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

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Conant Optical Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**") together with the audited comparative figures for the year ended 31 December 2022.

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

## HIGHLIGHTS

- Revenue for the year ended 31 December 2023 amounted to approximately RMB1,759.6 million, representing an increase of approximately 12.7% as compared with 2022.
- Gross profit for the year ended 31 December 2023 amounted to approximately RMB658.1 million, representing an increase of 22.4% as compared with 2022.
- Profit for the year attributable to owners of the parent for the year ended 31 December 2023 amounted to approximately RMB327.0 million, representing an increase of approximately 31.6% as compared with 2022.
- Earnings per share for the year ended 31 December 2023 were approximately RMB0.77, representing an increase of approximately 32.8% as compared with 2022.
- For the year ended 31 December 2023, total sales volume of our products amounted to approximately 158.8 million pieces, representing an increase of approximately 4.9% as compared with 2022.
- The Board has recommended the payment of a final dividend of RMB0.20 (tax inclusive) per share for the year ended 31 December 2023.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 3 | **1,759,641** | 1,561,317 |
| Cost of sales | | **(1,101,507)** | (1,023,447) |
| **Gross profit** | | **658,134** | 537,870 |
| Other income and gains | 3 | **48,248** | 34,300 |
| Selling and distribution expenses | | **(103,174)** | (69,886) |
| Administrative expenses | | **(174,991)** | (154,828) |
| Impairment loss of financial assets | | **(14,386)** | (7,263) |
| Other expenses | | **(6,996)** | (33,120) |
| Finance costs | 5 | **(13,649)** | (25,741) |
| Share of loss of: | | | |
| A joint venture | | **(50)** | (30) |
| An associate | | **(126)** | 237 |
| **PROFIT BEFORE TAX** | 4 | **393,010** | 281,539 |
| Income tax expense | 6 | **(65,988)** | (32,973) |
| PROFIT FOR THE YEAR | | **327,022** | 248,566 |
| Attributable to: | | | |
| Owners of the parent | | **327,022** | 248,566 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | 8 | **RMB0.77** | RMB0.58 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **PROFIT FOR THE YEAR** | **327,022** | 248,566 |
| **OTHER COMPREHENSIVE LOSS** | | |
| Other comprehensive loss that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of foreign operations | **(13,746)** | (4,089) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **313,276** | 244,477 |
| Attributable to: | | |
| Owners of the parent | **313,276** | 244,477 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **455,483** | 402,733 |
| Investment properties | | **15,520** | 16,852 |
| Right-of-use assets | | **15,053** | 8,551 |
| Other intangible assets | | **351** | 309 |
| Investment in a joint venture | | **–** | 2,299 |
| Investment in an associate | | **60,104** | 60,230 |
| Long-term prepayments | | **11,203** | 5,750 |
| Deferred tax assets | | **11,916** | 28,460 |
| Total non-current assets | | **569,630** | 525,184 |
| **CURRENT ASSETS** | | | |
| Inventories | *9* | **486,508** | 533,244 |
| Trade receivables | *10* | **291,710** | 251,292 |
| Amount due from related parties | | **–** | 2 |
| Prepayments, deposits and other receivables | | **84,944** | 26,769 |
| Financial assets at fair value through profit or loss ("FVTPL") | | **221,000** | 116,523 |
| Cash and cash equivalents | | **330,521** | 335,618 |
| Total current assets | | **1,414,683** | 1,263,448 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *11* | **126,158** | 94,132 |
| Other payables and accruals | | **137,923** | 112,631 |
| Contract liabilities | | **45,567** | 23,152 |
| Interest-bearing bank and other borrowings | | **95,247** | 172,430 |
| Lease liabilities | | **1,375** | 1,750 |
| Amount due to related parties | | **–** | 214 |
| Tax payable | | **25,431** | 17,317 |
| Total current liabilities | | **431,701** | 421,626 |
| **NET CURRENT ASSETS** | | **982,982** | 841,822 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,552,612** | 1,367,006 |

| | Notes | **2023** | 2022 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | | **110,000** | 180,000 |
| Defined benefit obligations | | **10,341** | 10,435 |
| Lease liabilities | | **8,331** | 901 |
| Deferred tax liabilities | | **20,352** | 18,457 |
| Deferred income | | **8,688** | 11,599 |
| Total non-current liabilities | | **157,712** | 221,392 |
| **NET ASSETS** | | **1,394,900** | 1,145,614 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | **426,600** | 426,600 |
| Reserves | | **968,300** | 719,014 |
| **TOTAL EQUITY** | | **1,394,900** | 1,145,614 |

# NOTES TO FINANCIAL STATEMENTS

## 1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all standards and interpretations, International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at FVTPL 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 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|---|---|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | *Insurance Contracts* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to IAS 12 | *International Tax Reform - Pillar Two model Rules* |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |

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

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

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

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance.

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

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "summary of significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance.

