interests and short positions in Shares and underlying shares of the Company that fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

Each of the Directors (including non-executive Director and independent non-executive Directors) has entered into a new service contract with the Company on 7 March 2024. The principal particulars of these service contracts are (a) for a term commencing from their respective effective date of appointment until the day on which the next general meeting of the shareholders for re-election of Directors is held, and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable rules.

Each of Mr. Xu Jingming, Mr. Tang Baohua and Ms Li Yan have entered into contracts with the Company on 7 March 2024, in respect of, among others, compliance of relevant laws, regulations, the Articles of Association and applicable provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors had entered into, or had proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

FIVE HIGHEST PAID INDIVIDUALS

Information on the five highest paid individuals (including chief executives) of the Company during the Reporting Period is set out in Note 11 to the financial statements.

INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDER IN CONTRACTS

Save as the related party transactions as disclosed in Note 37 to the financial statements, during the Reporting Period, the Group did not enter into any significant transactions, arrangements or contracts in relation to the business of the Group, in which the Directors, Supervisors, Controlling Shareholder or their respective associated entities is materially interested, directly or indirectly.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section headed "Interests of Directors, Supervisors and Chief Executives" in this annual report, at any time, during the Reporting Period and up to the Latest Practicable Date, none of the Company, or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company, have entered into any arrangement to enable the Directors or Supervisors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other corporate body, and none of the Directors and Supervisors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during such period.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Profiles of Directors, Supervisors and senior management of the Company are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report.

PERMITTED INDEMNITY

The Company has maintained appropriate liability insurance for Directors and senior management of the Company and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. Save for the foregoing, during the Reporting Period and as at the date of the annual report, the Company had no other permitted indemnity in force.

PENSION SCHEMES

Particulars of the pension scheme of the Group are set out in Note 35 to the financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Overview of related party transactions conducted by the Group during the Reporting Period is set out in Note 37 to the financial statements.

During the Reporting Period, the lease payments to the spouse of Mr. Fei Zhengxiang as disclosed in Note 37 to the financial statements fell under the definition of “connected transaction” and it is fully exempt under Chapter 14 of the Hong Kong Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules.

Saved as disclosed above, the related party transactions set out in Note 37 to the financial statements do not constitute connected transactions of the Group under Chapter 14A of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS

During the Reporting Period, the Group did not have any connected transactions required to be disclosed under the Hong Kong Listing Rules and were in compliance with the provisions of Chapter 14A of the Hong Kong Listing Rules.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business, nor did any such contract subsist.

COMPETING BUSINESS

During the Reporting Period and up to the Latest Practicable Date, none of the Directors, Supervisors, chief executives of the Company or their respective associates was deemed to be directly or indirectly interested in a business which competed or might compete with the businesses of the Group (as defined under the Hong Kong Listing Rules).

PERFORMANCE OF NON-COMPETITION UNDERTAKING

In accordance with the non-competition undertaking (the “**Non-competition Undertaking**”) entered into by Mr. Fei with and in favour of the Company, if Mr. Fei or his close associates (excluding the Company and the subsidiaries of the Company) become aware of, notice, are recommended or provided with a new business opportunity (“**Business Opportunity**”) which will directly or indirectly compete or is likely to compete with the Restrained Businesses (as defined in the Prospectus) within the PRC, Japan, the United States and Mexico during the term of the Non-competition Undertaking, such new Business Opportunity should be referred or recommended to the Group. For details, please refer to the section headed “Relationship with Controlling Shareholder – Non-Competition Undertaking” in the Prospectus.

The independent non-executive Directors have reviewed the compliance by Mr. Fei of the Non-competition Undertaking and confirmed that Mr. Fei has complied with the terms of such undertaking during the Reporting Period. Mr. Fei has also confirmed to the Company that he has complied with the terms of the Non-Competition Undertaking. The independent non-executive Directors were not aware of any breach of the terms of the Non-Competition Undertaking by Mr. Fei and therefore, no remedy action was required to be taken by the Company during the Reporting Period.

During the Reporting Period, the Directors (including the independent non-executive Directors) did not make any decisions in relation to the exercise or termination of the option or the right of first refusal or take up or waive any Business Opportunities.

EMOLUMENT POLICY

The Directors believe that the ability to attract, motivate and retain skilled and experienced personnel, including the employees responsible for research and development as well as quality control, is of significant importance to the long-term successful development of the Group. The remuneration package of the Group's employees includes salaries, allowances, benefit in kind and performance-related bonuses. The Group has established a Remuneration Committee to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement. In general, the Group determines the emolument payable to its Directors based on the Company's guidelines and objectives, remuneration paid by comparable companies, time commitment and responsibilities of the directors and senior management, and employment conditions elsewhere within the Company, as well as the performance of the Group.

SUFFICIENCY OF PUBLIC FLOAT

As at the Latest Practicable Date, based on the information publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company has sufficient public float as required under the Hong Kong Listing Rules with the minimum public float requirement of 25%.

CONFIRMATION ON INDEPENDENCE

Each of the independent non-executive Directors has provided a written statement confirming his independence to the Company pursuant to Rule 3.13 of the Hong Kong Listing Rules. Upon assessment, the Company concludes that each of the independent non-executive Directors is an independent party.

CHANGES IN DIRECTORS

As disclosed in the announcement dated 29 January 2024 of the Company, Dr. Takamatsu Ken, the non-executive Director of the Company, and Mr. Jin Yiting, the independent non-executive Director of the Company, retired at the conclusion of first extraordinary general meeting of the Company for 2024 held on 7 March 2024 (the "EGM"). Meanwhile, as disclosed in the announcement dated 7 March 2024 of the Company, at the conclusion of the EGM, Mr. Wang Chuanbao was appointed as an executive Director and Dr. Wu Ying was appointed as an independent non-executive Director.

On 29 February 2024, Mr. Wang Chuanbao and Dr. Wu Ying sought legal advices in respect of the requirements applicable to directors of listed companies under the Listing Rules, and the possible consequences of providing false statements or false information to the Stock Exchanges from a law firm which is qualified to provide legal advices regarding laws of Hong Kong.

CHANGES IN SUPERVISORS

As disclosed in the announcement dated 29 January 2024 of the Company, Mr. Wang Chuanbao, a Supervisor of the Company retired as a non-employee representative Supervisor at the conclusion of the EGM held on 7 March 2024. Meanwhile, as disclosed in the announcement dated 7 March 2024 of the Company, at the conclusion of the EGM, Ms. Li Yan was appointed as a non-employee representative Supervisor.

FUTURE PLANS AND USE OF PROCEEDS

The H Shares were listed on the Stock Exchange in December 2021, and the Company obtained net proceeds of approximately HK\$473.5 million from the Global Offering. In order to enhance the efficiency of the use of the net proceeds and to balance the use of the net proceeds in a more reasonable manner while aligning with the Company's business development need, coupled with the changes in external environmental factors, the Board has resolved on 29 November 2022 to utilize approximately HK\$36.9 million of the net proceeds (approximately RMB30.0 million and approximately 7.8% of the net proceeds) to repay existing bank borrowings of the Group. For further details in respect of the change in use of proceeds from the Global Offering, please refer to the announcement of the Company dated 29 November 2022 (the "**Change in Use of Proceeds Announcement**").

As at 31 December 2023, the Group has utilised approximately HK\$396.3 million of the net proceeds for the intended purposes set out in the Prospectus and the Change in Use of Proceeds Announcement, accounting for 83.7% of all raised funds, and the remaining unutilised net proceeds was approximately HK\$77.2 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 proceeds from the Global Offering was as follows:

Report of the Directors

Intended use of proceeds	Original allocation of net proceeds as stated in the Prospectus	Revised allocation of net proceeds (note 1)	Actual use of net proceeds up to 31 December 2023	Unutilized proceeds as of 31 December 2023	Expected timeline for use of unutilised proceeds
Increase the Group's production capacity of the Shanghai Production Base (as defined in the Prospectus) and the Jiangsu Production Base (as defined in the Prospectus)	HK\$219.7 million	HK\$219.7 million	HK\$176.0 million	HK\$43.7 million	By the second half of 2024
Strengthening the Group's research and development capability	HK\$94.2 million	HK\$94.2 million	HK\$74.0 million	HK\$20.2 million	By the second half of 2024 ²
Enhancing the Group's sales and marketing efforts	HK\$48.8 million	HK\$10.9 million	HK\$2.60 million	HK\$8.3 million	By the second half of 2024 ²
Working capital and general corporate purposes	HK\$47.3 million	HK\$47.3 million	HK\$47.3 million	–	Not applicable
Enhance the Group's production efficiency and technology in craftsmanship	HK\$38.4 million	HK\$38.4 million	HK\$33.4 million	HK\$5.0 million	By the second half of 2024
Repayment of the Group's bank borrowings, while such borrowings were principally used to finance the Group's working capital to support its business operation	HK\$25.1 million ³	HK\$62.0 million	HK\$62.0 million	–	Not applicable

Notes:

- For the avoidance of doubt, any discrepancies between the total and the sums of the amounts listed in the table are due to rounding.
- 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 2024, 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.
- The net proceeds for the planned use under the original allocation, 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.

PROPERTY INTERESTS AND PROPERTY VALUATION

Details of the investment properties of the Group are set out in Note 15 to the financial statements and as follows:

Location	Existing use	Lease term
Block 9, No. 555-585 Chuanda Road, Pudong New District, Shanghai, PRC	Rental	Medium term
Block 10, No. 555-585 Chuanda Road, Pudong New District, Shanghai, PRC	Rental	Medium term
Block 11, No. 555-585 Chuanda Road, Pudong New District, Shanghai, PRC	Rental	Medium term
Block 12, No. 555-585 Chuanda Road, Pudong New District, Shanghai, PRC	Rental	Medium term

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 4 June 2024. A notice of the AGM will be dispatched to the Shareholders in the manner as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course. The information about the closure of the register of members will be specified in the circular.

AUDITOR

The financial statements have been audited by Messrs. Deloitte Touche Tohmatsu. On 18 July 2023, the former auditor tendered its resignation. In accordance with Rule 13.51(4) of the Rules Governing the Listing of Securities under the Stock Exchange of Hong Kong Limited, the Board of the Company subsequently passed a resolution in relation to the appointment of Deloitte Touche Tohmatsu as the auditor of the Company on 21 July. For details, please refer to the announcements of the Company dated 18 July 2023 and 21 July 2023. Re-appointment of Deloitte Touche Tohmatsu will be approved by the shareholders at the AGM.

On behalf of the Board

Shanghai Conant Optical Co., Ltd.

Fei Zhengxiang

Chairman of the Board

Shanghai, the PRC

27 March 2024

Report of the Supervisors

During the Reporting Period, the Board of Supervisors has earnestly performed its duties of supervision and in accordance with the principle of being accountable to all Shareholders. The Board of Supervisors carefully performed the duties granted by relevant laws and regulations, actively conducted work and supervised the operation of the Company in accordance with laws and the performance of duties by the Directors, managers and other senior management of the Company in accordance with the provisions of the PRC Company Law, the Articles of Association, Rules of Procedure for the Board of Supervisors and other relevant laws and regulations, and safeguarded the legitimate interests of the Company and Shareholders as a whole.

Meetings and Resolutions of the Board of Supervisors

A total of two meetings of the Board of Supervisors were convened during the Reporting Period. The details of such meetings and relevant resolutions are as follows:

Session of the Meeting	Convening Date	Resolutions considered and approved
6rd meeting of the 1st session of the Board of Supervisors	17 March 2023	Resolutions on: (i) 2022 work report of the Supervisory Committee; (ii) audited consolidated financial statements of the Group for the year ended 31 December 2022; (iii) annual results announcement of the Group for the year ended 31 December 2021; (iv) annual report of the Group for the year ended 31 December 2022; (v) Directors' remuneration; and (vi) final dividend and closure of books.

Report of the Supervisors

Session of the Meeting	Convening Date	Resolutions considered and approved
7th meeting of the 1st session of the Board of Supervisors	11 August 2023	Resolutions on: (i) interim results announcement and interim report of the Group for the six months ended 30 June 2023; and (ii) the effectiveness of the risk management and internal control system of the Group.

Independent opinions of the Board of Supervisors

The Board of Supervisors has expressed the following opinions in respect of the relevant matters during the Reporting Period:

(i) Operation conditions of the Company in accordance with laws

During the Reporting Period, the Board of Supervisors sat in on the Board meetings and general meetings, and monitored and examined the convening procedures and resolutions of the Board meetings and general meetings, performance of duties by senior management of the Company, implementation of various management system of the Company as well as production and operation of the Company. The Board of Supervisors is of the opinion that the Board can strictly follow the requirements of relevant laws and regulations and the Articles of Association and carry out operation in accordance with laws. The significant operation decision-making of the Company is reasonable and the decision-making procedures are lawful and effective. In order to consistently improve corporate governance, the Company further improved various internal management systems and internal control systems. In performing their duties for the Company, the Directors and senior management of the Company can earnestly implement the resolutions of the general meeting and the Board in accordance with the relevant laws and regulations and the Articles of Association. To the best knowledge of the Board of Supervisors, there are no violation of laws and regulations and the Articles of Association nor activities jeopardizing the interests of the Company and its Shareholders during the performance of duties for the Company by the Directors and senior management of the Company.



