



# 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 2022



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# Corporate Information

<b>Executive Directors</b>	Mr. Fei Zhengxiang (Chairman) Mr. Zheng Yuhong Mr. Xia Guoping Mr. Chen Junhua
<b>Non-executive Directors</b>	Dr. Takamatsu Ken Ms. Zhao Xiaoyun (appointed with effect from December 16, 2022)
<b>Independent non-executive Directors</b>	Dr. Xiao Fei Mr. Chen Yi Mr. Jin Yiting
<b>Supervisors</b>	Mr. Wang Chuanbao Mr. Xu Jingming Mr. Tang Baohua
<b>Joint Company Secretaries</b>	Ms. Cao Xue Ms. Lin Sio Ngo
<b>Authorized Representatives</b>	Mr. Fei Zhengxiang Ms. Lin Sio Ngo
<b>Audit Committee</b>	Mr. Chen Yi (Chairman) Mr. Jin Yiting Dr. Xiao Fei
<b>Remuneration Committee</b>	Mr. Jin Yiting (Chairman) Dr. Xiao Fei Mr. Chen Junhua
<b>Nomination Committee</b>	Dr. Xiao Fei (Chairman) Mr. Chen Yi Mr. Xia Guoping
<b>Strategy Committee</b>	Mr. Fei Zhengxiang (Chairman) Dr. Takamatsu Ken Dr. Xiao Fei





## Corporate Information

<b>Risk Management Committee</b>	Mr. Fei Zhengxiang (Chairman) Mr. Zheng Yuhong Mr. Chen Yi
<b>ESG Committee</b>	Mr. Fei Zhengxiang (Chairman) Mr. Zheng Yuhong Mr. Xia Guoping
<b>Registered Office, Headquarters and Principal Place of Business in the PRC</b>	4th Floor, Building 35, No. 1-42 Lane 83 Hongxiang North Road, Lin-gang Special Area China (Shanghai) Pilot Free Trade Zone China
<b>Principal Place of Business in Hong Kong</b>	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
<b>Company Website</b>	<a href="http://www.conantoptical.com.cn">www.conantoptical.com.cn</a>
<b>Auditor</b>	Ernst & Young
<b>H Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
<b>Stock Code</b>	2276
<b>Legal Counsel</b>	Han Kun Law Offices LLP

# Definitions



“AGM”	the annual general meeting of the Company to be held on 14 June 2023
“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 14 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”	11 April 2023, 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 10 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 2022 and ending on 31 December 2022
“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 2018, 2019, 2020, 2021, 2022 respectively.

	For the year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Revenue	853,760	1,058,846	1,093,164	1,356,082	<b>1,561,317</b>
Gross profit	261,341	349,878	382,051	460,159	<b>537,870</b>
Profit before tax	92,961	139,316	155,263	215,102	<b>281,539</b>
Income tax expense	(14,499)	(27,415)	(26,801)	(31,580)	<b>(32,973)</b>
Profit for the year	78,462	111,901	128,462	183,522	<b>248,566</b>
Profit attributable to owners of the parent	78,462	111,901	128,462	183,522	<b>248,566</b>

	As at 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Total assets	1,082,674	1,374,654	1,444,200	1,811,349	<b>1,788,632</b>
Total liabilities	969,516	996,456	939,666	873,951	<b>643,018</b>
Net assets	113,158	378,198	504,534	937,398	<b>1,145,614</b>



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

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





## Chairman's Statement

### Outlook for 2023

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

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

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

*Expansion of customer base in the PRC market and promotion of our brands.* We plan to allocate more resources on sales and marketing. As for offline marketing, our strategies include establishing our physical eyewear stores to reach out to individual end-users; participation in industry exhibitions, event organisation and customer visits, and collaboration with ophthalmology service providers and retailers for boosting sales to spectacle lens brand owners, wholesalers, retailers and authorised distributors. We also plan to enhance our online marketing strategies by increasing our online advertising and promotion on multiple platforms and adopt new sales channel such as live streaming e-commerce. The Company currently adopt a vigorous strategy for brand promotion to attract the attention of the market and consumers. The COVID-19 pandemic in the early 2022 had a great impact on the retail consumer industry as well as the consumption patterns and spending habits of individual consumers. Our original plan of making direct investment on opening our own physical eyewear stores may not be in line with the newly emerging spending habits, thus it may fail to achieve expected revenue and results. As disclosed in the announcement of the



## Chairman's Statement

Company dated 29 November 2022, the Company has changed the use of partial proceeds from its global offering for establishing physical eyewear stores. Nevertheless, the Company has continued its efforts on other aspects of brand promotion in an orderly manner. We actively participated in various trade fairs, organisational activities and customer visits, and we also established in-hospital ophthalmology centres through collaboration with hospitals to provide customers with one-stop integrated ophthalmology services for diagnosis, treatment, examination and fitting. Meanwhile, hospitals are usually regarded as the authoritative institutes in ophthalmology, which would bring customers sufficient trust and confidence and in turn contribute to enhance the overall image of the brand and the products of the Company. This year, we are also focused on enhancing our online marketing strategy by utilizing new marketing channels such as Douyin and WeChat mini programme to further promote the Company's brand image. Our efforts in this area have yielded positive results.

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

## 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

17 March 2023





# Management Discussion and Analysis

## REVENUE

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

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

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

## COST OF SALES

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





## Management Discussion and Analysis

### GROSS PROFIT AND GROSS PROFIT MARGIN

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

### OTHER INCOME AND GAINS

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

### SELLING AND DISTRIBUTION EXPENSES

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

### ADMINISTRATIVE EXPENSES

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





## Management Discussion and Analysis

### OTHER EXPENSES

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

### IMPAIRMENT LOSS OF FINANCIAL ASSETS

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

### FINANCE COSTS

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

### INCOME TAX EXPENSES

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

### PROFIT FOR THE YEAR

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



## Management Discussion and Analysis

### CAPITAL STRUCTURE

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

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

### LIQUIDITY AND FINANCIAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. For the year ended 31 December 2022, we financed our operations primarily through internal resources, bank and other borrowings, and net proceeds from the Global Offering. Our cash and cash equivalents decreased by 43.1% from RMB589.8 million as of 31 December 2021 to RMB335.6 million as of 31 December 2022, primarily attributable to the use of net proceeds from the Global Offering received in 2021, partially offset by an increase in our net cash generated from operating activities.

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

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





## Management Discussion and Analysis

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

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

### CAPITAL EXPENDITURES

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

### CONTINGENT LIABILITIES

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

### PLEDGE OF ASSETS

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



## Management Discussion and Analysis

### FOREIGN EXCHANGE RISK AND HEDGING

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

### SIGNIFICANT INVESTMENT

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

### MATERIAL ACQUISITIONS AND FUTURE PLANS FOR MAJOR INVESTMENT

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the year of 2022. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, 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 annual report, there are no material events subsequent to 31 December 2022 which could have a material impact on our operating and financial performance as of the date of this annual report.





## Management Discussion and Analysis

### EMPLOYEES

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

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

### 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.





## Management Discussion and Analysis

During the year of 2022, we did not encounter any material disruption to our business operations and supply chain, nor experience any labour shortages. Our business and financial performances improved as a result of the gradual easing of the COVID-19 pandemic and the overall improvement in the market demand for spectacle lens. In view of the above and based on information available up to the date of this 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)**, formerly named Fei Zengxiang (費增祥) (“**Mr. Fei**”), aged 62, is the Controlling Shareholder and the founder of the Group. Mr. Fei was appointed as our Director on 20 June 2018, and was redesignated as an executive Director on 22 February 2021. 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 26 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. Since then, Mr. Fei has served as a supervisor of Qitian Technology.

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 the vice president of Shanghai Overseas Chinese Chamber of Commerce (上海市僑商會) and a standing member of the Chinese People’s Political Consultative Conference of Pudong New Area, Shanghai.

On 8 October 2021, Mr. Fei received a supervision letter (監管函) from the SZSE in relation to his sale of 366,150 shares of Qitian Technology at the total consideration of RMB2,379,608.85, which was within the period of 30 days immediately preceding the intended publication date of Qitian Technology’s quarterly report on 29 October 2021 and such shares sale constituted breaches of certain rule requirements under the Rules Governing the Listing of Stocks on the ChiNext Board of the SZSE and the Guidelines for the Standardised Operation of Listed Companies on the ChiNext Market of DZSE (2020 Revision). For further details, please refer to the section headed “Directors, Supervisors and Senior Management – Director” in the Prospectus.



## Profiles of Directors, Supervisors and Senior Management

**Mr. Zheng Yuhong (鄭育紅) ("Mr. Zheng")**, aged 54, was appointed as our executive Director on 22 February 2021. 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 64, was appointed as our executive Director on 22 February 2021. 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.





## Profiles of Directors, Supervisors and Senior Management

**Mr. Chen Junhua (陳俊華) (“Mr. Chen”)**, aged 55, was appointed as our executive Director on 22 February 2021. 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.

### Non-executive Directors

**Dr. Takamatsu Ken (高松健) (“Dr. Takamatsu”)**, formerly named Jiang Jian (姜健), aged 66, was appointed as our non-executive Director on 22 February 2021. He has been appointed as a director of Asahi Holdings and Asahi Optical since May 2019, and is responsible for supervising our Group’s Japan operation, production and management.

Prior to joining our Group, Dr. Takamatsu was a chief technical advisor in the healthcare materials department of Mitsui Chemicals, Inc. (三井化學株式會社), a chemicals company listed on the Tokyo Stock Exchange (stock code: 4183) from April 2018 to March 2019. Prior to that, he was the staff responsible for research and development of spectacle lenses materials in HOYA Corporation, a global medical technology company listed on the Tokyo Stock Exchange (stock code: 7741).

Dr. Takamatsu graduated with a bachelor’s degree of science majoring in polymer chemistry from the Department of Chemistry of Jilin University (吉林大學) in Jilin province, the PRC in April 1982. He obtained a master’s degree of engineering from the Beijing University of Chemical Technology (北京化工大學, formerly known as Beijing Institute of Chemical Technology (北京化工學院)) in Beijing, the PRC in December 1984, and further obtained a doctor of philosophy in March 1990 majoring in industrial chemistry in the Tokyo University of Science.



## Profiles of Directors, Supervisors and Senior Management

**Ms. Zhao Xiaoyun (趙曉雲) ("Ms. Zhao")**, aged 50, was appointed as our non-executive Director on 16 December 2022. 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 possess the accounting qualification (intermediate level) (會計中級職稱) issued by the Ministry of Personnel of the PRC in May 2007.