## 2. OPERATING SEGMENT INFORMATION

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

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

***Geographical information***

*(a) Revenue from external customers*

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

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

*(b) Non-current assets*

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

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

## 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue from contracts with customers | **1,759,641** | 1,561,317 |

**Revenue from contracts with customers**

*(a) Disaggregated revenue information*

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Type of goods or services** | | |
| Standardised lenses | **1,403,945** | 1,244,057 |
| Customised lenses | **353,522** | 303,000 |
| Others | **2,174** | 14,260 |
| | **1,759,641** | 1,561,317 |
| **Geographical markets** | | |
| Mainland China | **575,351** | 447,167 |
| Americas | **405,599** | 391,529 |
| Asia (except the Mainland China) | **378,923** | 356,602 |
| Europe | **299,901** | 289,177 |
| Oceania | **75,865** | 62,704 |
| Africa | **24,002** | 14,138 |
| Total revenue from contracts with customers | **1,759,641** | 1,561,317 |

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **1,759,641** | 1,561,317 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue recognised that was included in contract liabilities at beginning of the Reporting Period: | | |
| Sale of resin spectacle lenses | **23,152** | 20,220 |

(b) *Performance obligations*

(i) Performance obligations under the contracts entered into with the customers

Sales of goods

The Group sells resin spectacle lenses directly to the customers according to the orders of the customers and the framework contracts entered into with the customers. In respect of domestic sales, revenue will be recognised upon transfer of controlling rights of the goods to the customers, i.e. when the goods are delivered to the customers or the third-party logistic companies. For overseas sales, revenue will be recognised according to the International Commercial Terms. The normal credit period is 30 to 90 days from the day of good delivery, except for new customers where payment in advance is normally required. The transaction amounts received by the Group will be recognised as contract liabilities until the relevant obligations are performed.

Customers may be offered volume rebates under certain contracts, for which variable consideration with binding effect will be generated.

(ii) Transaction amount allocated to the remaining performance obligations under the contracts entered into with the customers

All performance obligations for the sales of resin spectacle lenses shall be fulfilled within one year. Pursuant to IFRS 15, the transaction amounts allocated to the unperformed contracts will not be disclosed.

An analysis of other income and gains is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Other income | | |
| Government grants and subsidies | **7,758** | 6,406 |
| Gross rental income from investment property operating leases | **12,073** | 11,623 |
| Bank interest income | **3,565** | 2,425 |
| Others | **3,623** | 99 |
| | **27,019** | 20,553 |
| Gains | | |
| Foreign exchange differences, net | **13,757** | 13,230 |
| Gain on derivative financial instruments | **–** | 517 |
| Gain on financial assets at FVTPL | **7,472** | – |
| | **21,229** | 13,747 |
| | **48,248** | 34,300 |

## 4. PROFIT BEFORE TAX

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold* | **1,101,507** | 1,023,447 |
| Depreciation of property, plant and equipment | **55,346** | 44,427 |
| Depreciation of right-of-use assets | **2,210** | 1,671 |
| Depreciation of investment properties | **1,332** | 1,332 |
| Amortisation of intangible assets | **223** | 263 |
| Research and development costs | **70,091** | 65,826 |
| Auditor's remuneration | **1,700** | 2,050 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages, salaries and other allowances | **303,643** | 274,714 |
| Pension scheme contributions and social welfare | **83,889** | 83,197 |
| | **387,532** | 357,911 |
| Impairment loss recognised on property, plant and equipment | **20,639** | – |
| Impairment loss recognised on investment in joint ventures | **2,249** | – |
| Loss on disposal of property, plant and equipment | **2,231** | 3,992 |
| Write-down of inventories to net realisable value | **6,462** | 3,105 |
| Gross rental income from investment properties | **12,073** | 11,623 |
| Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties | **76** | 146 |

* During the year, write-down of inventories to net realisable value of RMB6,462,000 (2022: RMB3,105,000) were included in cost of inventories sold disclosed above.

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|
| Interest on bank loans | **13,325** | 24,978 |
| Interest on other loans | **–** | 626 |
| Interest on lease liabilities | **293** | 108 |
| Interest on defined benefit obligations | **31** | 29 |
| | **13,649** | 25,741 |

## 6. INCOME TAX

Jiangsu Conant Optics Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2023, and therefore the Company is entitled to a preferential EIT rate of 15% during the year (2022: 15%). "High and New Technology Enterprise" qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Shanghai Conant Optics Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2021, and therefore the Company is entitled to a preferential EIT rate of 15% during the year (2022: 15%). "High and New Technology Enterprise" qualifications are subject to review by the relevant tax authority in the PRC for every three years.