Report of the Supervisors

(ii) Financial conditions of the Company

The Board of Supervisors carefully reviewed statements of account and other financial documents of the Company during the Reporting Period and discovered no violation of the relevant rules. The Board of Supervisors consider the financial management of the Company is comprehensive and complete. No asset of the Company was illegally embezzled and there were no capital losses. The financial statements truthfully and accurately reflected the financial conditions and operation results of the Company. Deloitte Touche Tohmatsu, the Company's external auditor for the 2023 financial report of the Company, issued audit reports with "unqualified opinion." Their audit opinions are objective and fair.

(iii) Actual use of proceeds of the Company

During the Reporting Period, the Board of Supervisors supervised the use of the proceeds of the Company and is of the opinion that the use and management of the proceeds of the Company are in compliance with the provisions of relevant laws and regulations and the Articles of Association without violating the interests of the Company and its shareholders. The Board of Supervisors will continue to supervise and monitor the use of proceeds.

(iv) External investments of the Company

During the Reporting Period, the Board of Supervisors supervised the external investments of the Company and is of the opinion that the Company performed the corresponding decision-making procedures on external investments without prejudice to the interests of the Company.

(v) Connected transactions of the Company

During the Reporting Period, the Group did not have any connected transactions required to be disclosed under the Hong Kong Listing Rules and were in compliance with the provisions of Chapter 14A of the Hong Kong Listing Rules.

(vi) Self-appraisal of internal control

The Board of Supervisors reviewed the establishment and operation of the internal control system of the Company and is of the opinion that the Company has established a relatively complete internal control system, which is in compliance with the requirements of relevant laws and regulations and meets the actual demands of the production, operation and management of the Company and were effectively implemented. The establishment of the internal control system can better prevent and control the risks in various processes of the operation and management of the Company. To the best knowledge of the Board of Supervisors, there is no material internal control deficiencies. The design and operation of the internal control of the Company are effective.

(vii) Preparation and review of annual report of the Company

The preparation and review procedures of the 2023 annual report of the Company conformed to all the relevant regulations of the China Securities Regulatory Commission and the Stock Exchange. No breach of confidentiality provisions by any person involved in the preparation or review of annual report has been found.

In the coming year, the Board of Supervisors will continue to perform its supervisory and monitoring duties with an aim to strengthen the overall competitiveness and sustainable profitability of the Company and to protect the interests of shareholders and the Company.

Mr. Xu Jingming

Chairman of the Board of Supervisors

27 March 2024

Corporate Governance Report

The Board is pleased to present this corporate governance report in the Company's annual report for the Reporting Period.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties in accordance with Code Provision A.2.1 of Part 2 to the CG Code. The Board is responsible for the formulation of the corporate governance policy for the Company and shall fulfil the following corporate governance duties:

- i. to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- ii. to review and monitor the training and continuous professional development of Directors and senior management;
- iii. to review and monitor the Group's policies and practices in compliance with legal and regulatory requirements;
- iv. to formulate, review and monitor the code of conduct and compliance manual applicable to the Group's employees and Directors; and
- v. to review the Group's compliance with the CG Code and disclosure in the Company's corporate governance report.

COMPLIANCE WITH THE CG CODE

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance through continuous effort in improving its corporate governance practices and processes. Through the establishment of a sound and effective corporate governance framework, the Company strives to achieve completeness and transparency in its information disclosure and enhance stable operation, so as to safeguard the interests of the Shareholders to the greatest extent. The Company has adopted the principles of all code provisions and the CG Code as the basis of its corporate governance practices. The Company has complied with all the code provisions during the Reporting Period, except for the deviation from Code Provision C.2.1 of Part 2 to the CG Code as illustrated in relevant paragraphs of this corporate governance report.

Deviation from the Code Provision C.2.1 of Part 2 to the CG Code

Mr. Fei is the chairperson 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 Board considers 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 Company believes that the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. As at the Latest Practicable Date, the Board comprises five executive Directors (including Mr. Fei), one non-executive Director and three independent non-executive Directors. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that:

- i. there is sufficient check and balance in the Board as the decisions to be made by the Board require approval by at least a majority of the Directors;
- ii. Mr. Fei and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly;
- iii. the balance of power and authority is ensured by the operations of the Board which comprises experienced and high-calibre individuals who meet regularly to discuss issues affecting the operations of the Company; and
- iv. the overall strategy and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

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.

SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its model code of conduct for securities transactions by the Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors, the Company confirms that the Directors and Supervisors have complied with the provisions regarding the securities transactions by Directors and Supervisors as set out in the Model Code for the Reporting Period. No incident of non-compliance in relation to the guidelines of the Model Code by the Directors, Supervisors and relevant employees was noted by the Company during the Reporting Period.

THE BOARD

(1) Composition and responsibilities of the Board

The Board is responsible for planning and overseeing the overall development and management of the Group with the objective of enhancing Shareholders' value. The Board delegates day-to-day operation of the Company to executive Directors and the Company's senior management, including taking charge of managing the Company's business, the implementation of major strategies and initiatives approved by the Board. On the other hand, the Board reserves certain key matters in making strategic decisions for their approval. The day-to-day management, administration and operation of the Company are delegated to the senior management, including the preparation of annual and interim reports for the Board's approval before public reporting, the implementation of various strategies approved by the Board, the implementation of internal control procedures, and ensuring the compliance with relevant statutory requirements and other rules and regulations. The balance of power and authority is ensured by the operation of the senior management and the Board.

As at the Latest Practicable Date, the Board comprised five executive Directors, one non-executive Directors and three independent non-executive Directors. Each of the Directors (except for Ms. Zhao Xiaoyun) has entered into a service contract with the Company on 22 November 2021 for a term of three years. Ms. Zhao Xiaoyun has entered into a service contract with the Company on 16 December 2022 with her term of office commencing from 16 December 2022 until expiry of the term of the current session of the Board.

During the Reporting Period, the Board had met the requirements of Rules 3.10 and 3.10A of the Hong Kong Listing Rules of having at least three independent non-executive Directors (representing at least one-third of the Board) with one of them (namely, Mr. Chen Yi) possessing the appropriate accounting professional qualifications.

The Company has received written annual confirmation of independence from each independent non-executive Director in accordance with Rule 3.13 of the Hong Kong Listing Rules. The Company has assessed their independence and concluded that all the independent non-executive Directors are independent within the meaning of the Hong Kong Listing Rules and there are no direct or indirect major relationships between them and the Company. The Directors are of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. In addition, each of the independent non-executive Directors during the Reporting Period had demonstrated the attributes of an independent non-executive director by providing independent views and advice and there is no evidence that their tenure has had any impact on their independence. Accordingly, the Directors are of the opinion that each of the current independent non-executive Directors have the required character, integrity, independence and experience to perform the role of an independent non-executive director. The Board is not aware of any circumstances that might influence each of the current independent non-executive Directors in exercising their independent judgement and the Board believes that their external experience will continue to generate significant contribution to the Company and the Shareholders as a whole.

The Company has established mechanisms to ensure independent views and input are available to the Board including but not limited to, all Directors are entitled to retain independent professional advisors as and when it is required, all Directors are encouraged to express their views in an open and candid manner during the Board or committees meetings and that the number of independent non-executive Directors comply with the requirements of the Hong Kong Listing Rules that at least one-third of the Board members are independent non-executive directors. The implementation and effectiveness of such mechanisms are reviewed on an annual basis by the Board.

All Directors, including non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professional skills to the Board for its efficient and effective functioning. Each Director has carried out duties in good faith and been in compliance with applicable laws and regulations, and has acted in the interests of the Company and the Shareholders at all times. There are not any financial, business, family or other material/relevant relationships between the members of the Board.

Corporate Governance Report

(2) Attendance of meetings of the Board and general meetings

During the Reporting Period, the Company convened five Board meetings and two general meetings. The attendance records of each Director is set out as follows:

Name of Director	Position	Attendance/ Number of Board meeting(s) held during his/her term of office (Note)	Attendance/ Number of general meeting(s) held during his/her term of office (Note)
Mr. Fei Zhengxiang	Executive Director and chairman	5/5	2/2
Mr. Zheng Yuhong	Executive Director	5/5	2/2
Mr. Xia Guoping	Executive Director	5/5	2/2
Mr. Chen Junhua	Executive Director	5/5	2/2
Dr. Takamatsu Ken	Non-executive Director	5/5	1/2
Ms. Zhao Xiaoyun	Non-executive Director	5/5	2/2
Dr. Xiao Fei	Independent non-executive Director	5/5	2/2
Mr. Chen Yi	Independent non-executive Director	5/5	2/2
Mr. Jin Yiting	Independent non-executive Director	5/5	2/2

Note: The number of meetings held is equivalent to the number of meetings held after the Director has been appointed.

Minutes of the Board meetings are kept by the joint company secretaries of the Company and are available for inspection by the Directors and the auditor of the Company.

The chairman of the Board had met with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

(3) Technology, knowledge, experience and details of Directors

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Company for the Reporting Period. The Company is responsible for arranging and funding appropriate continuous professional development programmes for all Directors. Biographies of each Director are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report.

(4) Continuous professional development of Directors

Pursuant to the corporate governance requirements, the Directors should participate in continuous professional development (“CPD”) programme to develop and update their knowledge and skills and ensure their sufficient understanding of the Company’s businesses and their duties as Directors under laws and regulations. The particulars of the trainings of each Director during the Reporting Period are set out as follows:

Name of Director	Position	Type(s) of CPD trainings participated
Mr. Fei Zhengxiang	Executive Director and chairman	Trainings on the understanding of the implementation of the Listing Rules, how the Directors response to actions by the Stock Exchange, the latest regulatory policies on information disclosure of the listed companies and case analysis provided by external professionals
Mr. Zheng Yuhong	Executive Director	Trainings on the understanding of the implementation of the Listing Rules, how the Directors response to actions by the Stock Exchange, the latest regulatory policies on information disclosure of the listed companies and case analysis provided by external professionals
Mr. Xia Guoping	Executive Director	Trainings on the understanding of the implementation of the Listing Rules, how the Directors response to actions by the Stock Exchange, the latest regulatory policies on information disclosure of the listed companies and case analysis provided by external professionals
Mr. Chen Junhua	Executive Director	Trainings on the understanding of the implementation of the Listing Rules, how the Directors response to actions by the Stock Exchange, the latest regulatory policies on information disclosure of the listed companies and case analysis provided by external professionals

Corporate Governance Report

Name of Director	Position	Type(s) of CPD trainings participated
Dr. Takamatsu Ken	Non-executive Director	Trainings on the understanding of the implementation of the Listing Rules, how the Directors response to actions by the Stock Exchange, the latest regulatory policies on information disclosure of the listed companies and case analysis provided by external professionals
Ms. Zhao Xiaoyun	Non-executive Director	Trainings on the understanding of the implementation of the Listing Rules, how the Directors response to actions by the Stock Exchange, the latest regulatory policies on information disclosure of the listed companies and case analysis provided by external professionals
Dr. Xiao Fei	Independent non-executive Director	Trainings on the understanding of the implementation of the Listing Rules, how the Directors response to actions by the Stock Exchange, the latest regulatory policies on information disclosure of the listed companies and case analysis provided by external professionals
Mr. Chen Yi	Independent non-executive Director	Trainings on the understanding of the implementation of the Listing Rules, how the Directors response to actions by the Stock Exchange, the latest regulatory policies on information disclosure of the listed companies and case analysis provided by external professionals
Mr. Jin Yiting	Independent non-executive Director	Trainings on the understanding of the implementation of the Listing Rules, how the Directors response to actions by the Stock Exchange, the latest regulatory policies on information disclosure of the listed companies and case analysis provided by external professionals

(5) Liability insurance for Directors and senior management

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and senior management, to minimize the risks that may incur during the course of performance of their duties. The Board will review such insurance each year.

(6) Policy of nomination, election and re-election of Directors

Subject to the election in the general meeting of Shareholders, the selection and nomination of a director are determined by the Board and in accordance with the Articles of Association.

The Nomination Committee shall firstly propose and consider a list of candidates for Directors, which shall then be submitted by the Nomination Committee to the Board for review. The Board shall then submit the relevant proposal to the general meeting for Shareholders' approval.