### Independent Non-executive Directors

**Dr. Xiao Fei (肖斐) ("Dr. Xiao")**, aged 60, was appointed as our independent non-executive Director on 22 February 2021. 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.





## Profiles of Directors, Supervisors and Senior Management

**Mr. Chen Yi (陳一) (“Mr. Chen”)**, aged 38, was appointed as our independent non-executive Director on 22 February 2021. Mr. Chen is responsible for providing independent advice and judgement to our Board.

Mr. Chen has over 15 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.

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.

**Mr. Jin Yiting (金益亭) (“Mr. Jin”)**, aged 45, was appointed as our independent non-executive Director on 22 February 2021. Mr. Jin is responsible for providing independent advice and judgement to our Board.

Mr. Jin is a qualified independent director recognised by the Shanghai Stock Exchange and a member of the PRC Bar. He joined AllBright Law Offices in January 2018 and has served as a senior partner since September 2022. Prior to that, Mr. Jin was a senior partner in Zhong Yin Law Firm (中銀律師事務所).

He obtained a Master of Laws majoring in international economic law from East China University of Political Science and Law (華東政法大學), in Shanghai, the PRC in June 2004, and further obtained an Executive Master of Business Administration degree from the Shanghai Advanced Institute of Finance of the Shanghai Jiao Tong University (上海交通大學上海高級金融學院) in Shanghai, the PRC in June 2019.





## Profiles of Directors, Supervisors and Senior Management

### SUPERVISORY COMMITTEE

**Mr. Wang Chuanbao (王傳寶) (“Mr. Wang”)**, aged 36, was appointed as a Supervisor and elected as the chairman of our Supervisory Committee on 22 April 2022. He is responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company. 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 Eyewear Co., Ltd. (江蘇康耐特光學有限公司), 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.

**Mr. Xu Jingming (徐敬明) (“Mr. Xu”)**, aged 59, was appointed as a Supervisor on 22 February 2021. 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.





## Profiles of Directors, Supervisors and Senior Management

**Mr. Tang Baohua (唐寶華) ("Mr. Tang")**, aged 41, was appointed as a Supervisor on 22 February 2021. 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.

### SENIOR MANAGEMENT

**Mr. Xu Huyin (許胡寅) ("Mr. Xu")**, aged 36, was appointed as the financial controller of the Company on 22 February 2021 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 32, 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 eight 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.

**Ms. Lin Sio Ngo (練少娥) ("Ms. Lin")** has been appointed as one of our joint company secretaries with effect from 25 March 2022.

Ms. Lin is a manager of SWCS Corporate Services Group (Hong Kong) Limited with over 20 years of working experience in corporate secretarial and administration areas. Ms. Lin is an associate member of The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators). Ms. Lin holds a bachelor's degree in business administration and a master's degree in corporate governance.

### 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 is mainly engaged in the manufacture of resin spectacle lenses, and produces a variety of resin glasses, including standardized lenses and customized 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 39 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.



## Report of the Directors

### DIVIDENDS

The results as at 31 December 2022 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 RMB0.15 (tax inclusive) per share during the Reporting Period, with a total amount of RMB63,990,000, 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 Tuesday, 15 August 2023 to the Shareholders whose names are listed on the register of Shareholders on Tuesday, 27 June 2023.

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.





## Report of the Directors

### 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 2022, 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.





## Report of the Directors

### SUBSEQUENT SIGNIFICANT EVENTS

Particulars of significant events subsequent to the Reporting Period are set out in Note 41 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 13 to the financial statements.

#### Bank Borrowings

Bank borrowings of the Company during the Reporting Period are set out in Note 27 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 31 to the financial statements in this annual report.





## Report of the Directors

### 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 32 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 2022 amounted to approximately RMB719.0 million (as at 31 December 2021: RMB510.8 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 33.4% and 13.3% 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 52.9% and 35.3% 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 RMB25,400 (for the year ended 31 December 2021: RMB22,000).

### 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

#### Non-Executive Directors

Dr. Takamatsu Ken  
Ms. Zhao Xiaoyun (appointed on 16 December 2022)

#### Independent Non-Executive Directors

Dr. Xiao Fei  
Mr. Chen Yi  
Mr. Jin Yiting

#### Supervisors

Mr. Wang Chuanbao (appointed on 22 April 2022)  
Mr. Zhang Huixiang (resigned on 22 April 2022)  
Mr. Xu Jingming  
Mr. Tang Baohua

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.





## Report of the Directors

### INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 31 December 2022, 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	Approximate percentage of shareholding in relevant class of Shares (%) <sup>(1)</sup>	Approximate percentage of shareholding in the total share capital of our Company (%) <sup>(1)</sup>
Mr. Fei	Beneficial owner	212,740,030 H Shares	49.87	49.87

Note:

1. The calculation is based on the total number of Shares in issue as at 31 December 2022, being 426,600,000 Shares.



## Report of the Directors

Save as disclosed above, as at 31 December 2022, 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 2022, 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 (except Ms. Zhao Xiaoyun) has entered into a service contract with the Company on 22 November 2021, and Ms. Zhao Xiaoyun, a non-executive Director, has entered into a service contract with the Company on 16 December 2022. 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 and Mr. Tang Baohua has entered into a contract with the Company on 22 November 2021 and Mr. Wang Chuanbao has entered into a contract with the Company on 22 April 2022, 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)).





## Report of the Directors

### 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 9 to the financial statements.

### INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDER IN CONTRACTS

Save as the related party transactions as disclosed in Note 36 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.





## Report of the Directors

### 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 29 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 36 to the financial statements.

During the Reporting Period, the related party transaction in relation to the lease payments to the spouse of Mr. Fei Zhengxiang as disclosed in Note 36 to the financial statements fell under the definition of “connected transaction” and it is fully exempt under Chapter 14A 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 36 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.





## Report of the Directors

### 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.



## Report of the Directors

### 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.





### 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 2022, the Group has utilised approximately HK\$267.6 million of the net proceeds for the intended purposes set out in the Prospectus and the Change in Use of Proceeds Announcement, accounting for 56.5% of all raised funds, and the remaining unutilised net proceeds was approximately HK\$205.9 million. It is expected that the unutilised net proceeds from the Global Offering will continue to be used according to the purposes and proportions as disclosed in the Prospectus and the Change in Use of Proceeds Announcement. Details of the use of 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 2022	Unutilized proceeds as of 31 December 2022	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\$129.1 million	HK\$90.6 million	By the second half of 2023
Strengthening the Group's research and development capability	HK\$94.2 million	HK\$94.2 million	HK\$14.9 million	HK\$79.3 million	By the second half of 2023 <sup>2</sup>
Enhancing the Group's sales and marketing efforts	HK\$48.8 million	HK\$10.9 million <sup>3</sup>	HK\$0.9 million	HK\$10.0 million	By the second half of 2023 <sup>2</sup>
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\$12.4 million	HK\$26.0 million	By the second half of 2023
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 <sup>4</sup>	HK\$62.0 million <sup>3</sup>	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 2023, representing a one-year delay in its expected timeframe. The delay is primarily due to the adjustment of its business development strategy as affected by the social, economic and environmental impacts on the macroeconomic environment in China.
- The Board has resolved on 29 November 2022 to utilise 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 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.



## Report of the Directors

### PROPERTY INTERESTS AND PROPERTY VALUATION

Details of the investment properties of the Group are set out in Note 14 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 14 June 2023. A circular of H Shares containing further information in respect of the AGM will be dispatched to the Shareholders 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 Ernst & Young. There has been no change of auditors in the past three years.

On behalf of the Board

**Shanghai Conant Optical Co., Ltd.**

**Fei Zhengxiang**

*Chairman of the Board*

Shanghai, the PRC

17 March 2023





# 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 three 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
3rd meeting of the 1st session of the Board of Supervisors	25 March 2022	Resolutions on: (i) change of the Company's domicile and registered capital and amendment to the Articles of Association; (ii) 2021 work report of the Supervisory Committee; (iii) unaudited consolidated financial statements of the Group for the year ended 31 December 2021; (iv) annual report of the Group for the year ended 31 December 2021; (v) Directors' remuneration; (vi) re-appointment of external auditor; (vii) final dividend and closure of books; and (viii) change of Supervisor.
4th meeting of the 1st session of the Board of Supervisors	22 April 2022	Resolutions on: (i) audited consolidated financial statements of the Group for the year ended 31 December 2021; (ii) annual results announcement of the Group for the year ended 31 December 2021; (iii) annual report of the Group for the year ended 31 December 2021; and (iv) election of the chairman of the Supervisory Committee.



## Report of the Supervisors

<u>Session of the Meeting</u>	<u>Convening Date</u>	<u>Resolutions considered and approved</u>
5th meeting of the 1st session of the Board of Supervisors	23 August 2022	Resolutions on: (i) interim results announcement and interim report of the Group for the six months ended 30 June 2022; and (ii) the effectiveness of the risk management and internal control system of the Company.

### 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. Ernst & Young, the Company's external auditor for the 2022 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.





## Report of the Supervisors

### **(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 2022 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. Wang Chuanbao**

*Chairman of the Board of Supervisors*

17 March 2023



# 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.





## 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 four executive Directors (including Mr. Fei), two non-executive Directors 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.





## Corporate Governance Report

### 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 four executive Directors, two 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.





## Corporate Governance Report

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 eight Board meetings and three 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	8/8	3/3
Mr. Zheng Yuhong	Executive Director	8/8	3/3
Mr. Xia Guoping	Executive Director	8/8	3/3
Mr. Chen Junhua	Executive Director	8/8	3/3
Dr. Takamatsu Ken	Non-executive Director	8/8	3/3
Ms. Zhao Xiaoyun	Non-executive Director	0/0	0/0
Dr. Xiao Fei	Independent non-executive Director	8/8	3/3
Mr. Chen Yi	Independent non-executive Director	8/8	3/3
Mr. Jin Yiting	Independent non-executive Director	8/8	3/3

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.





## Corporate Governance 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	Training on anti-corruption and CG Code updates provided by external professionals
Mr. Zheng Yuhong	Executive Director	Training on anti-corruption and CG Code updates provided by external professionals
Mr. Xia Guoping	Executive Director	Training on anti-corruption and CG Code updates provided by external professionals
Mr. Chen Junhua	Executive Director	Training on anti-corruption and CG Code updates provided by external professionals
Dr. Takamatsu Ken	Non-executive Director	Training on anti-corruption and CG Code updates provided by external professionals
Ms. Zhao Xiaoyun	Non-executive Director	Law firm training on Director’s responsibilities and continuing obligations
Dr. Xiao Fei	Independent non-executive Director	Training on anti-corruption and CG Code updates provided by external professionals
Mr. Chen Yi	Independent non-executive Director	Training on anti-corruption and CG Code updates provided by external professionals
Mr. Jin Yiting	Independent non-executive Director	Training on anti-corruption and CG Code updates 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.