The examination procedures of the candidates for Directors are: (i) actively studying the demand of the Company for new Directors and present such information in writing; (ii) seeking candidates from within the Company, its wholly-owned subsidiaries, controlled subsidiaries, investees and the human resources market; (iii) gathering information about the occupation, academic qualifications, titles of position, detailed work experience and all the concurrent posts of the candidates and present such information in writing; (iv) convening a meeting of the Nomination Committee to review the qualifications of the candidates based on the criteria for Directors; (v) submitting recommendations and relevant information to the Board prior to the election of new Directors; (vi) carrying out additional follow-up works based on the decision of, and feedback from, the Board.

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Mr. Fei serves as the chairman of the Board and the general manager, and is responsible for the overall management of business strategies and operations of the Company.

BOARD COMMITTEES OF THE COMPANY

To further improve corporate governance of the Company, as at the Latest Practicable Date, the Board has set up six Board special committees, including the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Management Committee and the ESG Committee. Each committee reports regularly to the Board, addressing major findings with valuable recommendations for the decision making of the Board. The committees have formulated their working rules which clarify their powers and duties. The list of members of each committee has been disclosed on the websites of the Company and the Stock Exchange.

Strategy Committee

The Company established the Strategy Committee, which consists of one executive Director, one non-executive Director and one independent non-executive Director, namely Mr. Fei (chairman), Mr. Wang Chuanbao and Dr. Xiao Fei as at the Latest Practicable Date. The written terms of reference of the Strategy Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Strategy Committee include: (i) analysing and advising on the Company's mid to long- term development strategies; (ii) analysing and advising on the major investments and financing plans which shall be approved by the Board as stipulated in the Articles of Association; (iii) analysing and advising on the major capital operations and asset management projects which shall be approved by the Board as stipulated in the Articles of Association; and (iv) supervising and inspecting the implementation of the aforementioned matters;

During the Reporting Period, the Strategy Committee held two meetings in total, to discuss and review the Group's current operations and development strategy.

The attendance record of each member of the Strategy Committee during the Reporting Period is set out as follows:

Members of the Strategy Committee	Attendance/Number of meeting(s) held during his/her term of office
Mr. Fei Zhengxiang (chairman)	2/2
Dr. Takamatsu Ken	2/2
Dr. Xiao Fei	2/2

Audit Committee

The Company established the Audit Committee, which consists of three independent non-executive Directors, namely Mr. Chen Yi (chairman), Dr. Xiao Fei and Dr. Wu Ying as at the Latest Practicable Date. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Audit Committee include: (i) supervising and assessing the external and internal audit works; (ii) reviewing the financial reports of the Company and express their opinions thereon; (iii) coordinating the communication between the management, the internal audit department and relevant departments and the external audit firms.

During the Reporting Period, the Audit Committee held four meetings in total, to discuss (i) review of the annual and interim financial results and key audit matters of the Company for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively; (ii) review of the Group's internal control policy, risk management systems and internal audit functions; (iii) selection and appointment of the external auditors.

The attendance record of each member of the Audit Committee during the Reporting Period is set out as follows:

Members of the Audit Committee	Attendance/Number of meeting(s) held during his/her term of office
Mr. Chen Yi (chairman)	4/4
Dr. Xiao Fei	4/4
Mr. Jin Yiting	4/4

Remuneration Committee

The Company established the Remuneration Committee, which consists of one executive Director and two independent non-executive Directors, namely Mr. Chen Junhua, Dr. Wu Ying (chairman) and Dr. Xiao Fei as at the Latest Practicable Date. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Remuneration Committee include: (i) reviewing and making recommendations to the Board regarding remuneration policies and structure for Directors and senior management; (ii) reviewing the performance of duties by Directors and senior management of the Company, and conducting performance appraisal and evaluation over them; and (iii) supervising the implementation of remuneration policies.

During the Reporting Period, the Remuneration Committee held one meetings in total, to discuss and review the remuneration policy and structure of the Company, as well as make recommendations to the Board on the remuneration packages of Directors and senior management and other related matters of the Company (i.e. the model disclosed in code provision E.1.2(c)(ii) of part 2 of the CG Code was adopted; and to make recommendation to the Board. The Remuneration Committee noted that the Board has not resolved to approve any remuneration or cooperation arrangements with which the Remuneration Committee has disagreed with.

The attendance record of each member of the Remuneration Committee during the Reporting Period is set out as follows:

Members of the Remuneration Committee	Attendance/Number of meeting(s) held during his/her term of office
Mr. Chen Junhua	1/1
Mr. Jin Yiting (chairman)	1/1
Dr. Xiao Fei	1/1

Nomination Committee

The Company established the Nomination Committee, which consists of one executive Director and two independent non-executive Directors, namely Mr. Xia Guoping, Dr. Xiao Fei (chairman) and Mr. Chen Yi as at the Latest Practicable Date. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Nomination Committee include: (i) reviewing the composition of the Board and assessing the ability and experience of Directors; (ii) making recommendations regarding the appointment and removal of Directors and the general manager; and (iii) assessing the independence of the independent non-executive Directors. The nomination procedures of the Directors involve the Nomination Committee to firstly propose and consider a list of candidates for Directors, which shall then be submitted by the Committee to the Board for review. The Board shall then submit the relevant proposal to the general meeting for the Shareholders' approval. In selecting and recommending candidates for directorship, the Nomination Committee will take into account the business model and specific needs of the Company, consider diversity of the Board in various aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The final appointment recommendation shall be made to the Board by the Nomination Committee based on merit and contribution that the selected candidates will bring to the Board after taking into account the relevant aspects mentioned above.

During the Reporting Period, the Nomination Committee held one meetings in total, to (i) discuss and review the structure, size and composition of the Board, including making recommendations regarding the Board diversity and relevant diversity targets; and (ii) discuss and confirm the independence of the independent non-executive Directors and that the Directors have devoted sufficient time to make contributions to the Company which are commensurated to their roles and the responsibilities of the Board.

The attendance record of each member of the Nomination Committee during the Reporting Period is set out as follows:

Members of the Nomination Committee	Attendance/Number of meeting(s) held during his/her term of office
Mr. Xia Guoping	1/1
Dr. Xiao Fei (chairman)	1/1
Mr. Chen Yi	1/1

Board Diversity Policy

The Board has adopted a diversity policy, which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Nomination Committee is delegated by the Board to be responsible for compliance with relevant code governing board diversity under the CG Code.

The Board continuously seeks to enhance its operation effectiveness and to maintain the highest standards of corporate governance and recognizes the vital importance of Board diversity for maintaining competitive advantage and sustainable development. The ultimate decision will be made based on the contribution and merit that the designated candidates will bring to the Board. The Board strives to ensure that it has the balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and the effective operation of the Board.

The Company intends to increase the proportion of female members of the Board over time, which will be reviewed on an annual basis. The Nomination Committee will take opportunities to increase female representation on the Board when selecting and recommending suitable candidates for Board appointments in accordance with the Company's diversity policy and nomination policy. Following the appointment of Ms. Zhao Xiaoyun as a non-executive Director with effect from 16 December 2022, the Board has achieved gender diversity and thus fulfils the requirement under Rule 13.92 of the Listing Rules. The Company appointed Ms. Wu Ying as an independent non-executive Director of the second session of the Board on a shareholder meeting held on 7 March 2024, and appointed Ms Li Yan as a non-employee representative supervisor of the second session of the Supervisory Committee of the Company on the same day.

As at the Latest Practicable Date, the number of female members of the Group's workforce was 1,260 (equivalent to approximately 51.4% of the Group's total workforce). In addition to the Board level, the Group aims to also promote gender diversity when recruiting staff at the mid to senior level to develop a pipeline of female senior management and potential successors to the Board. The Group plans to provide career opportunities and training programmes to female employees whom it considers to have the suitable experience, skills and knowledge of its operation and business. As the Group understands the importance of gender diversity throughout senior management level, the Group targets to reach 20% female members in senior management by the end of 2027. Further, the Group also values the importance of gender diversity through the Group's workforce, and will strive to maintain the current level, or a number no less than 20%, of female members in the Group's total workforce.

Risk Management Committee

The Company established the Risk Management Committee, which consists of two executive Directors and one independent non-executive Director, namely Mr. Fei (chairman), Mr. Zheng Yuhong and Mr. Chen Yi as at the Latest Practicable Date. The written terms of reference of the Risk Management Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Risk Management Committee include: (i) evaluating the risks associated with international sanctions against Company's operations and the implementation of relevant internal control procedures; (ii) review the execution of internal control procedures within the Company, including review of the relevant internal control documents; (iii) advising on material decisions affecting Company's risk level; (iv) reviewing Company's risk management measures and approving the processes and procedures; and (v) reviewing the identified material risks and associated risk mitigation.

During the Reporting Period, the Risk Management Committee held two meetings in total, to discuss and make recommendations on the Group's overall risk management, including but not limited to its operations management, internal control management and financial management, as well as formulating plans to improve internal policies and systems.

The attendance record of each member of the Risk Management Committee during the Reporting Period is set out as follows:

Members of the Risk Management Committee	Attendance/Number of meeting(s) held during his/her term of office
Mr. Fei Zhengxiang (chairman)	2/2
Mr. Zheng Yuhong	2/2
Mr. Chen Yi	2/2

ESG Committee

The Company established the ESG Committee, which consists of three executive Directors, namely Mr. Fei (chairman), Mr. Zheng Yuhong and Mr. Xia Guoping as at the Latest Practicable Date. The written terms of reference of the ESG Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the ESG Committee include assisting the Board in guiding and supervising the development and implementation of environmental, social and governance works of the Group to ensure compliance with relevant legal and regulatory requirements.

Corporate Governance Report

During the Reporting Period, the ESG Committee held two meetings in total, to (i) identify and evaluate ESG risks, assist in the setting of the Group's ESG targets, perform important analysis and manage material matters and risks in relation to ESG issues; (ii) evaluate the performance of the Group and the impact of the Group's operation to the environment; and (iii) review the draft of the Company's environmental, social and governance report for 2022 and the evaluation results of the materiality of the issues for the year.

The attendance record of each member of the ESG Committee during the Reporting Period is set out as follows:

Members of the ESG Committee	Attendance/Number of meeting(s) held during his/her term of office
Mr. Fei Zhengxiang (chairman)	2/2
Mr. Zheng Yuhong	2/2
Mr. Xia Guoping	2/2

REMUNERATION POLICY FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The principal elements of the remuneration package of executive Directors, Supervisors and senior management include basic salary, discretionary bonus, allowances, share award, and other benefits in kind such as contribution to pension plans. The remuneration of non-executive Directors mainly includes the Director's fees. The Company reimburses reasonable expenses incurred by Directors, Supervisors and senior management in the course of their carrying out of duties. The emoluments paid to each Director of the Company for the Reporting Period are set out in Note 11 to the financial statements.

AUDITORS' REMUNERATION

During the Reporting Period, the fees charged by the Company's external auditor, Deloitte Touche Tohmatsu, for audit and non-audit services are set out below:

Item	Amount (RMB)
Audit services (including annual audit)	1,700,000
Non-audit services	–
Total	1,700,000

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for the Reporting Period. The statement of the external auditors of the Company about their reporting responsibilities on the Company's consolidated financial statements for the Reporting Period is set out in the section headed "Independent Auditor's Report" of this annual report. The Board and the Audit Committee did not have any disagreement over the selection and re-appointment of the external auditors during the Reporting Period.

JOINT COMPANY SECRETARIES

Ms. Cao Xue ("**Ms. Cao**") has been appointed as one of the joint company secretaries by the Board, with effect from the date of Listing. Following the resignation of Mr. Wong Keith Shing Cheung as the joint company secretary of the Company with effect from 25 March 2022, Ms. Lin Sio Ngo ("**Ms. Lin**") had been appointed as one of the joint company secretaries by the Board with effect from 25 March 2022 until 1 December 2023. Mr. Chan Pui Hang ("**Mr. Chan**") has been appointed as one of the joint company secretaries by the Board with effect from 1 December 2023.

Ms. Cao is primarily responsible for the business operations, corporate culture and matters concerning corporate governance of the Company. Ms. Lin is a manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司). Mr. Chan is a solicitor at the law firm of Michael Li & Co. and is responsible for assisting Ms. Cao in her performance of duties as the joint company secretary of the Company. Mr. Chan's primary corporate contact person at the Company is Ms. Cao.

During the Reporting Period, each of Ms. Cao and Mr. Chan has taken no less than 15 hours of the relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules.

SHAREHOLDERS' RIGHTS

According to the Articles of Association, the Board shall issue a notice to convene an extraordinary general meeting within 30 days when Shareholders individually or jointly holding more than 10% of the Company's Shares request in writing to hold an extraordinary general meeting. The Board will attend the extraordinary general meeting as far as practicable. Besides, according to the Articles of Association, Shareholders individually or jointly holding more than 3% of the Company's Shares may propose and submit an interim proposal in writing to the convener ten days prior to date of the meeting. The convener shall dispatch a supplementary notice of the Shareholders' general meeting within two days after receipt of the proposals and announce the contents of such interim proposal.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and the investors' understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable the Shareholders and investors to make informed investment decisions.

The Board has adopted a shareholders' communication policy, which sets out the objective and approach to ensuring communication transparent, accurate and open communications with the Shareholders. The policy aims to maintain an on-going dialogue with Shareholders and the investment community, which will be regularly reviewed by the Board to ensure its effectiveness and to reflect current best practices in communications with Shareholders. During the Reporting Period, the Board has reviewed the implementation of the shareholders' communication policy and deems it effective.

Shareholders are entitled to supervise the business operations of the Company and put forward recommendations or enquiries in relation thereto. Shareholders and public investors are welcome to make enquiries and put forward suggestions to the Company, and the Board will strive to attend the general meeting so as to answer the questions of the Shareholders. The Company has specially set up the Investor Relations column on its website to publish basic information and development updates of the Company. In addition, Shareholders may send their written concerns and enquiries that need to be brought to the attention of the Board to the company secretaries of the Company at the principal place of business of the Company in Hong Kong and send email to the Company's email address, details of the address and email address are set out as below:

Principal place of business in Hong Kong:

Rooms 1901A, 1902 & 1902A,
19/F, New World Tower I,
16-18 Queen's Road Central,
Central, Hong Kong

Email address of the Company:
caoxue@conantoptical.com

ARTICLES OF ASSOCIATION

During the Reporting Period, the following amendments were made by the Company to the Articles of Association of the Company:

The Board noted that the Listing Rules have been amended with effect from 1 January 2022 to adopt a uniform set of 14 core standards for shareholder protections (the “**Core Standards**”) for issuers regardless of their place of incorporation. Pursuant to the transitional arrangements permitted under Appendix 3 to the Listing Rules, existing issuers listed on the Stock Exchange as at 31 December 2021 would have until their second annual general meeting following 1 January 2022 to make necessary changes to their constitutional documents to conform to the Core Standards set out in Appendix 3 to the Listing Rules.

On 14 February 2023, the State Council of the PRC (the “**State Council**”) issued the Decision of the State Council to Repeal Certain Administrative Regulations and Documents (《國務院關於廢止部分行政法規和文件的決定》) (the “**Decision**”), which includes the repeal of the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) issued by the State Council on 4 August 1994. On 17 February 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Tria Measures**”) and relevant guidelines, which includes the repeal of the Notice on the Implementation of the Mandatory Provisions for Companies Listing Overseas (《關於執行〈到境外上市公司章程必備條款〉的通知》). The Decision and the Trial Measures have been effective since 31 March 2023 (the “**PRC Regulation Changes**”). From the effective date of the Decision and the Trial Measures, PRC issuers shall formulate their articles of association with reference to the Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》) instead of the Mandatory Provisions.

In view of the above PRC Regulation Changes, the Stock Exchange also released a consultation paper “Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers” (the “**Consultation Paper**”) on 24 February 2023, stipulating the consequential Listing Rules Amendments. In particular, the Stock Exchange proposes to (i) remove the class meeting and related requirements for the issue of new shares by PRC issuers; (ii) repeal Appendix 13D to the Listing Rules, which requires PRC issuers’ articles of association to include the Mandatory Provisions and other ancillary requirements; (iii) amend the Listing Rules in Chapters 9 and 19A to reflect the CSRC record filing regime; (iv) remove the arbitration clause for disputes involving H shareholders as required under the Mandatory Provisions; and (v) modify the other Listing Rules that address issues arising from Domestic Shares and H Shares being treated as different classes. Accordingly, the Company is required to amend its existing Articles of Association to comply with the requirements of the Listing Rules and the applicable laws and regulations of the PRC.

In light of the above, on 14 June 2023, the Board resolved and proposed to make certain amendments to the existing articles of association of the Company in order to, among others, (i) make the articles of association of the Company in line with the latest legal and regulatory requirements, including the latest legal and regulatory updates in the People’s Republic of China and the amendments made to Appendix 3 to the Listing Rules with effect from 1 January 2022; and (ii) make other corresponding and housekeeping amendments.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board highly values the internal control and risk management of the Company. During the Reporting Period, the Board conducted an annual review to evaluate the effectiveness of the Company’s risk management and internal control system. The Audit Committee and the Risk Management Committee shall support the Board to fulfil its supervision and corporate governance responsibilities, which cover such aspects as finance, operations, compliance, risk management and internal control, as well as the internal audit function. The Board has reviewed the risk management and internal control system of the Company and deems it effective and adequate. The Company has developed an internal audit function. The Company establishes an internal audit system and has assigned specialized audit personnel to conduct internal audit and supervision on the incomes and expenses and business activities of the Company. The internal audit system and duties of audit personnel shall be approved by the Board before implementation. The responsible audit personnel shall be accountable to and report to the Board.

The Company has established a set of internal control and risk management procedures to address various potential operational, financial, legal and market risks identified in relation to our operations, including but not limited to procurement management, sales management, inventory management, research and development management, investment management, credit risk, connected party transaction controls, information disclosure controls, human resources, IT management, environmental, social and governance performance and reporting, and other various financial and operational controls and monitoring procedures. These risk management policies set forth procedures regarding the relevant reporting hierarchy of risks identified in our operations. The Board is responsible for overseeing the overall risk management. Our internal control and risk management procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Further, the Company has put in place a set of policy for the disclosure of inside information which sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and in compliance with the SFO. Unless the inside information falls within any of the safe harbours as permitted under the SFO, the Company is required to disseminate such information through the electronic publication system operated by the Stock Exchange to the public in a timely manner. All Directors, officers and relevant employees are required to take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. If the Company believes that the necessary degree of confidentiality cannot be maintained, the Company will immediately disclose the information to the public as soon as reasonably practicable. The policy and its effectiveness are subject to review on a regular basis.

The Group treasures the highest standards of integrity and ethical behavior in conducting its business. The Group has adopted an anti-corruption policy which sets out the guidelines that the Group's personnel and business partners shall follow to combat corruption. The anti-corruption policy is reviewed periodically to align with the applicable laws and regulations. To promote ethical behaviour and encourages the reporting of misconduct and unlawful conduct, the Group also adopted a whistle blowing policy to foster a culture of compliance with ethical behavior and good corporate governance. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended 31 December 2023 has been discovered.

GOING CONCERN

As at 31 December 2023, the Company did not have any material uncertain eventuality that may prejudice the Company's ability to continue as a going concern.

Independent Auditor's Report

Deloitte.

德勤

To the shareholders of Shanghai Conant Optical Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Conant Optical Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 74 to 172, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Revenue recognition for sales of lenses

The Group sells resin spectacle lenses directly to customers and revenue is recognised when the control of the products has been transferred to the customers in accordance with the agreed delivery terms.

Our procedures in relation to revenue recognition for sales of lenses from major customers with high increase included:

- Understanding the key internal controls in respect of occurrence of revenue recognition for sales of lenses, evaluating the design and implementation of these controls and testing the operating effectiveness of relevant controls if the design and implementation is effective;
- Reviewing the sales contracts with these customers, on a sampling basis, and verifying the terms and conditions set out in the sales contracts regarding the criteria of satisfaction of performance obligations in accordance with IFRS 15 *Revenue from Contracts with Customers*;
- Analysing revenue and gross margin from sales of lenses during the current reporting period and identifying unusual fluctuations and inquiring the management to understand and evaluate the appropriateness of the reasons for the unusual fluctuations (if applicable);

Independent Auditor's Report

Key audit matter

As disclosed in Note 5 to the consolidated financial statements, for the year ended 31 December 2023, revenue of the Group in total was Renminbi ("RMB")1,760 million, of which RMB1,757 million was derived from sales of lenses. Among revenue derived from sales of lenses, we identified occurrence of revenue from major customers with high increase as a key audit matter due to the significance to the Group's consolidated financial statements. For the year ended 31 December 2023, the Group has recognised revenue of RMB582 million from abovementioned customers, which accounted for 33.07% of total revenue of the Group.

How our audit addressed the key audit matter

- Testing the sales of lenses, on a sampling basis, by examining the relevant documents supporting the transfer of control of goods and performing audit confirmation procedure;
- Performing background search on these customers, on a sampling basis, to assess the relationship between the Group and these customers and the reasonableness of the transaction; and
- Identifying significant sales returns from the sales ledger after the year end and inspecting the underlying documentation in relation to these sales returns to assess the business rationale of these transactions.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Bao Jie.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	1,759,641	1,561,317
Cost of sales		(1,101,507)	(1,023,447)
Gross profit		658,134	537,870
Other income and gains	7	48,248	34,300
Impairment losses under expected credit loss model, net of reversal		(14,386)	(7,263)
Distribution and selling expenses		(103,174)	(69,886)
Other expenses	7	(6,996)	(33,120)
Administrative expenses		(174,991)	(154,828)
Finance costs	8	(13,649)	(25,741)
Share of results of a joint venture		(50)	(30)
Share of results of an associate		(126)	237
Profit before tax		393,010	281,539
Income tax expense	9	(65,988)	(32,973)
Profit for the year	10	327,022	248,566
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(13,746)	(4,089)
Other comprehensive expense for the year, net of income tax		(13,746)	(4,089)
Total comprehensive income for the year		313,276	244,477
Total comprehensive income for the year attributable to:			
Owners of the Company		313,276	244,477
Earnings per share	13		
Basic		RMB0.77	RMB0.58

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	14	455,483	402,733
Investment properties	15	15,520	16,852
Right-of-use assets	16	15,053	8,551
Other intangible assets	17	351	309
Investment in a joint venture	18	–	2,299
Investment in an associate	19	60,104	60,230
Deferred tax assets	20	11,916	28,460
Prepayment for acquisition of property, plant and equipment		11,203	5,750
Total non-current assets		569,630	525,184
Current assets			
Inventories	21	486,508	533,244
Trade receivables	22	291,710	251,292
Amounts due from related parties	37	–	2
Prepayments, deposits and other receivables	23	84,944	26,769
Financial assets at fair value through profit or loss ("FVTPL")	24	221,000	116,523
Cash and cash equivalents	25	330,521	335,618
Total current assets		1,414,683	1,263,448
Current liabilities			
Trade payables	26	126,158	94,132
Other payables and accruals	27	137,923	112,631
Contract Liabilities	28	45,567	23,152
Interest-bearing bank and other borrowings	29	95,247	172,430
Lease liabilities	31	1,375	1,750
Amount due to a related party	37	–	214
Tax payable		25,431	17,317
Total current liabilities		431,701	421,626
Net current assets		982,982	841,822
Total assets less current liabilities		1,552,612	1,367,006

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Deferred tax liabilities	20	20,352	18,457
Interest-bearing bank and other borrowings	29	110,000	180,000
Lease liabilities	31	8,331	901
Retirement benefit obligations	35	10,341	10,435
Deferred income	36	8,688	11,599
Total non-current liabilities		157,712	221,392
Net assets		1,394,900	1,145,614
Capital and reserves			
Share capital	30	426,600	426,600
Share premium and reserves		968,300	719,014
Equity attributable to owners of the Company		1,394,900	1,145,614
Total equity		1,394,900	1,145,614

The consolidated financial statements on pages 74 to 172 were approved and authorised for issue by the board of directors (the "Board") on 27 March 2024 and are signed on its behalf by:

Fei Zhengxiang
DIRECTOR

Zheng Yuhong
DIRECTOR

Consolidated Statement of Changes in Equity

For The Year ended 31 December 2023

	Share capital RMB'000	Share premium RMB'000 (note i)	Statutory surplus reserve RMB'000 (note ii)	Exchange fluctuation reserve RMB'000 (note iii)	Retained profits RMB'000	Total RMB'000
At 1 January 2022	426,600	286,725	72,381	(12,741)	164,433	937,398
Profit for the year	-	-	-	-	248,566	248,566
Other comprehensive expense for the year	-	-	-	(4,089)	-	(4,089)
Total comprehensive (expense) income for the year	-	-	-	(4,089)	248,566	244,477
Appropriations to statutory surplus reserve	-	-	31,058	-	(31,058)	-
Dividends recognised as distribution (Note 12)	-	-	-	-	(36,261)	(36,261)
At 31 December 2022	426,600	286,725	103,439	(16,830)	345,680	1,145,614
Profit for the year	-	-	-	-	327,022	327,022
Other comprehensive expense for the year	-	-	-	(13,746)	-	(13,746)
Total comprehensive (expense) income for the year	-	-	-	(13,746)	327,022	313,276
Appropriations to statutory surplus reserve	-	-	51,628	-	(51,628)	-
Dividends recognised as distribution (Note 12)	-	-	-	-	(63,990)	(63,990)
At 31 December 2023	426,600	286,725	155,067	(30,576)	557,084	1,394,900



Consolidated Statement of Changes in Equity

For The Year ended 31 December 2023

Notes:

- (i) The share premium represents the difference between the par value of the shares issued and the consideration received, and the effect on conversion into a joint stock company is considered as well.
- (ii) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.
- (iii) The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