## Corporate Governance Report

### (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), Dr. Takamatsu Ken 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 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:

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





## Corporate Governance Report

### 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 Mr. Jin Yiting 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 of the Company for the year ended 31 December 2021 and the six months ended 30 June 2022, respectively; (ii) review of the Group's internal control policy, risk management systems and internal audit functions; (iii) audit issues raised by the external auditors of the Company.

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

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





## Corporate Governance Report

### Remuneration Committee

The Company established the Remuneration Committee, which consists of one executive Director and two independent non-executive Directors, namely Mr. Chen Junhua, Mr. Jin Yiting (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 two meetings in total, to (i) 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 (ii) consider and make recommendation to the Board on the remuneration package of Ms. Zhao Xiaoyun, a non-executive Director who was appointed with effect from 16 December 2022. 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:

<b>Members of the Remuneration Committee</b>	<b>Attendance/Number of meeting(s) held during his/her term of office</b>
Mr. Chen Junhua	2/2
Mr. Jin Yiting (chairman)	2/2
Dr. Xiao Fei	2/2



## Corporate Governance Report

### 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 two 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) consider and make recommendations regarding the proposed appointment of Ms. Zhao Xiaoyun as a non-executive Director.

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

<b>Members of the Nomination Committee</b>	<b>Attendance/Number of meeting(s) held during his/her term of office</b>
Mr. Xia Guoping	2/2
Dr. Xiao Fei (chairman)	2/2
Mr. Chen Yi	2/2



## Corporate Governance Report

### 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 targets to include two females (or equivalent to 20%) on the Board by the end of 2027.

As at the Latest Practicable Date, the number of female members of the Group's workforce was 1,260 (equivalent to 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.



## Corporate Governance Report

### 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) setting out corporate risk management strategies and making suggestions to the Board; (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:

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





## Corporate Governance Report

### 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.

During the Reporting Period, the ESG Committee held two meetings in total, to (i) discuss and evaluate the performance of the Group with reference to ESG indicators and the impact of the Group's operations on the environment; and (ii) conduct a review on the applicable Listing Rules in respect of the ESG report of the Company for the year ended 31 December 2021.

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

<b>Members of the ESG Committee</b>	<b>Attendance/Number of meeting(s) held during his/her term of office</b>
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 8 to the financial statements.





## Corporate Governance Report

### REMUNERATION OF SENIOR MANAGEMENT

Pursuant to Code Provision E.1.5 of Part 2 to the CG Code, the annual remunerations of the senior management for the Reporting Period are set out as follows:

<b>Range of remuneration</b>	<b>Number of senior management (Note)</b>
Nil to RMB1,000,000	4
RMB1,000,001 to RMB1,500,000	1

Note: As at the date of this annual report, the Company considers each of the executive directors, namely Mr. Fei Zhengxiang, Mr. Zheng Yuhong, Mr. Xia Guoping and Mr. Chen Junhua, and its financial controller, namely Mr. Xu Huyin, as its senior management.

### AUDITORS' REMUNERATION

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

<b>Item</b>	<b>Amount (RMB)</b>
Audit services (including annual audit)	2,050,000
Non-audit services	–
<b>Total</b>	<b>2,050,000</b>

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**") has been appointed as one of the joint company secretaries by the Board with effect from 25 March 2022.

Ms. Cao is primarily responsible for the business operations, corporate culture and matters concerning corporate governance of the Company. Ms. Lin, the other joint company secretary of the Company, 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), and is responsible for assisting Ms. Cao in her performance of duties as the joint company secretary of the Company. Ms. Lin's primary corporate contact person at the Company is Ms. Cao.

During the Reporting Period, each of Ms. Cao and Ms. Lin 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.



## Corporate Governance Report

### 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:

40/F, Dah Sing Financial Centre  
248 Queen's Road East  
Wanchai, Hong Kong





### ARTICLES OF ASSOCIATION

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

Pursuant to the authorization granted by the Shareholders in the extraordinary general meeting held on 20 March 2021, to reflect the latest situation of the Company in relation to the Company's issued Shares after the completion of the Global Offering without the exercise of the Over-allotment Option (as defined in the Prospectus), on 25 March 2022, the Board resolved to amend Articles 19 and 23 of the Articles of Association.

Further, on 25 March 2022, according to the actual situation and the operation and management needs of the Company, the Board proposed to change the Company's domicile from "1st Floor, Building 36, No. 1-42 Lane 83, Hongxiang North Road Lin-gang Special Area China (Shanghai) Pilot Free Trade Zone China" to "4th Floor, Building 35, No. 1-42 Lane 83, Hongxiang North Road Lin-gang Special Area China (Shanghai) Pilot Free Trade Zone China". Accordingly, the Board further proposed to make corresponding amendment to the Articles of Association to reflect the change in the Company's domicile. On 22 April 2022, Article 4 of the Articles of Association was amended pursuant to the approval of the Shareholders by way of a special resolution at the first extraordinary general meeting of 2022.

### 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.



## Corporate Governance Report

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.

### GOING CONCERN

As at 31 December 2022, 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



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Quarry Bay, Hong Kong

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**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 (the "**Group**") set out on pages 6 to 91, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, 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 ("**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.





## Independent Auditor's Report

### 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Expected credit loss ("ECL") assessment of trade receivables</b> As disclosed in notes 20 to the consolidated financial statements, the trade receivables carried at RMB288,262,000, with allowance of RMB36,970,000 as at 31 December 2022.	Our procedures in relation to the ECL assessment of trade receivables included: <ol style="list-style-type: none"><li>1) Understanding and evaluating the Group's processes and controls over the collection and the assessment of the recoverability of trade receivables;</li><li>2) Assessing management's basis in identifying individual trade receivable with significant balances or credit-impaired and determining allowance for credit losses for these trade receivables using historical credit history and forward-looking factors;</li><li>3) Obtaining and evaluating the management's assessment on the provision rates for trade receivables with reference to the historical payment records, public available information, credit history of the Group's customers and forward-looking factors;</li></ol>





## Independent Auditor's Report

### Key audit matter

### How our audit addressed the key audit matter

The Group uses expected credit loss to calculate the allowance for the trade receivables. Trade receivables with significant and credit-impaired balances are assessed for ECL individually. In addition, the Group uses provision matrix to calculate the ECL for the remaining trade receivables collectively. The ECL assessment of trade receivables involves management's significant judgment and estimation, such as historical payment record, forward-looking factors and any other available information that may impact the estimated expected credit losses.

Relevant disclosures are included in notes 3 and 20 to the consolidated financial statements.

- 4) Testing the accuracy and completeness of the data used by the management to develop the historical default rates and forward-looking factors and assessing the sufficiency, reliability and relevance of that data;
- 5) Testing on a sample basis the accuracy of aging categories of trade receivables based on relevant invoices;
- 6) Testing subsequent settlements of trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors;
- 7) Evaluating the disclosures regarding the ECL of trade receivables to the consolidated financial statements.

### Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 the directors 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 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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 HKSAAs, we exercise professional judgement and maintain professional scepticism 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Ho Wai Ling.

### **Ernst & Young**

*Certified Public Accountants*

Hong Kong  
17 March 2023



# Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	5	<b>1,561,317</b>	1,356,082
Cost of sales		(1,023,447)	(895,923)
<b>Gross profit</b>		<b>537,870</b>	460,159
Other income and gains	5	34,300	25,958
Selling and distribution expenses		(69,886)	(76,235)
Administrative expenses		(154,828)	(145,775)
Impairment loss of financial assets		(7,263)	(4,701)
Other expenses		(33,120)	(8,461)
Finance costs	7	(25,741)	(34,954)
Share of profits or losses of:			
A joint venture		(30)	(192)
An associate		237	(697)
<b>PROFIT BEFORE TAX</b>	6	<b>281,539</b>	215,102
Income tax expense	10	(32,973)	(31,580)
<b>PROFIT FOR THE YEAR</b>		<b>248,566</b>	183,522
Attributable to:			
Owners of the parent		248,566	183,522
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	12	<b>RMB0.58</b>	RMB0.59



# Consolidated Statement of Comprehensive Income

Year ended 31 December 2022



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

# Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	402,733	333,373
Investment properties	14	16,852	18,184
Right-of-use assets	15	8,551	8,414
Other intangible assets	16	309	543
Investment in a joint venture	17	2,299	2,329
Investment in an associate	18	60,230	11,875
Long-term prepayments	21	5,750	11,479
Deferred tax assets	28	28,460	27,026
<b>Total non-current assets</b>		<b>525,184</b>	413,223
<b>CURRENT ASSETS</b>			
Inventories	19	533,244	408,914
Trade and bills receivables	20	251,292	212,645
Due from related parties	37	2	56
Prepayments, deposits and other receivables	21	26,769	41,170
Financial assets at fair value through profit or loss	22	116,523	145,505
Cash and cash equivalents	23	335,618	589,836
<b>Total current assets</b>		<b>1,263,448</b>	1,398,126
<b>CURRENT LIABILITIES</b>			
Trade payables	24	94,132	78,958
Other payables and accruals	25	135,783	142,712
Derivative financial instruments	26	–	517
Interest-bearing bank and other borrowings	27	172,430	285,042
Lease liabilities	15	1,750	1,379
Due to related parties	37	214	–
Tax payable		17,317	17,464
<b>Total current liabilities</b>		<b>421,626</b>	526,072
<b>NET CURRENT ASSETS</b>		<b>841,822</b>	872,054
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,367,006</b>	1,285,277



## Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	27	180,000	311,623
Defined benefit obligations	29	10,435	10,017
Lease liabilities	15	901	1,187
Deferred tax liabilities	28	18,457	11,383
Deferred income	30	11,599	13,669
Total non-current liabilities		221,392	347,879
<b>NET ASSETS</b>			
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	31	426,600	426,600
Reserves	32	719,014	510,798
<b>TOTAL EQUITY</b>		<b>1,145,614</b>	<b>937,398</b>

# Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent						
	Share capital RMB'000 Note 31	Paid-in capital RMB'000	Share premium* RMB'000 Note 32	Statutory surplus reserves* RMB'000 Note 32	Exchange fluctuation reserve* RMB'000 Note 32	Retained profits* RMB'000	Total RMB'000
As at 1 January 2021	-	305,000	-	31,639	3,627	164,268	504,534
Profit for the year	-	-	-	-	-	183,522	183,522
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	-	-	-	-	(16,368)	-	(16,368)
Total comprehensive income for the year	-	-	-	-	(16,368)	183,522	167,154
Effect on conversion into a joint stock company	305,000	(305,000)	(6,835)	-	-	6,835	-
Issuance of H shares upon listing on the Hong Kong Stock Exchange	121,600	-	293,560	-	-	-	415,160
Dividend paid to the then equity holder of the subsidiaries	-	-	-	-	-	(149,450)	(149,450)
Appropriations to statutory surplus reserves	-	-	-	40,742	-	(40,742)	-
As at 31 December 2021	426,600	-	286,725	72,381	(12,741)	164,433	937,398



## Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent						
	Share capital RMB'000 Note 31	Paid-in capital RMB'000	Share premium* RMB'000 Note 32	Statutory surplus reserves* RMB'000 Note 32	Exchange fluctuation reserve* RMB'000 Note 32	Retained profits* RMB'000	Total RMB'000
As 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 loss for the year:							
Exchange differences on translation of foreign operations	-	-	-	-	(4,089)	-	(4,089)
Total comprehensive income for the year	-	-	-	-	(4,089)	248,566	244,477
Dividend paid to the then equity holder of the subsidiaries	-	-	-	-	-	(36,261)	(36,261)
Appropriations to statutory surplus reserves	-	-	-	31,058	-	(31,058)	-
As at 31 December 2022	426,600	-	286,725	103,439	(16,830)	345,680	1,145,614

\* These reserve accounts comprised the consolidated reserves of RMB719,014,000 (2021: RMB510,798,000) in the consolidated statements of financial position.



# Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		281,539	215,102
Adjustments for:			
Depreciation of property, plant and equipment	6,13	44,427	43,418
Depreciation of investment properties	6,14	1,332	1,332
Depreciation of right-of-use assets	6,15(a)	1,671	1,632
Amortisation of intangible assets	6,16	263	452
Deferred income recognised in profit or loss	5,30	(2,418)	(2,237)
Share of losses of a joint venture		30	192
Share of (gains)/losses of an associate		(237)	697
Loss on disposal of items of property, plant and equipment		3,992	380
Loss/(gain) on financial assets at fair value through profit or loss		26,942	(2,938)
Impairment of financial assets	6	7,263	4,701
Write-down of inventories to net realisable value	6	3,105	9,402
Gain on derivative financial instruments	5,6	(517)	(1,844)
Finance costs	7	25,741	34,954
Bank interest income	5	(2,425)	(275)
		<b>390,708</b>	<b>304,968</b>
Increase in inventories		(129,787)	(32,404)
(Increase)/decrease in trade and bills receivables		(51,674)	10,728
Decrease in amounts due from related parties		54	73
Decrease/(increase) in prepayments, deposits and other receivables		18,766	(21,669)
Increase in financial assets at fair value through profit and loss		–	(142,567)
Increase in long-term prepayments		–	(9,991)
Increase/(decrease) in trade payables		15,016	(4,057)
(Decrease)/increase in other payables and accruals		(7,143)	7,285
Increase/(decrease) in defined benefit obligations		681	(1,326)
Increase in contract liabilities		667	6,375
Increase in amounts due to related parties		214	–
		<b>237,502</b>	<b>117,415</b>
<b>Cash generated from operations</b>		<b>237,502</b>	<b>117,415</b>
Interest received		2,425	275
Interest paid		(26,890)	(37,242)
Tax paid		(27,921)	(22,171)
		<b>185,116</b>	<b>58,277</b>
<b>Net cash flows from operating activities</b>		<b>185,116</b>	<b>58,277</b>





## Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in long-term prepayments		5,729	–
Purchases of items of property, plant and equipment		(119,478)	(37,646)
Proceeds from disposal of items of property, plant and equipment		771	108
Additions to other intangible assets	16	(50)	(114)
Receipt of government grants for property, plant and equipment		348	3,471
Decrease in financial assets at fair value through profit and loss		2,040	–
Investments in an associate		(48,118)	–
Advances to related parties	37	–	(12,760)
Receipt of advances from related parties	37	–	187,383
Loan to a third party		–	(11,750)
Repayment of loans from a third party		–	11,750
<b>Net cash flows (used in)/from investing activities</b>		<b>(158,758)</b>	140,442
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of H shares		–	442,098
Payment of issue expense		–	(26,938)
New bank loans		134,923	205,866
Repayment of bank loans and other borrowings		(377,980)	(281,131)
Principal portion of lease liabilities	15(b)	(1,684)	(1,178)
Dividends paid		(36,261)	(149,450)
<b>Net cash flows (used in)/from financing activities</b>		<b>(281,002)</b>	189,267
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(254,644)</b>	387,986
Cash and cash equivalents at beginning of year		589,836	201,850
Effect of foreign exchange rate changes, net		426	–
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>335,618</b>	589,836
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the statement of financial position		335,618	589,836



# Notes to Financial Statements

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION

Shanghai Conant Optical Co., Ltd. (the "Company") was incorporated and registered in the People's Republic of China ("PRC") on 20 June 2018. The address of the registered office is 1st Floor, Building 36, No. 1 – 42 Lane 83, Hongxiang North Road, Lin-gang Special Area China (Shanghai) Pilot Free Trade Zone, China.

During the year, the Company and its subsidiaries were principally engaged in manufacture and sale of resin spectacle lenses.

The controlling shareholder of the Group is Mr. Fei Zhengxiang (the "Controlling Shareholder").

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment and place of operations	Kind of legal entity	Nominal value of registered/ issued share capital	Percentage of equity interest attributable to the Company	Principal activities
<b>Directly held:</b>					
上海康耐特光學有限公司 Shanghai Conant Optics Co., Ltd. ("Shanghai Conant")	PRC/Mainland China/ 13 April 2011	Limited liability company	Renminbi ("RMB") 537,000,000	100%	Manufacture and sale of resin spectacle lenses
江蘇康耐特光學有限公司 Jiangsu Conant Optics Co., Ltd. ("Jiangsu Conant")	PRC/Mainland China/ 25 December 2006	Limited liability company	RMB 480,000,000	100%	Manufacture and sale of resin spectacle lenses
Asahi Lite Holdings Limited	Hong Kong/ 3 July 2013	Limited liability company	United States dollar ("US\$") 4,480,000	100%	Investments holding
Conant Lens Inc.	United States ("USA")/ 12 November 2010	Limited liability company	US\$200,000	100%	Sale of resin spectacle lenses
Conant Optics Mexico, S.A. de C.V.,	Mexico/ 4 April 2011	Limited liability company	US\$2,500,000	100%	Sale of resin spectacle lenses
<b>Indirectly held:</b>					
江蘇康耐特光學眼鏡有限公司 Jiangsu Conant Optics Eyewear Co., Ltd.	PRC/Mainland China/ 27 January 2011	Limited liability company	RMB 10,000,000	100%	Sale of resin spectacle lenses
Asahi Lite Optical Co., Ltd.	Japan/12 December 1980	Limited liability company	Japanese Yen ("JPY") 100,000,000	100%	Manufacture and sale of resin spectacle lenses
江蘇朝日光學有限公司 Jiangsu Asahi Optics Co., Ltd.	PRC/Mainland China/ 8 November 2019	Limited liability company	RMB 10,000,000	100%	Sale of resin spectacle lenses
Laboratorios y Servicios Opticos, S.A. de C.V.,	Mexico/ 24 January 2014	Limited liability company	US\$50,000	100%	Sale of resin spectacle lenses



## Notes to Financial Statements

31 December 2022

### 2.1 BASIS OF PREPARATION

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

#### Basis of consolidation

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

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

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

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





### 2.1 BASIS OF PREPARATION (Continued)

#### Basis of consolidation (Continued)

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

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

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



## Notes to Financial Statements

31 December 2022

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.





### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.





## Notes to Financial Statements

31 December 2022

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>2</sup></i>
IFRS 17	<i>Insurance Contracts<sup>1</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>1, 5</sup></i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information<sup>6</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)<sup>2, 4</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)<sup>2</sup></i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to IAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

<sup>5</sup> As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17





### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.



## Notes to Financial Statements

31 December 2022

### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.





### 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate or joint ventures is included as part of the Group's investments in associate or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.





### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair value measurement

The Group measures its unlisted investments at fair value and derivative financial instruments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.





## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.







## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	3.80 to 9.50%
Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	9.50 to 19.00%
Motor vehicles	19.00%
Electronic equipment	19.00%
Devices and equipment	9.50 to 19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each year.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.





### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment and depreciation (Continued)

Construction in progress represents a building under construction and machinery under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less any impairment loss and are depreciated on the straight-line basis over their estimated useful lives of 10 to 25 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

#### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business consolidation is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### Software

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 3 to 8 years, principally made reference to the business and financial software of the Group, which is based on the expected period of usage and economic benefits brought by the software, and is usually consistent with the time intervals of software upgrade or the agreement in the purchase contract.



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Intangible assets (other than goodwill) (Continued)

##### Trademarks

Trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years, based on the shorter of (i) the legal registered period which is 10 years of the Group's trademarks material to its business; and (ii) the period over which the trademark is expected to generate net cash inflows from the commercialisation of products.

##### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

##### Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

##### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.





### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### Group as a lessee (Continued)

###### (a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Plant and properties	2 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

###### (b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### Group as a lessee (Continued)

###### (b) Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

###### (c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (that is those leases 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 and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

##### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.





### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments and other financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.





## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments and other financial assets (Continued)

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

##### *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.





### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment of financial assets (Continued)

##### General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs





### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment of financial assets (Continued)

##### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, due to related parties, derivative financial instruments, and interest-bearing bank and other borrowings.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial liabilities (Continued)

##### *Financial liabilities at fair value through profit or loss (Continued)*

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

##### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings, trade payables, other payables and accruals, and amounts due to related parties are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

##### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.





### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and







### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Income tax (Continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue from the sale of resin spectacle lenses is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of resin spectacle lenses provide customers with volume rebates. The volume rebates give rise to variable consideration.

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.





### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue recognition (Continued)

##### *Other income*

Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

##### *Contract liabilities*

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

##### *Employee benefits*

##### *Pension scheme*

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. No forfeited contribution under the central pension scheme is available to reduce the contribution payable in future years. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

##### *Defined benefit plan*

A subsidiary of the Group incorporated in Japan operates defined benefit payment plans. Under such 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 termination. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Employee benefits (Continued)

##### *Defined benefit plan (Continued)*

Remeasurements arising from defined benefit payment plans, comprising actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “cost of sales”, “selling and distribution expenses” and “administrative expenses” in profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

#### **Borrowing costs**

All borrowing costs which do not qualified for capitalisation are expensed in the period in which they are incurred.

#### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.





### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.



## Notes to Financial Statements

31 December 2022

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Foreign currencies (Continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

#### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement 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. Further details are contained in note 27 to the financial statements.







### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty

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

#### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

#### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial 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 Financial Statements

31 December 2022

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

#### Estimation uncertainty (Continued)

##### *Provision for expected credit losses on trade receivables*

Trade receivables with significant and credit-impaired balances are assessed for ECL individually. In addition, the Group uses a provision matrix to calculate ECLs for remaining trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20.





## Notes to Financial Statements

31 December 2022

### 4. OPERATING SEGMENT INFORMATION

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

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of the resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

#### Geographical information

##### (a) Revenue from external customers

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

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



## Notes to Financial Statements

31 December 2022

### 4. OPERATING SEGMENT INFORMATION (Continued)

#### Geographical information (Continued)

##### (b) Non-current assets

	2022 RMB'000	2021 RMB'000
Mainland China	473,671	362,564
Japan	22,314	23,208
USA	670	325
Mexico	69	100
	<b>496,724</b>	<b>386,197</b>

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

#### Information about major customers

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

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	<b>1,561,317</b>	<b>1,356,082</b>



## Notes to Financial Statements

31 December 2022

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Revenue from contracts with customers

##### (a) Disaggregated revenue information

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



## Notes to Financial Statements

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### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Revenue from contracts with customers (Continued)

##### (a) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

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

##### (b) Performance obligations

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

###### *Sale of goods*

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

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

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

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



## Notes to Financial Statements

31 December 2022

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Revenue from contracts with customers (Continued)

#### (b) Performance obligations (Continued)

##### Sale of goods (Continued)

An analysis of other income and gains is as follows:

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



## Notes to Financial Statements

31 December 2022

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Revenue from contracts with customers (Continued)

##### (b) Performance obligations (Continued)

###### *Sale of goods (Continued)*

- (i) The government grants and subsidies related to income have been received principally to reward for the contribution to the local economic growth. These grants related to income are recognised in profit or loss upon receipt of these rewards. There are no unfulfilled conditions or contingencies relating to these grants.
- (ii) The Group has received certain government grants related to the investments in production bases. The grants related to assets were recognised in profit or loss over the useful lives of relevant assets. Details of these grants related to assets are set out in note 30 to the financial statements.







## Notes to Financial Statements

31 December 2022

### 6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold*		1,023,447	895,923
Depreciation of property, plant and equipment	13	44,427	43,418
Depreciation of investment properties	14	1,332	1,332
Depreciation of right-of-use assets	15(a)	1,671	1,632
Amortisation of intangible assets	16	263	452
Research and development costs		65,826	47,513
Lease payments not included in the measurement of lease liabilities	15(c)	1,762	1,860
Auditor's remuneration		2,050	2,000
Listing expenses		–	22,928
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages, salaries and other allowances		274,714	260,781
Pension scheme contributions and social welfare		83,197	58,262
		<b>357,911</b>	319,043
Foreign exchange differences, net		(13,230)	6,485
Impairment of trade receivables and other receivables	20,21	7,263	4,701
Write-down of inventories to net realisable value		3,105	9,402
Gain on derivative financial instruments		(517)	(1,844)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		146	148

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



## Notes to Financial Statements

31 December 2022

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

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

### 8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	262	200
Other emoluments:		
Salaries, allowances and benefits in kind	5,562	5,780
Pension scheme contributions	310	248
Total	<b>6,134</b>	<b>6,228</b>



## Notes to Financial Statements

31 December 2022

### 8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (Continued)

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Mr. Chen Yi	100	86
Dr. Xiao Fei	81	57
Mr. Jin Yiting	81	57
Total	262	200



## Notes to Financial Statements

31 December 2022

### 8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (Continued)

#### (b) Executive directors and non-executive directors

Ms. Zhao Xiaoyun was appointed as a non-executive director of the Company with effect from 16 December 2022.

2022	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:			
– Mr. Fei Zhengxiang	1,287	65	1,352
– Mr. Xia Guoping	908	–	908
– Mr. Zheng Yuhong	899	65	964
– Mr. Chen Junhua	534	65	599
	<b>3,628</b>	<b>195</b>	<b>3,823</b>
Non-executive directors:			
– Dr. Takamatsu Ken	452	–	452
– Ms. Zhao Xiaoyun	–	–	–
	<b>452</b>	<b>–</b>	<b>452</b>
2021	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:			
– Mr. Fei Zhengxiang	1,160	58	1,218
– Mr. Zheng Yuhong	769	58	827
– Mr. Xia Guoping	797	–	797
– Mr. Chen Junhua	609	58	667
	<b>3,335</b>	<b>174</b>	<b>3,509</b>
Non-executive director:			
– Dr. Takamatsu Ken	570	–	570



## Notes to Financial Statements

31 December 2022

### 8. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (Continued)

#### (c) Supervisors

Mr. Zhang Huixiang resigned from the position of supervisor of the Company and Mr. Wang Chuanbao was appointed as a supervisor of the Company with effect from 22 April 2022.

2022	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Supervisors:			
– Mr. Zhang Huixiang	–	–	–
– Mr. Wang Chuanbao	716	33	749
– Mr. Xu Jingming	639	65	704
– Mr. Tang Baohua	127	17	144
	<b>1,482</b>	<b>115</b>	<b>1,597</b>

2021	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Supervisors:			
– Mr. Fan Senxin	614	–	614
– Mr. Zhang Huixiang	579	–	579
– Mr. Xu Jingming	543	58	601
– Mr. Tang Baohua	139	16	155
	<b>1,875</b>	<b>74</b>	<b>1,949</b>

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



## Notes to Financial Statements

31 December 2022

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include 3 directors (2021: 3 directors and 1 supervisor), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining 2 (2021: 1) highest paid employees who are not a director, chief executive or a supervisor of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,821	601
Pension scheme contributions	113	20
	1,934	621

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2022 RMB'000	2021 RMB'000
RMB500,001 to RMB1,000,000	2	1

### 10. INCOME TAX

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

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



## Notes to Financial Statements

31 December 2022

### 10. INCOME TAX (Continued)

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

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

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

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

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

	2022 RMB'000	2021 RMB'000
Current – Mainland China	19,281	18,979
Current – Japan	5,355	4,151
Current – USA	2,501	2,189
Current – Hong Kong	637	535
Current – Mexico	–	–
Deferred tax expense (note 28)	5,199	5,726
Total tax charge for the year	32,973	31,580





## Notes to Financial Statements

31 December 2022

### 10. INCOME TAX (Continued)

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

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



## Notes to Financial Statements

31 December 2022

### 11. DIVIDENDS

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

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

### 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 426,600,000 (2021: 309,997,260) in issue during the year.

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



## Notes to Financial Statements

31 December 2022

### 13. PROPERTY, PLANT AND EQUIPMENT

31 December 2022	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
At 1 January 2022								
Cost	220,679	12,141	318,438	11,845	24,589	19,422	-	607,114
Accumulated depreciation	(79,278)	(6,770)	(150,435)	(9,816)	(16,859)	(10,230)	-	(273,388)
Impairment	(10)	-	(343)	-	-	-	-	(353)
Net carrying amount	141,391	5,371	167,660	2,029	7,730	9,192	-	333,373
At 1 January 2022, net of accumulated depreciation and impairment	141,391	5,371	167,660	2,029	7,730	9,192	-	333,373
Additions	31	280	87,682	1,551	5,093	4,301	20,659	119,597
Construction in progress transferred into fixed assets	15,184	-	3,768	-	1,707	-	(20,659)	-
Disposals	(16)	-	(4,507)	(50)	(53)	(137)	-	(4,763)
Depreciation provided for the year	(9,938)	(665)	(27,919)	(744)	(2,450)	(2,711)	-	(44,427)
Exchange realignment	(369)	(201)	(415)	(5)	-	(57)	-	(1,047)
At 31 December 2022, net of accumulated depreciation and impairment	146,283	4,785	226,269	2,781	12,027	10,588	-	402,733
At 31 December 2022								
Cost	235,136	12,131	371,127	12,780	30,447	21,404	-	683,025
Accumulated depreciation	(88,843)	(7,346)	(144,742)	(9,999)	(18,420)	(10,816)	-	(280,166)
Accumulated impairment	(10)	-	(116)	-	-	-	-	(126)
Net carrying amount	146,283	4,785	226,269	2,781	12,027	10,588	-	402,733



## Notes to Financial Statements

31 December 2022

### 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2021	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
At 1 January 2021								
Cost	221,651	11,734	292,836	11,538	21,563	17,276	310	576,908
Accumulated depreciation	(69,601)	(6,081)	(126,487)	(8,354)	(14,938)	(8,766)	-	(234,227)
Impairment	(10)	-	(413)	-	-	-	-	(423)
<b>Net carrying amount</b>	<b>152,040</b>	<b>5,653</b>	<b>165,936</b>	<b>3,184</b>	<b>6,625</b>	<b>8,510</b>	<b>310</b>	<b>342,258</b>
At 1 January 2021, net of accumulated depreciation and impairment	152,040	5,653	165,936	3,184	6,625	8,510	310	342,258
Additions	39	1,136	26,074	323	3,178	3,116	3,780	37,646
Construction in progress transferred into fixed assets	208	-	3,723	-	159	-	(4,090)	-
Disposals	(4)	-	(503)	-	(23)	(39)	-	(569)
Depreciation provided for the year	(9,942)	(867)	(26,677)	(1,463)	(2,209)	(2,260)	-	(43,418)
Exchange realignment	(950)	(551)	(893)	(15)	-	(135)	-	(2,544)
At 31 December 2021, net of accumulated depreciation and impairment	141,391	5,371	167,660	2,029	7,730	9,192	-	333,373
At 31 December 2021								
Cost	220,679	12,141	318,438	11,845	24,589	19,422	-	607,114
Accumulated depreciation	(79,278)	(6,770)	(150,435)	(9,816)	(16,859)	(10,230)	-	(273,388)
Accumulated impairment	(10)	-	(343)	-	-	-	-	(353)
<b>Net carrying amount</b>	<b>141,391</b>	<b>5,371</b>	<b>167,660</b>	<b>2,029</b>	<b>7,730</b>	<b>9,192</b>	<b>-</b>	<b>333,373</b>

At 31 December 2022, certain of the the Group's property, plant and equipment with a net carrying value of RMB136,367,000 (2021: RMB170,917,000) were pledged to secure general banking facilities granted to the Group (note 27).