Consolidated Statement of Cash Flows

For The Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Operating activities		
Profit before tax	393,010	281,539
Adjustments for:		
Finance costs	13,649	25,741
Interest income	(3,565)	(2,425)
Share of results of a joint venture	50	30
Share of results of an associate	126	(237)
Depreciation of property, plant and equipment	55,346	44,427
Depreciation of investment properties	1,332	1,332
Depreciation of right-of-use assets	2,210	1,671
Amortisation of other intangible assets	223	263
Deferred income recognised in profit or loss	(3,109)	(2,418)
Fair value changes of other financial assets at FVTPL	(7,472)	26,942
Fair value changes of derivative financial liabilities	–	(517)
Losses on disposal of property, plant and equipment	2,231	3,992
Impairment loss, net of reversal		
– financial assets and other items under expected credit loss model	14,386	7,263
– inventories	6,462	3,105
– property, plant and equipment	20,639	–
– investment in a joint venture	2,249	–
Operating cash flows before movements in working capital	497,767	390,708
Decrease/(increase)in inventories	40,274	(129,787)
Increase in trade receivables	(61,556)	(51,674)
Decrease in amounts due from related parties	2	54
(Increase)/decrease in prepayments, deposits and other receivables	(19,309)	18,766
Increase in trade payables	25,591	15,016
Increase/(decrease)in other payables and accruals	25,292	(7,143)
Increase in defined benefit obligations	341	681
Increase in contract liabilities	22,415	667
(Decrease)/increase in amounts due to related parties	(214)	214
Cash generated from operations	530,603	237,502
Income taxes paid	(39,435)	(27,921)
Interest paid	(14,054)	(26,890)
Interest received	3,565	2,425
Net cash from operating activities	480,679	185,116

Consolidated Statement of Cash Flows

For The Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Investing activities		
Acquisition of financial assets at FVTPL	(500,000)	(208,454)
Proceeds from disposal of financial assets at FVTPL	357,484	210,494
Proceeds from disposal of property, plant and equipment	1,261	771
Purchases of property, plant and equipment	(126,458)	(119,478)
Purchases of other intangible assets	(273)	(50)
Government subsidies received relating to the purchase of property, plant and equipment	198	348
Investment in an associate	–	(48,118)
(Increase)/decrease in prepayment for acquisition of property, plant and equipment	(5,453)	5,729
Net cash used in investing activities	(273,241)	(158,758)
Financing activities		
Repayments of borrowings	(231,587)	(377,980)
Repayments of lease liabilities	(1,862)	(1,684)
New borrowings raised	85,087	134,923
Dividends paid	(63,990)	(36,261)
Net cash used in financing activities (note 39)	(212,352)	(281,002)
Net decrease in cash and cash equivalents	(4,914)	(254,644)
Cash and cash equivalents at the beginning of the year	335,618	589,836
Effect of foreign exchange rate changes	(183)	426
Cash and cash equivalents at the end of the year	330,521	335,618
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	330,521	335,618

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

1. GENERAL INFORMATION

Shanghai Conant Optical Co., Ltd. (the “**Company**”) was incorporated and registered in the People’s Republic of China (“**PRC**”) on June 20 2018, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 16 December 2021. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (the “**Group**”) are principally engaged in manufacture and sale of resin spectacle lenses.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

The controlling shareholder of the Group is Mr. Fei Zheng Xiang.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the “**IASB**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</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>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.1 *Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group’s financial position and performance, except that the Group disclose the related deferred tax assets and deferred tax liabilities on a gross basis in note 20 but it has no impact on the retained earnings at the earliest period presented.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.2 *Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “summary of significant accounting policies” with “material accounting policy information”. 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.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.2 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback²</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants²</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements²</i>
Amendments to IAS 21	<i>Lack of Exchangeability³</i>

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.



Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investments in an associate and a joint venture (Continued)

The results and assets and liabilities of an associate or a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.



Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investments in an associate and a joint venture (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5, 22 and 28.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings, motor vehicles, furniture and equipment, and machinery that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group;

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. All of the Group's leases during the year and prior year are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".



Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

- (a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until
- (b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Employee benefits (Continued)

Retirement benefit costs (Continued)

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income

The Group presents the defined benefit costs in profit or loss in the line item "cost of sales", "administrative and R&D expenses" and "distribution and selling expenses".

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, and interests in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.



Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method..

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Intangible assets (Continued)

Intangible assets acquired separately (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Impairment losses on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Impairment losses on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.



Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other expenses" and "other income and gains" line items.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, and other receivables) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimation ECL on trade receivables. The measurement of ECL on those trade receivables with high credit risk are assessed on an individual basis, and the remaining is assessed collectively using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available;

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other income, gains and other expense' line item as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other income, gains and other expense' line item as part of the fair value gain/(losses) of financial assets;

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. All of the Group's financial liabilities during the year and prior year are measured at amortised cost.

Financial liabilities at amortised cost

Financial liabilities including interest-bearing bank and other borrowings, trade payables, other payables are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'Other income, gains and other expense' line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.



Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

The measurement of ECL on those trade receivables with high credit risk are assessed on an individual basis, and the remaining is assessed collectively using provision matrix. The provision matrix is based on the Group's historical default rates taking into consideration of forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 22 and 38.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Allowances for inventories

The Group reviews the aging of the inventories at the end of each reporting period, and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or saleable in the market. The Group estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete and slow-moving items.

As at 31 December 2023, the carrying amount of inventories was RMB486,508,000 (net of allowance for inventories of RMB23,256,000) (2022: carrying amount of inventories was RMB533,244,000 (net of allowance for inventories of RMB17,625,000)).

Impairment of property, plant and equipment, investment properties, right-of-use assets, and other intangible assets

The Group assesses whether there are any indicators of impairment for plant and equipment, investment properties, right-of-use assets and other intangible assets at the end of each reporting period. All plant and equipment, investment properties, right-of-use assets and other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Deferred tax asset

As at 31 December 2023, a deferred tax asset of RMB5,220,000 (2022: RMB12,118,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB23,154,000 for some subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty.

In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
Sales of goods		
Standardised lenses	1,403,945	1,244,057
Customised lenses	353,522	303,000
Others	2,174	14,260
Total	1,759,641	1,561,317

All the revenue of the Group has been recognised at a point in time.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

5. REVENUE (Continued)

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of goods

The Group sells resin spectacle lenses directly to customers in accordance with the orders from and framework contracts entered with the customers. For domestic sales, revenue is recognised when the control of the products has been transferred to the customers, being at the point the goods are delivered to the customer or third-party logistics company. For overseas sales, revenue is recognised according to relevant incoterms. The normal credit term is 90 days effective from the delivery, except for new customers, where payment in advance is normally required. The transaction price received by the Group is recognised as a contract liability until the related performance obligation is satisfied.

Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All performance obligations for sales of resin spectacle lenses are within period less than one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

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 of the Company reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in the Mainland China, Japan, the United States of America (the "USA"), and Mexico.

Information about the Group's revenue is presented based on the geographical locations of the Group's customers.

	2023 RMB'000	2022 RMB'000
Mainland China	575,351	447,167
Americas	405,599	391,529
Asia (except for mainland China)	378,923	356,602
Europe	299,901	289,177
Oceania	75,865	62,704
Africa	24,002	14,138
	1,759,641	1,561,317

Information about the Group's non-current assets is presented based on the geographical locations of the assets.

	2023 RMB'000	2022 RMB'000
Mainland China	535,582	473,671
Japan	21,841	22,314
USA	291	670
Mexico	–	69
	557,714	496,724

Note: non-current assets excluded deferred tax assets.

Information about major customer

Revenue of approximately RMB183,190,000 (2022 RMB207,169,000) was derived from a single customer, including sales to a group of entities which are known to be under common control with that customer.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

7. OTHER INCOME, GAINS AND OTHER EXPENSES

	2023 RMB'000	2022 RMB'000
Other income		
Government grants (note i)	7,758	6,406
Rental income	12,073	11,623
Bank interest income	3,565	2,425
Others	3,623	99
Sub-total	27,019	20,553
Gains		
Net foreign exchange gains	13,757	13,230
Gains on fair value changes of financial assets at FVTPL	7,472	–
Gains on derivative financial instruments	–	517
Sub-total	21,229	13,747
Total	48,248	34,300
Other expense		
Impairment losses recognised on investment in a joint venture	2,249	–
Loss on disposal of property, plant and equipment	2,231	3,992
Rental cost	1,408	1,583
Non-operating expense	1,108	603
Loss on fair value changes of financial assets at FVTPL	–	26,942
Total	6,996	33,120

Note:

- (i) The amounts represent various subsidies granted by the PRC local government authorities to group entities as incentives for their good performance in quality control or environmental protection, or involvement in the hi-tech know-how industry and product development activities. The government grants were unconditional and had been approved by the PRC local government authorities.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank borrowings and other borrowings	13,325	25,604
Interest on lease liabilities	293	108
Interest on defined benefit obligations	31	29
Total borrowing costs	13,649	25,741

9. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax:		
PRC Enterprise Income Tax	38,261	20,452
Japan	5,286	5,355
USA	2,184	2,501
Hong Kong	664	637
	46,395	28,945
Under (over) provision in prior years:	1,358	(1,171)
Deferred tax:		
Current year charge (Note 20)	18,235	5,199
	65,988	32,973

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Under the two-tiered profits tax rates regime in Hong Kong, the first Hong Kong dollars ("HK\$") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

9. INCOME TAX EXPENSE (Continued)

For certain Group's subsidiaries operating in the PRC are eligible for certain concessions, which were accredited as "High and New Technology Enterprise" were therefore entitled to a preferential EIT rate of 15% or certain concessions.

The directors of the Company are of the view that it is very probable that the subsidiaries which are eligible for "High and New Technology Enterprise" tax preference are able to extend their accreditation upon expiry.

Pursuant to the relevant tax laws, the subsidiary incorporated in USA was subject to federal corporation income tax at the rate of 21% (2022: 21%) on the federal taxable income as well as Georgia's state corporate income tax at the rate of 5.75% (2022: 5.75%) on its Georgia taxable income during the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the tax treaty agreed between Japan and Hong Kong, a 5% withholding tax is levied on dividends declared to Hong Kong investors from enterprises established in Japan. The Group is therefore liable for withholding taxes on dividends to be distributed by the subsidiary established in Japan.

Notes to the Consolidated Financial Statements

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9. INCOME TAX EXPENSE (Continued)

The tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	393,010	281,539
Tax charge at the EIT rate of 25%	98,253	70,385
Tax effect of share of results of an associate and a joint venture	44	30
Tax effect of expenses not deductible for tax purpose	653	296
Under (over) provision in respect of prior years	1,358	(1,171)
Effect of additional deduction of research and development expenses	(10,886)	(9,463)
Effect of unused tax losses not recognised as deferred tax assets	2,715	696
Effect of deductible temporary differences not recognised	1,207	632
Utilisation of tax losses previously not recognised as deferred tax assets	(1,517)	–
Income tax at concessionary rates	(25,298)	(24,467)
Effect of tax concessions	–	(4,835)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries	(664)	765
Others	123	105
Income tax expense	65,988	32,973

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

10. PROFIT FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	55,346	44,427
Depreciation of investment properties	1,332	1,332
Depreciation of right-of-use assets	2,210	1,671
Amortisation of other intangible assets	223	263
Total depreciation and amortisation	59,111	47,693
Impairment losses recognised on		
– property, plant and equipment included in cost of sales	20,639	–
– investment in a joint venture	2,249	–
Auditor's remuneration	1,700	2,050
Research expenditure recognised as an expense (included in administrative expenses)	70,091	65,826
Gross rental income from investment properties	12,073	11,623
Less: direct operating expense incurred for investment properties that generated rental income during the year	76	146
Subtotal	12,149	11,769
Employee benefits expenses (including directors' and chief executive's remuneration):		
– Wages, salaries and other allowances	303,643	274,714
– Pension scheme contributions and social welfare	83,889	83,197
Total employee benefit expense	387,532	357,911
Cost of inventories recognised as an expense	1,101,507	1,023,447
Write-down of inventories (included in cost of sales)	6,462	3,105
Loss on disposal of property, plant and equipment (included in other expense)	2,231	3,992

Notes to the Consolidated Financial Statements

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11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the years ended 31 December 2023 and 2022 are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Performance related bonus RMB'000 (note)	Retirement benefits scheme contributions RMB'000	Total RMB'000
2023					
Executive directors:					
Mr. Fei Zhengxiang	-	971	853	72	1,896
Mr. Zheng Yuhong	-	601	801	72	1,474
Mr. Xia Guoping	-	580	890	-	1,470
Mr. Chen Junhua	-	411	660	72	1,143
	-	2,563	3,204	216	5,983
2023					
Non-executive directors:					
Dr. Takamatsu Ken	-	481	-	-	481
Ms. Zhao Xiaoyun	-	111	-	-	111
	-	592	-	-	592

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the years ended 31 December 2023 and 2022 are as follows: (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Performance related bonus RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2023					
Independent non-executive directors:					
Mr. Chen Yi	106	-	-	-	106
Dr. Xiao Fei	88	-	-	-	88
Mr. Jin Yiting	88	-	-	-	88
	282	-	-	-	282

Note: Performance related bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

	Fees RMB'000	Salaries and other benefits RMB'000	Performance related bonus RMB'000 (note)	Retirement benefits scheme contributions RMB'000	Total RMB'000
2022					
Executive directors:					
Mr. Fei Zhengxiang	-	959	328	65	1,352
Mr. Zheng Yuhong	-	588	311	65	964
Mr. Xia Guoping	-	580	328	-	908
Mr. Chen Junhua	-	398	136	65	599
	-	2,525	1,103	195	3,823

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the years ended 31 December 2023 and 2022 are as follows: (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Performance related bonus RMB'000 (note i)	Retirement benefits scheme contributions RMB'000	Total RMB'000
2022					
Non-executive directors:					
Dr. Takamatsu Ken	-	452	-	-	452
Ms. Zhao Xiaoyun (note i)	-	-	-	-	-
	-	452	-	-	452

	Fees RMB'000	Salaries and other benefits RMB'000	Performance related bonus RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2022					
Independent non-executive directors:					
Mr. Chen Yi	100	-	-	-	100
Dr. Xiao Fei	81	-	-	-	81
Mr. Jin Yiting	81	-	-	-	81
	262	-	-	-	262

The executive directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group. The non-executive and independent non-executive directors' emoluments shown above were for their service as directors of the Company.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Note:

- i. On 16 December 2022, Ms. Zhao Xiaoyun was appointed as a non-executive director of the Company.

(b) Five highest paid employees' emoluments

The five individuals with the highest emoluments in the Group include four (2022: three) directors disclosed above. Details of the remuneration for the year of the remaining one (2022: two) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	571	833
Performance related bonus	761	988
Retirement benefits scheme contributions	72	113
	1,404	1,934

The emoluments of the five highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2023 No. of employees	2022 No. of employees
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$1,500,001 to HK\$2,000,000	1	–

Notes to the Consolidated Financial Statements

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12. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends recognised as distribution during the year: 2022 Final – RMB0.15 (2021 Final – RMB0.085) per share	63,990	36,261

The proposed 2022 final dividend of RMB0.15 (tax inclusive) per ordinary share, amounting to a total of RMB63,990,000 was approved by the Company's shareholders at the annual general meeting held on 14 June 2023. The above-mentioned declared dividend was fully paid on 14 August 2023.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share	327,022	248,566

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of both basic earnings per share	426,600	426,600

Note: No diluted earnings per share for both 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Devices and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2022	220,679	12,141	318,438	11,845	24,589	19,422	-	607,114
Exchange adjustments	(451)	(290)	(566)	(6)	-	(125)	-	(1,438)
Additions	31	280	87,682	1,551	5,093	4,301	20,659	119,597
Disposals	(307)	-	(38,195)	(610)	(942)	(2,194)	-	(42,248)
Transfers	15,184	-	3,768	-	1,707	-	(20,659)	-
At 31 December 2022	235,136	12,131	371,127	12,780	30,447	21,404	-	683,025
Exchange adjustments	(227)	(204)	(523)	(4)	-	(85)	-	(1,043)
Additions	9,194	7,834	83,002	1,164	7,262	2,612	21,825	132,893
Disposals	(50)	-	(11,010)	(620)	(2,632)	(1,667)	-	(15,979)
Transfers	-	-	6,075	-	254	-	(6,329)	-
At 31 December 2023	244,053	19,761	448,671	13,320	35,331	22,264	15,496	798,896
DEPRECIATION AND IMPAIRMENT								
At 1 January 2022	79,288	6,770	150,778	9,816	16,859	10,230	-	273,741
Exchange adjustments	(82)	(89)	(151)	(1)	-	(68)	-	(391)
Provided for the year	9,938	665	27,919	744	2,450	2,711	-	44,427
Eliminated on disposals	(291)	-	(33,688)	(560)	(889)	(2,057)	-	(37,485)
At 31 December 2022	88,853	7,346	144,858	9,999	18,420	10,816	-	280,292
Exchange adjustments	(59)	(68)	(202)	(1)	-	(47)	-	(377)
Provided for the year	12,319	1,792	34,513	822	3,278	2,622	-	55,346
Impairment loss recognised in profit or loss	-	-	20,593	-	-	46	-	20,639
Eliminated on disposals	(12)	-	(8,934)	(544)	(2,464)	(533)	-	(12,487)
At 31 December 2023	101,101	9,070	190,828	10,276	19,234	12,904	-	343,413
CARRYING AMOUNT								
At 31 December 2023	142,952	10,691	257,843	3,044	16,097	9,360	15,496	455,483
At 31 December 2022	146,283	4,785	226,269	2,781	12,027	10,588	-	402,733

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, after taking into account their estimated residual value, at the following rates per annum:

Freehold land	Not depreciated
buildings	3.80% - 9.50%
Leasehold improvements	Over the shorter of the lease term or 20%
Plant and machinery	9.50% - 19.00%
Motor vehicles	19.00%
Electronic equipment	19.00%
Devices and equipment	9.50% - 19.00%

The freehold land is located in Japan.

At 31 December 2023, certain of the Group's property, plant and equipment with a net carrying value of RMB131,586,000 (2022: RMB136,367,000) were pledged to secure general banking facilities granted to the Group. Details are set out in Note 29.

Impairment assessment

Due to the upgrading of line of production, part of the equipment will be replaced and cease to use and the management of the Group concluded there was indication for impairment and conducted impairment assessment on certain property, plant and equipment with carrying amounts of RMB24,411,000 (2022: Nil). The recoverable amount of owned properties are estimated individually.

The recoverable amounts of the owned properties have been determined based on their fair value less costs of disposal. The Group estimate the fair value less costs of disposal of the assets based on the residual value of related assets. The fair value measurement is categorised into Level 3 fair value hierarchy. The relevant assets were impaired to their recoverable amount of RMB3,772,000 (2022: Nil), which is their carrying values at year end and the impairment of RMB20,639,000 (2022: Nil) has been recognised in profit or loss within the relevant functions to which these assets relate during the year.

Notes to the Consolidated Financial Statements

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15. INVESTMENT PROPERTIES

The Group leases out four buildings in Shanghai under operating leases with rentals payable quarterly. The leases typically run for an initial period of 6.5 years (2022: 6.5 years).

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	RMB'000
COST	
At 1 January 2022, 31 December 2022 and 31 December 2023	33,948
ACCUMULATED DEPRECIATION	
At 1 January 2022	15,764
Provided for the year	1,332
At 31 December 2022	17,096
Provided for the year	1,332
At 31 December 2023	18,428
CARRYING VALUE	
At 31 December 2023	15,520
At 31 December 2022	16,852

The fair value of the Group's investment properties as at 31 December 2023 was RMB140,070,000 (2022: RMB107,530,000). The fair value has been valued by the directors of the Company with reference to a valuation carried out by independent qualified professional valuers not connected with the Group.

The fair value was determined based on the income approach, by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

Notes to the Consolidated Financial Statements

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15. INVESTMENT PROPERTIES (Continued)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2023		2022	
	Carrying amount RMB'000	Fair value at Level 3 hierarchy RMB'000	Carrying amount RMB'000	Fair value at Level 3 hierarchy RMB'000
Buildings located in Shanghai, the PRC	15,520	140,070	16,852	107,530

At 31 December 2023, the Group's investment properties with a carrying value of RMB15,520,000 (2022: RMB16,852,000) were pledged to secure general banking facilities granted to the Group. Details are set out in Note 29.

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Buildings	4.00%
Land	2.00%

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16. RIGHT-OF-USE ASSETS

	Leasehold RMB'000	Plant and lands properties RMB'000	Total RMB'000
As at 31 December 2023			
Carrying amount	5,512	9,541	15,053
As at 31 December 2022			
Carrying amount	5,687	2,864	8,551
For the year ended 31 December 2023			
Depreciation charge	175	2,035	2,210
For the year ended 31 December 2022			
Depreciation charge	175	1,496	1,671
		2023 RMB'000	2022 RMB'000
Expense relating to short-term leases		557	1,762
Total cash outflow for leases (note i)		2,712	3,554
Additions to right-of-use assets (note ii)		9,222	1,836

Notes:

- i. Amount includes payments of principal and interest portion of lease liabilities, short-term leases, and payments of lease payments on or before lease commencement date (including leasehold land). These amounts could be presented in operating or financing cash flows.
- ii. During the year ended 31 December 2023, the Group recognised RMB9,222,000 right-of-use assets in respect of newly leased buildings (2022: RMB1,836,000).



Notes to the Consolidated Financial Statements

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16. RIGHT-OF-USE ASSETS (Continued)

The Group has lease contracts for various items of plant and properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and properties generally have lease terms between 2 and 8 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

At 31 December 2023, the Group has obtained the land use right certificates for all leasehold lands.

At 31 December 2023, the Group's leasehold land with a carrying value of RMB5,512,000 (2022: RMB5,687,000) was pledged to secure general banking facilities granted to the Group. Details are set out in Note 29.

The Group regularly entered into short-term leases for office. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB9,706,000 are recognised with related right-of-use assets of RMB9,541,000 as at 31 December 2023 (2022: lease liabilities of RMB2,651,000 are recognised with related right-of-use assets of RMB2,864,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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17. OTHER INTANGIBLE ASSETS

	Software RMB'000	Others RMB'000	Total RMB'000
COST			
At 1 January 2022	3,975	69	4,044
Additions	50	–	50
Exchange adjustments	(79)	(4)	(83)
At 31 December 2022	3,946	65	4,011
Additions	273	–	273
Exchange adjustments	(56)	(3)	(59)
At 31 December 2023	4,163	62	4,225
AMORTISATION			
At 1 January 2022	3,432	69	3,501
Charge for the year	263	–	263
Exchange adjustments	(58)	(4)	(62)
At 31 December 2022	3,637	65	3,702
Charge for the year	223	–	223
Exchange adjustments	(48)	(3)	(51)
At 31 December 2023	3,812	62	3874
CARRYING AMOUNT			
At 31 December 2023	351	–	351
At 31 December 2022	309	–	309

The above other intangible assets have definite useful lives over which the assets are amortised. The amortisation periods range from two to ten years.

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For The Year ended 31 December 2023

18. INVESTMENT IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000
Cost of investment in a joint venture	2,328	2,328
Share of post-acquisition losses	(79)	(29)
Impairment loss recognised in profit and loss	(2,249)	–
	–	2,299

In the opinion of the directors of the Company, the investment in the joint venture is unlikely to be recovered in the foreseeable future and recognised with fully impairment.

As at 31 December 2023 and 2022, the Group had interests in the following joint venture:

Name of entity	Country of Incorporation and operation	Share capital	Proportion of ownership interest held by the Group %	Proportion of voting rights held by the group %	Principal activity
Hakone Sanmaru Co., Ltd. * ("Hakone Sanmaru")	Japan	JPY15,000,000	33	33	Hotel management

Note: The Group has 33% ownership interest and voting rights in Hakone Sanmaru. Under a shareholders' agreement, each of the three shareholders owns 33% of interest of Hakone Sanmaru and none of the other shareholders has control over Hakone Sanmaru. Therefore, Hakone Sanmaru is classified as a joint venture.

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	2023 RMB'000	2022 RMB'000
The Group's share of loss	(50)	(30)
Carrying amount of the Group's interests in these joint ventures	–	2,299

Notes to the Consolidated Financial Statements

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19. INVESTMENT IN AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Investment in an associate under equity method	60,104	60,230

As at 31 December 2023 and 2022, the Group had interests in the following associate:

Name of entity	Country of incorporation and operation	Share capital RMB'000	Proportion of ownership interest held by the Group %	Proportion of voting rights held by the group %	Principal activities
Jiangsu Blue Optics Lens Co., Ltd. ("Jiangsu Blue Optics Lens")	The PRC	130,000	49	49	Sale of spectacle cases and frames

Note: The Group is able to exercise significant influence over Jiangsu Blue Optics Lens by taking all the rights and decision powers pursuant to the articles of association of Jiangsu Blue Optics Lens into consideration.