## Notes to Financial Statements

31 December 2022

### 14. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
As at the beginning of the year		
Cost	33,948	33,948
Accumulated depreciation	(15,764)	(14,432)
Net carrying amount at the beginning of the year	18,184	19,516
Depreciation	(1,332)	(1,332)
As at the end of the year		
Net of accumulated depreciation	16,852	18,184
Cost	33,948	33,948
Accumulated depreciation	(17,096)	(15,764)
Net carrying amount	16,852	18,184

The Group's investment properties consist of four buildings in Shanghai. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., buildings and land use rights, based on the nature, characteristics and risks of each property.

The investment properties are leased to third parties under operating leases, which the Group has determined is the highest and best use of the properties, further summary details of which are included in note 15 to the financial statements.

At 31 December 2022, the Group's investment properties with a carrying value of RMB16,852,000 (2021: RMB18,184,000) were pledged to secure general banking facilities granted to the Group (note 27).



## Notes to Financial Statements

31 December 2022

### 14. INVESTMENT PROPERTIES (Continued)

#### Fair value hierarchy

The following table illustrates the fair value measurement of the Group's investment properties are disclosed:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value disclosure for: Investment properties	-	-	107,530	107,530

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value disclosure for: Investment properties	-	-	97,780	97,780

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).



## Notes to Financial Statements

31 December 2022

### 14. INVESTMENT PROPERTIES (Continued)

#### Fair value hierarchy (Continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average	
			2022	2021
Investment properties	Income approach	Expected rental value (per square metre and per month)	<b>RMB42</b>	RMB42
		Capitalisation rate	<b>6.00%</b>	8.00%

The fair value of industrial properties is determined using 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.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the capitalisation rate would result in a significant decrease (increase) in the fair value of the investment properties.







## Notes to Financial Statements

31 December 2022

### 15. LEASES

#### The Group as a lessee

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.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Plant and properties RMB'000	Total RMB'000
As at 1 January 2021	6,037	1,518	7,555
Additions	–	2,659	2,659
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(168)	(168)
Depreciation charge	(175)	(1,457)	(1,632)
As at 31 December 2021 and 1 January 2022	<b>5,862</b>	<b>2,552</b>	<b>8,414</b>
Additions	–	<b>1,836</b>	<b>1,836</b>
Exchange realignment	–	<b>(28)</b>	<b>(28)</b>
Depreciation charge	<b>(175)</b>	<b>(1,496)</b>	<b>(1,671)</b>
As at 31 December 2022	<b>5,687</b>	<b>2,864</b>	<b>8,551</b>

At 31 December 2022, the Group's leasehold land with a carrying value of RMB5,687,000 (2021: RMB5,862,000) was pledged to secure general banking facilities granted to the Group (note 27).



## Notes to Financial Statements

31 December 2022

### 15. LEASES (Continued)

#### The Group as a lessee (Continued)

##### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	2,566	1,334
New leases	1,836	2,659
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(249)
Exchange realignment	(67)	–
Accretion of interest recognised during the year	108	128
Payments	(1,792)	(1,306)
Carrying amount at 31 December	2,651	2,566
Analysed into:		
Current portion	1,750	1,379
Non-current portion	901	1,187

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

##### (c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	108	128
Depreciation charge of right-of-use assets	1,671	1,632
Expenses relating to short-term lease	1,762	1,860
Total amount recognised in profit or loss	3,541	3,620



## Notes to Financial Statements

31 December 2022

### 15. LEASES (Continued)

#### The Group as a lessor

The Group leases its investment properties (note 14) consisting of four industrial properties in Shanghai under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB11,623,000 (2021: RMB9,992,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	12,467	11,603
After one year but within two years	13,126	12,467
After two years but within three years	5,685	13,126
After three years but within four years	–	5,685
	<b>31,278</b>	42,881



## Notes to Financial Statements

31 December 2022

### 16. OTHER INTANGIBLE ASSETS

31 December 2022	Software RMB'000	Trademarks RMB'000	Total RMB'000
Cost at 1 January 2022, net of accumulated amortisation	543	–	543
Additions	50	–	50
Exchange realignment	(21)	–	(21)
Amortisation provided during the year	(263)	–	(263)
<b>At 31 December 2022</b>	<b>309</b>	<b>–</b>	<b>309</b>
At 31 December 2022			
Cost	3,946	65	4,011
Accumulated amortisation	(3,637)	(65)	(3,702)
<b>Net carrying amount</b>	<b>309</b>	<b>–</b>	<b>309</b>
31 December 2021	Software RMB'000	Trademarks RMB'000	Total RMB'000
Cost at 1 January 2021, net of accumulated amortisation	950	–	950
Additions	114	–	114
Exchange realignment	(69)	–	(69)
Amortisation provided during the year	(452)	–	(452)
<b>At 31 December 2021</b>	<b>543</b>	<b>–</b>	<b>543</b>
At 31 December 2021			
Cost	3,975	69	4,044
Accumulated amortisation	(3,432)	(69)	(3,501)
<b>Net carrying amount</b>	<b>543</b>	<b>–</b>	<b>543</b>



## Notes to Financial Statements

31 December 2022

### 17. INVESTMENT IN A JOINT VENTURE

	2022 RMB'000	2021 RMB'000
Share of net assets	(29)	1
Loan to a joint venture	2,328	2,328
	<b>2,299</b>	2,329

The loan to a joint venture is unsecured, interest-free and repayable on demand. In the opinion of the directors, the loan is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investments in the joint venture. There was no recent history of default and past due amounts for the loan to the joint venture. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

Particulars of the Group's joint venture are as follows:

Name	Nominal value of registered share capital	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Hakone Sanmaru Co., Ltd. ("Hakone Sanmaru")	JPY15,000,000	Japan	33	33	33	Hotel management

The Group's shareholding in Hakone Sanmaru is held through a wholly-owned subsidiary of the Company.

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

	2022 RMB'000	2021 RMB'000
Share of the joint venture's loss for the year	(30)	(192)
Share of the joint venture's total comprehensive loss	(30)	(192)
Carrying amount of the Group's investment in the joint venture	<b>2,299</b>	2,329



## Notes to Financial Statements

31 December 2022

### 18. INVESTMENT IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of net assets	60,230	11,875

The Group's trade receivable and payable balances with the associate are disclosed in note 36 to the financial statements.

Particulars of the Group's associate is as follows:

Name	Nominal value of registered share capital ('000)	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Jiangsu Blue Optics Lens Co., Ltd. ("Jiangsu Blue Optics Lens")	RMB130,000	PRC/Mainland China	49	Sale of spectacle cases and frames; Non-residential real estate leasing



## Notes to Financial Statements

31 December 2022

### 18. INVESTMENT IN AN ASSOCIATE (Continued)

The Group's shareholding in Jiangsu Blue Optics Lens is held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of Jiangsu Blue Optics Lens:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Current assets	67,178	2,522
Non-current assets	141,341	109,570
Current liabilities	(56,601)	(87,859)
Non-current liabilities	(29,000)	–
Net assets	122,918	24,233
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	60,230	11,875
Revenue	10,201	7,762
Profit/(loss) for the year	483	(1,422)
Total comprehensive income or loss for the year	483	(1,422)
Share of profits or losses by the Group	237	(697)





## Notes to Financial Statements

31 December 2022

### 19. INVENTORIES

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

### 20. TRADE AND BILLS RECEIVABLES

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

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

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

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



## Notes to Financial Statements

31 December 2022

### 20. TRADE AND BILLS RECEIVABLES (Continued)

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

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

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

	2022 RMB'000	2021 RMB'000
At beginning of year	44,087	59,806
Impairment losses, net (note 6)	7,216	4,241
Exchange realignment	1,879	–
Amount written off as uncollectible	(16,212)	(19,960)
At end of year	<b>36,970</b>	<b>44,087</b>

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

- Increase in the loss allowance of RMB7,216,000 as a result of an increase in trade receivables which were past due (2021: RMB4,241,000); and
- Decrease in the loss allowance of RMB16,212,000 (2021: RMB19,960,000) as a result of the write-off of certain trade receivables.



## Notes to Financial Statements

31 December 2022

### 20. TRADE AND BILLS RECEIVABLES (Continued)

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

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

As at 31 December 2022

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

As at 31 December 2021

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



## Notes to Financial Statements

31 December 2022

### 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Current portion:		
Prepayments to suppliers	6,027	20,802
Other prepayments	4,485	4,045
Other tax recoverable	14,245	11,742
Deposits and other receivables	2,378	4,900
Impairment allowance	(366)	(319)
	26,769	41,170
Non-current portion:		
Prepayment for property, plant and equipment	5,750	11,479

The financial assets included in the above balances relate to receivables are non-interest-bearing, unsecured and repayable on demand.

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

	2022 RMB'000	2021 RMB'000
At beginning of year	319	–
Impairment losses recognised (note 6)	47	460
Amount written off as uncollectible	–	(141)
At the end of year	366	319

The information about the credit risk exposure on the Group's financial assets included in prepayments, other receivables and other assets is disclosed in note 39 to the financial statements.



## Notes to Financial Statements

31 December 2022

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Listed equity investments, at fair value	45,155	–
Other unlisted investments, at fair value	71,368	145,505
	<b>116,523</b>	145,505

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

### 23. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	335,618	589,836

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB221,835,000 (2021: RMB78,994,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.



## Notes to Financial Statements

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### 24. TRADE PAYABLES

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

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

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

### 25. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Payroll and welfare payable		84,900	84,943
Contract liabilities	(1)	23,152	22,485
Deposits received and other payables	(2)	17,401	19,286
Other current liabilities	(3)	1,436	5,351
Tax payable other than income tax		5,926	8,062
Receipts in advance from customers		2,968	2,585
		<b>135,783</b>	<b>142,712</b>



## Notes to Financial Statements

31 December 2022

### 25. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

- (1) Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Short-term advances received from customers		
Sale of goods	23,152	22,485

Contract liabilities include short-term advances received to deliver industrial products. The increase in contract liabilities during the year is mainly due to the increase in short-term advances received from customers in relation to the sales of resin spectacle lenses.

- (2) Deposits received and other payables were related to reimbursements payable to employees, rental deposits received and payables in respect of various expenses. The above balances are unsecured, non-interest-bearing and repayable on demand.
- (3) Other current liabilities represented accrued sales commission.

### 26. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 RMB'000	2021 RMB'000
Cross-currency interest rate swaps	–	517
Current portion	–	517

The cross-currency interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. The cross-currency interest rate swaps were due in 2022.