The financial information in respect of the Group's associate is set out below, representing amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

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19. INVESTMENT IN AN ASSOCIATE (Continued)

(a) Jiangsu Blue Optics Lens

	2023 RMB'000	2022 RMB'000
Current assets	83,762	67,178
Non-current assets	147,148	141,341
Current liabilities	(85,199)	(56,601)
Non-current liabilities	(23,050)	(29,000)
	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2022 RMB'000
Revenue	10,884	10,201
(Loss) profit for the year	(257)	483

Reconciliation of the above summarised financial information to the carrying amount of the interest in Jiangsu Blue Optics Lens recognised in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Net assets of Jiangsu Blue Optics Lens	122,661	122,918
Proportion of the Group's ownership interest in Jiangsu Blue Optics Lens	49%	49%
Carrying amount of the Group's interest in Jiangsu Blue Optics Lens	60,104	60,230

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20. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	11,916	28,460
Deferred tax liabilities	(20,352)	(18,457)
	(8,436)	10,003

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current year:

	Impairment of financial assets RMB'000	Provision for inventories RMB'000	Impairment of property, plant and equipment RMB'000	Unrealised profits RMB'000	Government grants RMB'000	Losses available for offsetting against future taxable profits RMB'000	Expense for offsetting against future taxable profits RMB'000	Derivative Financial Instruments RMB'000	Financial assets at FVTPL RMB'000	Lease Liabilities RMB'000	Total RMB'000
At 1 January 2022	8,125	1,257	52	1,662	2,268	10,131	13,598	77	-	166	37,336
(Charge) credit to profit or loss	(2,989)	269	(34)	(1,022)	(318)	2,075	(430)	(77)	7,074	-	4,548
Exchange differences	(6)	(41)	-	-	(21)	(88)	(352)	-	-	-	(508)
At 31 December 2022	5,130	1,485	18	640	1,929	12,118	12,816	-	7,074	166	41,376
(Charge) credit to profit or loss	(1,624)	4,383	3,057	96	(610)	(6,879)	(793)	-	(7,074)	1,278	(8,166)
Exchange differences	(10)	(31)	-	-	(16)	-	(147)	-	-	-	(204)
At 31 December 2023	3,496	5,837	3,075	736	1,303	5,239	11,876	-	-	1,444	33,006

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20. DEFERRED TAXATION (Continued)

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from financial assets at FVTPL RMB'000	Withholding taxes RMB'000	Right-of-use Assets RMB'000	Total RMB'000
At 1 January 2022	18,121	76	3,330	166	21,693
Charge (credit) to profit or loss	9,695	(76)	128	-	9,747
Exchange differences	(67)	-	-	-	(67)
At 31 December 2022	27,749	-	3,458	166	31,373
Charge (credit) to profit or loss	9,472	-	(664)	1,261	10,069
At 31 December 2023	37,221	-	2,794	1,427	41,442

At the end of the reporting period, the Group has unused tax losses of RMB41,397,000 (2022: RMB65,778,000) available for offset against future profits. A deferred tax asset of RMB5,220,000 (2022: RMB12,118,000) has been recognised in respect of such losses. No deferred tax asset has been recognised in respect of the remaining RMB23,154,000 (2022: RMB12,311,000) due to the unpredictability of future profit streams.

	2023 RMB'000	2022 RMB'000
Tax loss expire in 2026	132	132
Tax loss expire in and after 2027	23,022	12,179
	23,154	12,311

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20. DEFERRED TAXATION (Continued)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries established in the USA for which deferred tax liabilities have not been recognised was approximately RMB35,387,000 (2022: RMB28,207,000). No deferred tax liability has been recognised in respect of these differences because in the opinion of the directors of the Company, the Group's fund will be retained in the USA for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

At the end of the reporting period, the Group has not recognised deferred tax asset in relation to deductible temporary differences of RMB18,247,000 (2022: RMB14,944,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

21. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	186,716	286,387
Work in progress	18,232	14,211
Finished goods	281,560	232,646
	486,508	533,244

During the year ended 31 December 2023, net allowance of inventories amounting to RMB6,462,000 (2022: RMB3,105,000) has been recognised in cost of sales.

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22. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	332,997	288,262
Less: Allowance for credit losses	(41,287)	(36,970)
	291,710	251,292

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.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2023 RMB'000	2022 RMB'000
0 to 90 days	239,999	214,035
91 to 180 days	45,521	27,160
181 to 365 days	5,053	5,986
1 to 2 years	1,137	3,948
Over 2 years	-	163
	291,710	251,292

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22. TRADE RECEIVABLES (Continued)

The measurement of ECL on those trade receivables with high credit risk are assessed on an individual basis, and the remaining is assessed collectively using a provision matrix with reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers. The directors of the Company have considered the recoverable amount and credit quality of the relevant customers and concluded that ECL is reasonably assessed

Details of impairment assessment of trade and other receivables are set out in note 38.

Nil included in the Group's trade receivables are amounts due from the Group's associates (2022: RMB1,500,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

The Group's trade receivables which are not denominated in the functional currencies of the respective group entities are as follows:

	2023 RMB'000	2022 RMB'000
United States dollars ("US\$")	217,467	184,116
Japanese Yen ("JPY")	24,925	27,005

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB 212,645,000.

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For The Year ended 31 December 2023

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Other receivables (note)	49,051	2,378
Less: Allowance for credit losses	(6,645)	(366)
	42,406	2,012
Prepayments to suppliers	6,940	6,027
Other prepayments	2,313	4,485
Other tax recoverable	33,285	14,245
Total prepayments, deposits and other receivables	84,944	26,769

The Group's other receivables which are not denominated in the functional currencies of the respective group entities are as follows:

	2023 RMB'000	2022 RMB'000
US\$	46,047	–
JPY	3,733	6,129

Note: At 31 December 2023, others receivables amounting to USD6,501,000 (equivalent to RMB46,047,000) represent the redemption receivables from Viner Total Investments Fund. An allowance for credit losses amounting to RMB6,299,000 is recognised in profit and loss with reference to the historical records, past experience and also available reasonable and forward-looking factors.

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted equity investments (note i)	–	45,155
Wealth management products (note ii)	221,000	71,368
	221,000	116,523

Notes:

- (i) On 3 January and 4 February 2022, the Group entered into agreements for subscription of 13,806 shares of Serious A investments fund of Viner Total Investments Fund at an aggregated consideration of US\$ 11.5 million (equivalent to RMB73,454,000). The shares of fund has been fully redeemed by the end of April 2023.
- (ii) During the year ended 31 December 2023, the Group entered into several contracts of wealth management products with reputable banks in Mainland China under which the maturity terms are within 12 months.

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 38(c).

The Group's certain financial assets at FVTPL that are denominated in currencies other than the functional currency of the relevant group entity are set out below:

	2023 RMB'000	2022 RMB'000
US\$	–	45,155

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25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents carry interest at market rates which range from 0.0001% to 1.725% (2022: 0.0001% to 1.725%) per annum. The Group has no pledged bank deposits.

The Group's certain cash and cash equivalents that are denominated in currencies other than the functional currencies of the relevant group entities are mainly set out below:

	2023 RMB'000	2022 RMB'000
US\$	136,510	65,759
JPY	35,748	45,427
HK\$	762	1,810
Euro ("EUR")	436	766

26. TRADE PAYABLES

The average credit period on purchases of goods is 90 days (2022: 90 days).

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
0 to 90 days	104,843	82,553
91 to 180 days	18,107	10,739
181 to 365 days	2,281	193
Over 1 years	927	647
	126,158	94,132

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27. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Payroll and welfare payables	104,292	84,900
Deposits received and other payables	19,320	17,401
Other current liabilities	6,628	1,436
Other tax payable	4,539	5,926
Receipts in advance from lessee	3,144	2,968
Total other payables and accruals	137,923	112,631

The Group's certain other payables and accruals which are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
US\$	12,449	21,496
EUR	5,973	–
JPY	12,315	8,862
Total	30,737	30,358

28. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Short-term advances received from customers Sale of goods	45,567	23,152

As at 1 January, 2022, contract liabilities amounted to RMB22,485,000.

Revenue of RMB23,152,000 was recognised during the year ended 31 December 2023 that was included in the contract liabilities at the beginning the year of 2023 (2022: RMB22,485,000).

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29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023 RMB'000	2022 RMB'000
Secured (notes i and ii)	185,247	330,897
Unsecured	20,000	21,533
	205,247	352,430
Fixed-rate borrowings	25,021	111,948
Variable-rate borrowings	180,226	240,482
	205,247	352,430
Carrying amount repayable (based on scheduled repayment terms):		
Within one year	95,247	172,430
Within a period of more than one years but not exceeding two years	90,000	70,000
Within a period of more than two years but not exceeding five years	20,000	110,000
	205,247	352,430

Notes:

- i. As at 31 December 2023, the balance was secured by leasehold land, investment properties, property, plant and equipment of the Group with carrying amounts of RMB152,618,000 (2022: RMB158,906,000).
- ii. The Company has pledged the equity interests in certain of its subsidiaries to secure the Company's bank loans of RMB180,226,000 as at 31 December 2023 (2022: RMB240,482,000).

The Group has variable-rate borrowings which carry interest at the LPR minus 10Bps. Interest is repriced every year.

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For The Year ended 31 December 2023

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

The ranges of the effective interest rates on the Group's borrowings are as follows:

	2023	2022
Effective interest rate:		
Fixed-rate borrowings	2.23% to 3.50%	0.21% to 4.05%
Variable-rate borrowings	4.10%	5.20%

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
JPY	5,021	6,769

30. SHARE CAPITAL

	Number of ordinary shares '000	Share capital RMB'000
Ordinary shares of RMB 1 each		
Authorised and issued		
At 1 January 2022, 31 December 2022 and 2023	426,600	426,600

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31. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	1,375	1,750
Within a period of more than one year but not more than two years	875	806
Within a period of more than two years but not more than five years	2,680	95
Within a period of more than five years	4,776	–
	9,706	2,651
Less: Amount due for settlement within 12 months shown under current liabilities	1,375	1,750
Amount due for settlement after 12 months shown under non-current liabilities	8,331	901

The weighted average incremental borrowing rates applied to lease liabilities range from 1.30% to 4.5% (2022: 1.30% to 4.57%) per annum.

32. OPERATING LEASING ARRANGEMENTS

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for 6.5 years. Rental income achieved during the current year was RMB12,073,000 (2022: RMB11,623,000).

Undiscounted lease payments receivable on leases are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	13,126	12,467
In the second year	5,685	13,126
In the third year	–	5,685
	18,811	31,278

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33. COMMITMENTS

As at 31 December 2023, the Group did not have any significant commitments (2022: Nil).

	2023 RMB'000	2022 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment and intangible assets contracted for but not provided in the consolidated financial statements	33,113	19,951

34. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

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34. CAPITAL RISK MANAGEMENT (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, amounts due to related parties, trade payables, and other payables and accruals excluding receipts in advance from customers, less cash and cash equivalents. Capital includes equity attributable to owners of the company. The gearing ratios as at the end of the reporting periods were as follows:

	2023 RMB'000	2022 RMB'000
Trade payables	126,158	94,132
Other payables and accruals	134,779	109,663
Amount due to a related party	–	214
Interest-bearing bank and other borrowings	205,247	352,430
Less: Cash and cash equivalents	(330,521)	(335,618)
Net debt	135,663	220,821
Equity attributable to owners of the company	1,394,900	1,145,614
Capital and net debt	1,530,563	1,366,435
Gearing ratio	8.9%	16.2%

35. RETIREMENT BENEFITS SCHEME

Defined contribution plans

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to profit or loss of RMB37,559,000 (2022: RMB34,688,000) represents contributions paid to the retirement benefits scheme by the Group in respect of the current year.

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35. RETIREMENT BENEFITS SCHEME (Continued)

Defined benefit plans

The Group's subsidiary in Japan has unfunded lump-sum payment plans. Under these plans, employees are generally entitled to lump-sum payments upon termination of employment. The benefits under the plans are calculated based upon the employee's position, years of service and the reason for retirement.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2023 by Shanghai PG Advisory Co., Ltd., a member of the actuarial society of China, using the projected unit credit actuarial valuation method.

These plans are exposed to interest rate risk.

The total cost charged to profit or loss for the year ended 31 December 2023 is RMB1,037,000 (2022: RMB1,079,000), representing the net interest on the net defined benefit liability.

The principal actuarial assumptions used for the purposes of the actual valuations are as follows:

	2023	2022
Discount rate	0.3%	0.3%
Expected rate of salary increases	0%	0%
Expected rate of voluntary separation	3%	3%
Expected rate of passive separation	0.5%	0.5%

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

	2023 RMB'000	2022 RMB'000
Termination benefit plans	10,341	10,435

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36. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants received – non-current liabilities	8,688	11,599

During the current year, government grant amounting to RMB3,109,000 (2022: RMB2,418,000) has been transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. The relevant government subsidies mainly include technical renovation subsidies, upgrading and renovation rewards, high-quality development subsidies.

37. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Saved as disclosed in the Directors' report, the transactions below do not fall within the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules, or if otherwise, such transaction is fully exempt from announcement, shareholders' approval and review requirements under the Listing Rules during the year and prior year:

Relationship with related/ connected party	Nature of transactions	2023 RMB'000	2022 RMB'000
Jiangsu Blue Optics Lens	Sales of products	7,912	2,231
	Lease payments	815	582
Spouse of Mr. Fei Zhengxiang	Lease payments	254	225

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37. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (Continued)

Outstanding balances with related parties:

	2023 RMB'000	2022 RMB'000
Amounts due from related parties:		
Trade related:		
Jiangsu Blue Optics Lens	–	2
Amounts due to a related party:		
Trade related:		
Jiangsu Blue Optics Lens	–	214
Lease liabilities:		
Jiangsu Blue Optics Lens	8,891	566
Spouse of Mr. Fei Zhengxiang	230	464
	9,121	1,030

During the year ended 31 December 2023, the Group entered into new lease agreements with Jiangsu Blue Optics Lens for ten years. The Group has recognised an addition of right-of-use assets and lease liabilities of RMB9,222,000 and RMB9,222,000, respectively, with interest expense RMB236,000 (2022: RMB40,000) in 2023.

The remuneration of directors of the Company and other members of key management during the year is as follows:

	2023 RMB'000	2022 RMB'000
Performance-related bonuses	3,837	1,223
Retirement benefits scheme contributions	329	259
Salaries, allowances and benefits	4,288	3,976
	8,454	5,458

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets:		
Financial assets at amortised cost	664,637	588,924
Financial assets at FVTPL	221,000	116,523
Financial liabilities:		
Financial liabilities at amortised cost	357,353	465,613

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, financial assets at FVTPL, amounts due from related parties, amounts due to a related party, interest-bearing bank and other borrowings, trade payables, other payables and accruals. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk(currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain group entities have foreign currency transactions, including sales and purchases which expose the Group to foreign currency risk. Certain of the Group's cash and cash equivalents, trade and other receivables, trade and other payables and interest-bearing and other borrowings are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in the respective notes.

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38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The Group mainly exposes to foreign currency of US\$ and JPY. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

This following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2022: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2022: 5%) change in foreign currency rates. A positive number below indicates an increase in profit before tax where RMB strengthens 5% (2022: 5%) against the relevant currency while a negative number indicates a decrease in profit before tax.

	2023 RMB'000	2022 RMB'000
US\$	19,379	11,981
JPY	2,354	3,147

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and lease liabilities (see notes 29 and 31). The Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents and bank borrowings (see notes 25 and 29).

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Sensitivity analysis

If interest rates on variable-rate cash and cash equivalents and borrowings had been 100 basis point (2022: 100 basis point) higher/lower and all other variables were held constant, the Group's pre-tax profit would have increased/decreased by RMB145,000 (2022: decreased by RMB2,102,000).

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of the financial position.

Trade receivables arising from contracts with customers

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers will comply to the Group's policy. In addition, trade receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

In addition, the measurement of ECL on those trade receivables with high credit risk are assessed on an individual basis, and the remaining trade receivables are assessed collectively using provision matrix. Details of the quantitative disclosures are set out below in this note.

The Group has concentration of credit risk on trade receivables. At 31 December 2023, the Group's ten largest customers accounted for 31% (2022: 33%) of the total trade receivables.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 26% (2022: 24%) of the total trade receivables as at 31 December 2023.

Cash and cash equivalents

Credit risk on cash and cash equivalents is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on cash and cash equivalents is considered to be insignificant and therefore no loss allowance was recognised.

Other receivables

The Group makes individual assessment for significant outstanding items and portfolio assessment for other items with a large number of insignificant balances on the recoverability of other receivables on 12m ECL basis.

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38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

		External Notes credit rating	12-month or lifetime ECL	2023 Gross carrying amount RMB'000	2022 Gross carrying amount RMB'000
Financial assets at amortised costs					
Trade receivables (note i)	22	N/A(note i)	Collectively assessed: Lifetime ECL-not-credit impaired	302,538	256,383
			Lifetime ECL-credit impaired	20,661	26,858
			Individual assessed: Lifetime ECL-credit- impaired	9,798	5,021
Amounts due from related parties		N/A	12-month ECL	-	2
Cash and cash equivalents	25	Low risk	12-month ECL	330,521	335,618
Financial assets included in Other receivables	23	N/A	12-month ECL Lifetime ECL	48,705 346	2,012 366

Note:

- i: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are assessed individually, the Group determines ECL on these items by using a provision matrix.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables (Continued)

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on collective basis within lifetime ECL as at December 31, 2023:

Gross carrying amount

	2023		2022	
	Average loss rate %	Trade receivables RMB'000	Average loss rate %	Trade receivables RMB'000
Not past due	1.24	207,598	1.17	181,682
Past due:				
0 – 90 days	5.53	54,793	3.85	41,488
91 – 180 days	15.06	33,584	11.44	25,597
181 – 365 days	19.73	6,563	21.40	7,616
1 – 2 years	70.41	3,815	52.71	6,417
2 – 3 years	100.00	611	90.17	1,659
Over 3 years	100.00	16,235	100.00	18,782
		323,199		283,241

During the year ended 31 December 2023, trade receivables amounting to RMB9,798,000 (2022: RMB5,021,000) with high credit risk are assessed for ECL individually.

With reference to the historical records, past experience and also available forward-looking information to those customers whose trade receivables have been past due over 90 days while within 1 years, the management of the Group does not consider these receivables as credit-impaired as these customers have a good business relationship and satisfactory settlement history.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December 2022	8,289	28,681	36,970
Impairment losses recognised	4,226	3,881	8,107
Transfer to credit-impaired	(558)	558	–
Write-offs	–	(3,790)	(3,790)
As at 31 December 2023	11,957	29,330	41,287

The Group writes off a trade receivable when there is information indicating that debtors are in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtors have been placed under liquidation.

The following table shows reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Total RMB'000
As at 31 December 2022	–	366	366
Impairment losses recognised	6,299	–	6,299
Impairment losses reversed	–	(20)	(20)
As at 31 December 2023	6,299	346	6,645

For other receivables arose from the redemption of Viner Total Investments Fund, the Group measures the loss allowance equal to 12m ECL.

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

Liquidity tables

	Weighted average interest rate %	On demand RMB'000	Less than three months RMB'000	Three months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2023							
Non-derivative financial Liabilities							
Trade and other payables	N/A	152,106	-	-	-	152,106	152,106
Lease liabilities	4.05	-	444	1,322	9,928	11,694	9,706
Interest-bearing bank and other borrowings	4.00	-	55,621	41,097	117,261	213,979	205,247
		152,106	56,065	42,419	127,189	377,779	367,059

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	Repayable on demand RMB'000	Less than three months RMB'000	Three months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2022							
Non-derivative financial							
Liabilities							
Trade and other payables	N/A	112,969	-	-	-	112,969	112,969
Lease liabilities	4.05	-	493	1,400	971	2,864	2,651
Amount due to a related party	N/A	214	-	-	-	214	214
Interest-bearing bank and other borrowings	4.64	-	20,149	156,285	196,473	372,907	352,430
		113,183	20,642	157,685	197,444	488,954	468,264

The amounts included above for variable-rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

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38. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets	Fair value as at		Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)
	31 December, 2023 RMB'000	31 December, 2022 RMB'000		
Unlisted equity investments	–	45,155	Level 3	Net asset value of underlying investments value. The significant unobservable inputs are the net assets of underlying investments. The larger net assets of the underlying investment will result in a higher fair value.
Wealth management products	221,000	71,368	Level 2	Cash flow discounted using the expected return based on debts, foreign exchange etc..

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

38. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

(i) *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)*

Reconciliation of Level 3 fair value measurement:

	Financial assets at FVTPL RMB'000
Balance as at 1 January 2022	–
Addition	73,454
Fair value changes	(28,299)
Settlements	–
Balance as at 31 December 2022	45,155
Fair value changes	6,165
Settlements	(51,320)
Balance as at 31 December 2023	–

(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

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39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Lease liabilities RMB'000 (Note 31)	Borrowings RMB'000 (Note 29)	Dividend payable RMB'000 (Note 12)	Total RMB'000
At 1 January 2023	2,651	352,430	-	355,081
Financing cash flows	(1,862)	(146,500)	(63,990)	(212,352)
Non-cash changes:				
Net foreign exchange gains	174	(247)	-	(73)
Interest expenses	293	13,325	-	13,618
Cash flows used in non-financing activities	(293)	(13,761)	-	(14,054)
Dividends recognised as distribution	-	-	63,990	63,990
Lease liabilities arising on new lease agreements	9,222	-	-	9,222
Termination of lease contracts	(479)	-	-	(479)
At 31 December 2023	9,706	205,247	-	214,953
	Lease liabilities RMB'000 (Note 31)	Borrowings RMB'000 (Note 29)	Dividend payable RMB'000 (Note 12)	Total RMB'000
At 1 January 2022	2,566	596,665	-	599,231
Financing cash flows	(1,684)	(243,057)	(36,261)	(281,002)
Non-cash changes:				
Net foreign exchange gains	(67)	-	-	(67)
Interest expenses	108	25,604	-	25,712
Cash flows used in non-financing activities	(108)	(26,782)	-	(26,890)
Dividends recognised as distribution	-	-	36,261	36,261
Lease liabilities arising on the new lease agreements	1,836	-	-	1,836
At 31 December 2022	2,651	352,430	-	355,081

Notes to the Consolidated Financial Statements

For The Year ended 31 December 2023

40. MAJOR NON-CASH TRANSACTIONS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB9,222,000 (2022: RMB1,836,000) and RMB9,222,000 (2022: RMB1,836,000), respectively, in respect of lease arrangements for plant and properties.

41. DETAILS OF SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of subsidiaries	Place of Incorporation/ registration/operations	Attributable to equity interest held by the Group		Issued capital/ registered capital	Principal activities
		2023	2022		
Directly held:					
上海康耐特光学有限公司 Shanghai Conant Optics Co., Ltd.*	The PRC 13 April 2011	100%	100%	RMB537,000,000	Manufacture and sale of resin spectacle lenses
江苏康耐特光学有限公司 Jiangsu Conant Optics Co., Ltd.*	The PRC 25 December 2006	100%	100%	RMB480,000,000	Manufacture and sale of resin spectacle lenses
Asahi Lite Holdings Limited	Hong Kong 3 July 2013	100%	100%	US\$ 4,480,000	Investment holding
Conant Lens Inc.	USA 12 November 2010	100%	100%	US\$ 200,000	Sale of resin spectacle lenses
Conant Optics Mexico, S.A. de C.V.,	Mexico 4 April 2011	100%	100%	US\$ 2,500,000	Sale of resin spectacle lenses
Indirectly held:					
Asahi Lite Optical Co., Ltd.	Japan 12 December 1980	100%	100%	JPY 100,000,000	Manufacture and sale of resin spectacle lenses

* The English names are for identification purposes only.

Note: None of the subsidiaries had issued any debt securities during the year or at the end of the year.

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For The Year ended 31 December 2023

42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2023 RMB'000	2022 RMB'000
Non-current assets		
Investments in subsidiaries	1,184,493	1,184,493
Deferred tax assets	6,874	17,113
Right-of-use assets	395	693
Total non-current assets	1,191,762	1,202,299
Current assets		
Trade receivables	7,219	4,645
Prepayments, deposits and other receivables	70,119	10,110
Financial assets at FVTPL	–	45,155
Cash and cash equivalents	26,637	13,214
Total current assets	103,975	73,124
Current liabilities		
Trade payables	16,546	–
Other payables and accruals	75,734	169,407
Lease liabilities within one year	261	298
Interest-bearing bank and other borrowings	70,226	60,482
Total current liabilities	162,767	230,187
Net current liabilities	(58,792)	(157,063)
Net assets less current liabilities	1,132,970	1,045,236
Non-current liabilities		
Lease liabilities	95	352
Interest-bearing bank and other borrowings	110,000	180,000
Total non-current liabilities	110,095	180,352
Net assets	1,022,875	864,884
Equity		
Share capital	426,600	426,600
Share premium and reserves	596,275	438,284
Total equity	1,022,875	864,884

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42. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in the reserves of the Company is set forth below:

	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	293,560	(173)	24,937	81,822	400,146
Total comprehensive income for the year	-	-	-	74,399	74,399
Dividends recognised as distribution (Note 12)	-	-	-	(36,261)	(36,261)
Appropriations to statutory surplus reserve	-	-	7,440	(7,440)	-
At 31 December 2022	293,560	(173)	32,377	112,520	438,284
Total comprehensive income for the year	-	-	-	221,981	221,981
Dividends recognised as distribution (Note 12)	-	-	-	(63,990)	(63,990)
Appropriations to statutory surplus reserve	-	-	22,132	(22,132)	-
At 31 December 2023	293,560	(173)	54,509	248,379	596,275

43. EVENTS AFTER THE REPORTING PERIOD

There is no event occurring after the balance sheet date to be disclosed by the Group up to the approval date of financial statements.

44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation, which in the opinion of the directors of the Company, provides for better presentation to the consolidated financial statements.