## Notes to Financial Statements

31 December 2022

### 27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective Interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	1.48-3.65	2023	90,415	1.48-4.85	2022	173,409
Bank loans – unsecured	4.05	2023	20,000	4.20-4.25	2022	40,075
Current portion of long term bank loans – secured	5.20	2023	60,482	6.37	2022	50,679
Current portion of other loans – secured	-	-	-	6.05	2022	18,113
Current portion of other loans – unsecured	0.21	2023	1,533	0.21	2022	2,766
			<b>172,430</b>			<b>285,042</b>
<b>Non-current</b>						
Bank loans – secured	5.20	2023-2026	180,000	6.37	2023-2026	310,000
Other loans – unsecured	-	-	-	0.21	2023	1,623
			<b>180,000</b>			<b>311,623</b>
			<b>352,430</b>			<b>596,665</b>



## Notes to Financial Statements

31 December 2022

### 27. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

#### Bank and other borrowings

	2022 RMB'000	2021 RMB'000
Analysed into:		
Repayable within one year	172,430	285,042
Repayable in the second year	70,000	131,623
Repayable in three to five years	110,000	180,000
	<b>352,430</b>	<b>596,665</b>

#### Notes:

- (a) Except for the bank and other loans amounting to RMB6,769,000 (2021: RMB9,930,000), which are denominated in JPY, all the Group's bank and other borrowings are denominated in RMB.
- (b) Certain of the Group's bank and other loans are secured by:
- (i) mortgages over the Group's investment properties situated in Mainland China, which had aggregate carrying values at the end of the reporting period of RMB16,852,000 (2021: RMB18,184,000);
  - (ii) mortgages over the Group's property, plant and equipment, which had aggregate carrying values at the end of the reporting period of RMB136,367,000 (2021: RMB170,917,000); and
  - (iii) mortgages over the Group's leasehold land, which had aggregate carrying values at the end of the reporting period of RMB5,687,000 (2021: RMB5,862,000);
- (c) The Company has pledged the equity interests in certain of its subsidiaries to secure the Company's bank loans of RMB240,483,000 as at 31 December 2022 (2021: Nil).
- (d) The Group's other loan amounting to RMB1,533,000 (2021: RMB4,389,000) as at the end of the reporting period, which is from a public corporation wholly owned by the Japanese government, is unsecured, bears interest at 0.21% per annum and is repayable by 36 monthly equal instalments commencing on 31 July 2020.



## Notes to Financial Statements

31 December 2022

### 28. DEFERRED TAXES

The movements in deferred tax liabilities and assets during the year are as follows:

#### Deferred tax liabilities

	2022			
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2022	18,121	76	3,330	21,527
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	9,695	(76)	128	9,747
Exchange realignment	(67)	-	-	(67)
Gross deferred tax liabilities at 31 December 2022	27,749	-	3,458	31,207

#### Deferred tax assets

	2022									
	Impairment of financial assets RMB'000	Provision for inventories RMB'000	Impairment of property, plant and equipment RMB'000	Government grants RMB'000	Unrealised profits 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 fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2022	8,125	1,257	52	2,268	1,662	10,131	13,598	77	-	37,170
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(2,989)	269	(34)	(318)	(1,022)	2,075	(430)	(77)	7,074	4,548
Exchange realignment	(6)	(41)	-	(21)	-	(88)	(352)	-	-	(508)
Gross deferred tax assets at 31 December 2022	5,130	1,485	18	1,929	640	12,118	12,816	-	7,074	41,210



## Notes to Financial Statements

31 December 2022

### 28. DEFERRED TAX (Continued)

#### Deferred tax liabilities

	2021			
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2021	16,315	–	2,867	19,182
Deferred tax charged to the statement of profit or loss during the year (note 10)	1,961	76	463	2,500
Exchange realignment	(155)	–	–	(155)
Gross deferred tax liabilities at 31 December 2021	18,121	76	3,330	21,527

#### Deferred tax assets

	2021								
	Impairment of financial assets RMB'000	Provision for inventories RMB'000	Impairment of property, plant and equipment RMB'000	Government grants RMB'000	Unrealised profits 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	Total RMB'000
At 1 January 2021	12,931	1,110	63	2,135	2,352	9,014	14,169	354	42,128
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	(4,806)	267	(11)	190	(690)	1,821	280	(277)	(3,226)
Exchange realignment	–	(120)	–	(57)	–	(704)	(851)	–	(1,732)
Gross deferred tax assets at 31 December 2021	8,125	1,257	52	2,268	1,662	10,131	13,598	77	37,170



## Notes to Financial Statements

31 December 2022

### 28. DEFERRED TAX (Continued)

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

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	28,460	27,026
Net deferred tax liabilities recognised in the consolidated statement of financial position	(18,457)	(11,383)
	10,003	15,643

The Group has accumulated tax losses arising in Mexico of RMB8,099,000 as at 31 December 2022 (2021: RMB7,574,000), which are available for offsetting against future taxable profits in one to ten years. The Group has accumulated tax losses arising in Hong Kong of RMB3,467,000 as at 31 December 2022 (2021: RMB1,455,000), which are available for offsetting against future taxable profits in one to ten years. The Group has accumulated tax losses arising in China of RMB745,000 as at 31 December 2022 (2021: nil), which are available for offsetting against future taxable profits in one to ten years.

Deferred tax assets have not been recognised in respect of the above tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.



## Notes to Financial Statements

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### 28. DEFERRED TAX (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2022 RMB'000	2021 RMB'000
Tax losses	12,311	9,029
Deductible temporary differences	14,944	14,439
	<b>27,255</b>	<b>23,468</b>

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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 distributed by the subsidiary established in Japan.

Pursuant to the United States of America Corporate Income Tax Law, a 7.5% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in USA. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in USA.

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in USA. In the opinion of the directors of the Company, the Group's fund will be retained in 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. The aggregate amounts of temporary differences associated with investments in subsidiaries in USA for which deferred tax liabilities have not been recognised amounted to approximately RMB28,207,000 and (2021: RMB19,488,000).

## 29. DEFINED BENEFIT OBLIGATIONS

	2022 RMB'000	2021 RMB'000
Termination benefit plans	<b>10,435</b>	10,017

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.

These plans are exposed to interest rate risk.

The actuarial valuations of the present value of the defined benefit obligations were carried out by Shanghai PG Advisory Co., Ltd., a member of the actuarial society of China, using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2022	2021
Discount rate (%)	<b>0.3%</b>	0.3%
Expected rate of salary increases (%)	<b>0%</b>	0%
Expected rate of voluntary separation (%)	<b>3%</b>	3%
Expected rate of passive separation (%)	<b>0.5%</b>	0.5%





## Notes to Financial Statements

31 December 2022

### 29. DEFINED BENEFIT OBLIGATIONS (Continued)

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting periods is as shown below:

	2022 RMB'000	2021 RMB'000
Discount rate		
0.5% increase	(416)	(392)
0.5% decrease	447	420
Expected rate of salary increases		
1% increase	920	866
1% decrease	(815)	(766)
Expected rate of voluntary separation		
1% increase	(115)	(104)
1% decrease	129	116
Expected rate of passive separation		
1% increase	72	71
1% decrease	(81)	(80)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation from one another.



## Notes to Financial Statements

31 December 2022

### 29. DEFINED BENEFIT OBLIGATIONS (Continued)

The total expenses recognised in profit or loss in respect of the plans are as follows:

	2022 RMB'000	2021 RMB'000
Current service cost	1,050	(158)
Recognised in cost of sales	673	1,628
Recognised in administrative expenses	40	(2,170)
Recognised in selling and distribution expenses	337	384
Interest cost	29	52
Net benefit expenses	1,079	(106)

The movements in the present value of the defined benefit obligations are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	10,017	13,046
Current service cost	1,050	(158)
Interest cost	29	52
Benefits paid	(369)	(1,169)
Exchange differences on a foreign plan	(292)	(1,754)
At 31 December	10,435	10,017



## Notes to Financial Statements

31 December 2022

### 30. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grants	<b>11,599</b>	13,669

The movements of government grants of the Group are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	<b>13,669</b>	12,435
Received	<b>348</b>	3,471
Recognised in other income (note 5)	<b>(2,418)</b>	(2,237)
At end of year	<b>11,599</b>	13,669

The Group received government grants for capital expenditure incurred for plant and equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

### 31. SHARE CAPITAL

#### Shares

	2022 RMB'000	2021 RMB'000
Issued and fully paid: 426,600,000 (2021: 426,600,000) ordinary shares	<b>426,600</b>	426,600



## Notes to Financial Statements

31 December 2022

### 31. SHARE CAPITAL (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2021	–	–
Effect on conversion into a joint stock company (i)	305,000,000	305,000
Issuance of H shares upon listing on the Hong Kong Stock Exchange (ii)	121,600,000	121,600
At 31 December 2021, 1 January 2022 and 31 December 2022	426,600,000	426,600

Notes:

- (i) Pursuant to the shareholders' resolution and the promoters' agreement dated 19 February 2021, shareholders of the Company agreed to convert the Company into a joint stock company with limited liability with registered capital of RMB305,000,000 (305,000,000 shares with a nominal value of RMB1.00 each). Upon completion of the registration with the Shanghai Municipal Administration for Market Regulation on 23 February 2021, the Company was renamed as Shanghai Conant Optical Co., Ltd.
- (ii) On 16 December 2021, upon its listing on the Hong Kong Stock Exchange, the Company issued 121,600,000 new H shares with par value of RMB1.00 each at HK\$4.46 per share for a total cash consideration of HK\$542,336,000 (equivalent to approximately RMB442,098,000). The respective share capital amount was approximately RMB121,600,000 and share premium arising from the issuance was approximately RMB293,560,000 net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountants' fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB26,938,000 were treated as a deduction against the share premium arising from the issuance.



## Notes to Financial Statements

31 December 2022

### 32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 10 of the financial statements.

#### (i) Share premium

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) Statutory surplus reserves

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) Exchange fluctuation reserve

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.

### 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,836,000 (2021: RMB2,659,000) and RMB1,836,000 (2021: RMB2,659,000), respectively, in respect of lease arrangements for plant and properties.





## Notes to Financial Statements

31 December 2022

### 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (b) Changes in liabilities arising from financing activities

2022

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Due to related companies RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2022	596,665	2,566	-	599,231
Cash flows used in financing activities	(243,057)	(1,684)	-	(244,741)
New leases	-	1,836	-	1,836
Foreign exchange movement	-	(67)	-	(67)
Interest expense	25,604	108	-	25,712
Cash flows used in non-financing activities	(26,782)	(108)	214	(26,676)
At 31 December 2022	352,430	2,651	214	355,295

2021

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Due to related companies RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2021	674,270	1,334	-	675,604
Cash flows used in financing activities	(75,265)	(1,178)	-	(76,443)
New leases	-	2,659	-	2,659
Revision of a lease term arising from a change in the non-cancellable period of a lease	-	(249)	-	(249)
Interest expense	34,774	128	-	34,902
Cash flows used in non-financing activities	(37,114)	(128)	-	(37,242)
At 31 December 2021	596,665	2,566	-	599,231



## Notes to Financial Statements

31 December 2022

### 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	1,870	1,988
Within financing activities	1,684	1,178
	<b>3,554</b>	3,166

### 34. CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

### 35. COMMITMENTS

As at 31 December 2022, the Group did not have any significant commitments (2021: Nil).







## Notes to Financial Statements

31 December 2022

### 36. RELATED PARTY TRANSACTIONS

#### (1) Significant related party transactions

The following transactions were carried out with related parties during the year:

	2022 RMB'000	2021 RMB'000
Jiangsu Blue Optics Lens		
Sales of products	2,231	–
Lease payments	582	618
Spouse of Mr. Fei Zhengxiang		
Lease payments	225	215
A company controlled by a supervisor		
Advances to related parties	–	10,260
Receipt of advances to related parties	–	10,813
Mr. Fei Zhengxiang		
Advances to related parties	–	2,500
Receipt of advances to related parties	–	176,570

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.



## Notes to Financial Statements

31 December 2022

### 36. RELATED PARTY TRANSACTIONS (Continued)

#### (2) Outstanding balances with related parties

	2022 RMB'000	2021 RMB'000
Due from related parties:		
Trade related:		
Jiangsu Blue Optics Lens	2	56
Due to related parties:		
Trade related:		
Jiangsu Blue Optics Lens	214	–

The balances with related parties of the Group were unsecured, non-interest-bearing and repayable on demand. Details of the Group's trade balances with its joint venture and associate as at the end of the reporting period are disclosed in notes 20 to the financial statements.



## Notes to Financial Statements

31 December 2022

### 37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

#### *Financial assets*

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade and bills receivables	251,292	-	251,292
Financial assets included in prepayments, deposits and other receivables	2,012	-	2,012
Financial assets at fair value through profit or loss	-	116,523	116,523
Due from related parties	2	-	2
Cash and cash equivalents	335,618	-	335,618
	588,924	116,523	705,447

#### *Financial liabilities*

	Financial liabilities at amortised cost RMB'000
Trade payables	94,132
Financial liabilities included in other payables and accruals	18,837
Due to related parties	214
Interest-bearing bank and other borrowings	352,430
	465,613



## Notes to Financial Statements

31 December 2022

### 37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2021

#### Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Total RMB'000
Trade and bills receivables	212,645	–	212,645
Financial assets included in prepayments, deposits and other receivables	4,581	–	4,581
Financial assets at fair value through profit or loss	–	145,505	145,505
Due from related parties	56	–	56
Cash and cash equivalents	589,836	–	589,836
	807,118	145,505	952,623

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
Trade payables	78,958	–	78,958
Financial liabilities included in other payables and accruals	24,637	–	24,637
Derivative financial instruments	–	517	517
Interest-bearing bank and other borrowings	596,665	–	596,665
	700,260	517	700,777



## Notes to Financial Statements

31 December 2022

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>				
Financial assets at FVTPL (note 22)	<b>116,523</b>	145,505	<b>116,523</b>	145,505
<b>Financial liabilities</b>				
Derivative financial instruments	–	517	–	517
Interest-bearing bank and other borrowings (note 27)	<b>352,430</b>	596,665	<b>341,151</b>	598,541
	<b>352,430</b>	597,182	<b>341,151</b>	599,058

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

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors of the Company. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.



## Notes to Financial Statements

31 December 2022

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings was assessed to be insignificant as at 31 December 2022.

The fair values of listed equity investments are based on quoted market prices.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of the financial assets at FVTPL by using a discounted cash flow valuation model based on the expected interest rate per annum of instruments with similar terms and risks.

The Group enters into derivative financial instruments with a financial institution with AAA credit ratings. Derivative financial instruments, including cross-currency interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of cross-currency interest rate swaps are the same as their fair values.





## Notes to Financial Statements

31 December 2022

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy

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

Assets measured at fair value:

*As at 31 December 2022*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVTPL	45,155	71,368	-	116,523





## Notes to Financial Statements

31 December 2022

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

#### As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVTPL	-	145,505	-	145,505

Liabilities measured at fair value:

#### As at 31 December 2022

The Group did not have any financial liabilities measured at fair value as at 31 December 2022.

#### As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	-	517	-	517

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2021: Nil).



## Notes to Financial Statements

31 December 2022

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

*As at 31 December 2022*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	-	341,151	-	341,151

*As at 31 December 2021*

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	-	599,058	-	599,058



## Notes to Financial Statements

31 December 2022

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise lease liabilities, interest-bearing borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade and bills receivables, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

As at 31 December 2022, if the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables were held constant, the profit before tax of the Group and the Group's equity, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB2,102,000 (2021: RMB3,788,000).





## Notes to Financial Statements

31 December 2022

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group does not use derivative financial instruments to hedge these foreign currency exposures.

In addition, the Group has currency exposures from its interest-bearing bank borrowings.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US\$ and HK\$ exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities in US\$ and HK\$).

	Increase/ (decrease) in US\$ rate %	Increase/ (decrease) in profit before tax RMB'000
2022		
If the RMB weakens against the US\$	(5%)	11,981
If the RMB strengthens against the US\$	5%	(11,981)
2021		
If the RMB weakens against the US\$	(5%)	4,801
If the RMB strengthens against the US\$	5%	(4,801)
If the RMB weakens against the HK\$	(5%)	21,149
If the RMB strengthens against the HK\$	5%	(21,149)



## Notes to Financial Statements

31 December 2022

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and bills receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

#### As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables*	-	-	-	288,262	288,262
Financial assets included in prepayments, deposits and other receivables					
- Normal**	2,012	-	366	-	2,378
Due from related parties	2	-	-	-	2
Cash and cash equivalents					
- Not yet past due	335,618	-	-	-	335,618
	337,632	-	366	288,262	626,260



## Notes to Financial Statements

31 December 2022

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified	
				approach RMB'000	
Trade and bills receivables*	-	-	-	256,732	256,732
Financial assets included in prepayments, deposits and other receivables					
– Normal**	4,581	-	319	-	4,900
Due from related parties	56	-	-	-	56
Cash and cash equivalents					
– Not yet past due	589,836	-	-	-	589,836
	594,473	-	319	256,732	851,524

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

\*\* The credit quality of the financial assets included in other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.



## Notes to Financial Statements

31 December 2022

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

#### Group

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
2022					
Trade payables	94,132	–	–	–	94,132
Other payables	18,837	–	–	–	18,837
Lease liabilities	–	493	1,400	971	2,864
Due to related parties	214	–	–	–	214
Interest-bearing bank and other borrowings	–	20,149	156,285	196,473	372,907
	<b>113,183</b>	<b>20,642</b>	<b>157,685</b>	<b>197,444</b>	<b>488,954</b>
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
2021					
Trade payables	78,958	–	–	–	78,958
Other payables	24,637	–	–	–	24,637
Lease liabilities	–	411	957	1,246	2,614
Interest-bearing bank and other borrowings	–	61,690	228,914	574,976	865,580
	<b>103,595</b>	<b>62,101</b>	<b>229,871</b>	<b>576,222</b>	<b>971,789</b>





## Notes to Financial Statements

31 December 2022

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital 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 2022 and 31 December 2021.

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 contract liabilities and receipts in advance from customers, less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2022 RMB'000	2021 RMB'000
Trade payables	94,132	78,958
Other payables and accruals	109,663	117,642
Due to related parties	214	–
Interest-bearing bank and other borrowings	352,430	596,665
Less: Cash and cash equivalents	(335,618)	(589,836)
Net debt	220,821	203,429
Equity attributable to owners of the parent	1,145,614	937,398
Capital and net debt	1,366,435	1,140,827
Gearing ratio	16.2%	17.8%



## Notes to Financial Statements

31 December 2022

### 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	1,184,493	774,493
Deferred tax assets	17,113	6,313
Right-of-use assets	693	–
Total non-current assets	1,202,299	780,806
<b>CURRENT ASSETS</b>		
Trade and bills receivables	4,645	1,917
Prepayments, deposits and other receivables	10,110	110,000
Financial assets at fair value through profit or loss	45,155	–
Cash and cash equivalents	13,214	426,343
Total current assets	73,124	538,260



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31 December 2022

### 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2022 RMB'000	2021 RMB'000
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	169,407	131,641
Lease liabilities within one year	298	–
Interest-bearing bank and other borrowings	60,482	50,679
Total current liabilities	230,187	182,320
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	<b>(157,063)</b>	355,940
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,045,236</b>	1,136,746
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	352	–
Interest-bearing bank and other borrowings	180,000	310,000
Total non-current liabilities	180,352	310,000
<b>NET ASSETS</b>	<b>864,884</b>	826,746
<b>EQUITY</b>		
Share capital	426,600	426,600
Reserves	438,284	400,146
<b>TOTAL EQUITY</b>	<b>864,884</b>	826,746



## Notes to Financial Statements

31 December 2022

### 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2021	-	6,662	-	(3,182)	3,480
Profit and total comprehensive income for the year	-	-	-	252,556	252,556
Effect on conversion into a joint stock company	-	(6,835)	-	6,835	-
Issuance of H shares upon listing on the Hong Kong Stock Exchange	293,560	-	-	-	293,560
Dividends paid to the shareholders	-	-	-	(149,450)	(149,450)
Appropriations to statutory surplus reserve	-	-	24,937	(24,937)	-
As at 31 December 2021 and 1 January 2022	<b>293,560</b>	<b>(173)</b>	<b>24,937</b>	<b>81,822</b>	<b>400,146</b>
Profit and total comprehensive income for the year	-	-	-	<b>74,399</b>	<b>74,399</b>
Dividends paid to the shareholders	-	-	-	<b>(36,261)</b>	<b>(36,261)</b>
Appropriations to statutory surplus reserve	-	-	<b>7,440</b>	<b>(7,440)</b>	-
As at 31 December 2022	<b>293,560</b>	<b>(173)</b>	<b>32,377</b>	<b>112,520</b>	<b>438,284</b>

### 41. 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.

### 42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 March 2023.