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

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

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

According to the prevailing Mexican tax law, the subsidiaries located in Mexico were subject to federal corporate income tax at a rate of 30% (2022: 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 2023 (2022: 34.26%).

| | 2023 | 2022 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Current – Mainland China | **39,619** | 19,281 |
| Current – Japan | **5,286** | 5,355 |
| Current – United States | **2,184** | 2,501 |
| Current – Hong Kong | **664** | 637 |
| Current – Mexico | **–** | – |
| Deferred tax expense | **18,235** | 5,199 |
| Total tax charge for the year | **65,988** | 32,973 |

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:

| | 2023 | 2022 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Profit before tax | **393,010** | 281,539 |
| Tax at the statutory tax rate of 25% | **98,253** | 70,385 |
| Different tax rates for specific provinces or enacted by local authority | **(25,298)** | (24,467) |
| Adjustments in respect of current tax of previous periods | **1,358** | (1,171) |
| Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries | **(664)** | 765 |
| Profits and losses attributable to a joint venture and an associate | **44** | 30 |
| Effect of tax concessions | **–** | (4,835) |
| Expenses not deductible for tax | **653** | 296 |
| Additional deduction on research and development expenses | **(10,886)** | (9,463) |
| Temporary difference not recognised | **1,207** | 632 |
| Tax losses not recognised | **2,715** | 696 |
| Tax losses utilized previously but not recognised as deferred income tax assets | **(1,517)** | – |
| Others | **123** | 105 |
| Tax charge at the Group's effective rate | **65,988** | 32,973 |

## 7. DIVIDENDS

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

Subsequent to the end of the Reporting Period, a final dividend for the year 2023 of RMB0.20 (tax inclusive) per ordinary share, amounting to a total of RMB85,320,000, has been proposed and is subject to approval by the shareholders at the forthcoming annual general meeting. The final dividend has been proposed after the end of the Reporting Period and, therefore, has not been recognised as a liability at the end of the Reporting Period.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 426,600,000 (2022: 426,600,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2023 (2022: Nil).

## 9. INVENTORIES

| | **2023** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **186,716** | 286,387 |
| Finished goods | **281,560** | 232,646 |
| Work in progress | **18,232** | 14,211 |
| | **486,508** | 533,244 |

## 10. TRADE RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **332,997** | 288,262 |
| Impairment | **(41,287)** | (36,970) |
| | **291,710** | 251,292 |

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

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

Excluded in the Group's trade receivables are amounts due from the Group's associates (2022: RMB1,500,000).

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:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **239,999** | 214,035 |
| 3 to 6 months | **45,521** | 27,160 |
| 6 to 12 months | **5,053** | 5,986 |
| 1 to 2 years | **1,137** | 3,948 |
| 2 to 3 years | **–** | 163 |
| | **291,710** | 251,292 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **36,970** | 44,087 |
| Impairment losses recognised | **8,107** | 7,216 |
| Exchange realignment | **–** | 1,879 |
| Amount written off as uncollectible | **(3,790)** | (16,212) |
| At end of year | **41,287** | 36,970 |

The decrease (2022: decrease) in the loss allowance was due to the following significant changes in the gross carrying amount:

(a) Increase in the loss allowance of RMB8,107,000 as a result of an increase in trade receivables which were past due (2022: RMB7,216,000); and

(b) Decrease in the loss allowance of RMB3,790,000 (2022: RMB16,212,000) as a result of the write- off of certain trade receivables.

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

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

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

**As at 31 December 2023**

| | | | | **Past due** | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Current** | **less than 3 months** | **3 to 6 months** | **6 to 12 months** | **1 to 2 years** | **2 to 3 years** | **Over 3 years** | **Total** |
| Expected credit loss rate | **1.24%** | **5.53%** | **15.06%** | **19.73%** | **70.41%** | **100.00%** | **100.00%** | **12.40%** |
| Gross carrying amount (RMB'000) | **207,598** | **54,793** | **33,584** | **6,563** | **3,815** | **611** | **16,235** | **323,199** |

As at 31 December 2022

| | | | | Past due | | | | |
|---|---|---|---|---|---|---|---|---|
| | Current | less than 3 months | 3 to 6 months | 6 to 12 months | 1 to 2 years | 2 to 3 years | Over 3 years | Total* |
| Expected credit loss rate | 1.17% | 3.85% | 11.44% | 21.40% | 52.71% | 90.17% | 100.00% | 12.83% |
| Gross carrying amount (RMB'000) | 181,682 | 41,488 | 25,597 | 7,616 | 6,417 | 1,659 | 18,782 | 283,241 |

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

* The aggregate gross carrying amount RMB288,262,000 as at December 2022 was separately presented with RMB283,241,000 for collectively assessed and RMB5,021,000 for individually assessed.

## 11. TRADE PAYABLES

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **104,843** | 82,553 |
| 3 to 6 months | **18,107** | 10,739 |
| 6 to 12 months | **2,281** | 193 |
| Over 1 year | **927** | 647 |
| | **126,158** | 94,132 |

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

## BUSINESS REVIEW AND OUTLOOK

### Overview

Conant is a leading resin spectacle lens product and service provider in the PRC. With our three production bases across the world, namely the Shanghai Production Base and Jiangsu Production Base in the PRC and the Sabae Production Base in Japan, we are capable of providing our customers with standardized resin spectacle lens of various specifications, as well as customized lens with personalized, differentiated and high-end features. Our customer base includes not only internationally renowned ophthalmic optic companies, but also a large range of retailers with world-wide coverage. Leveraging on our extensive experience and our advanced technique in the spectacle lens industry, we have been providing products and services to over 90 countries across the world, including but not limited to the PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil.

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

### Outlook for 2024

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

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

Strengthening our product development capability. We consider our research and development capacity crucial to our success in business operation and market competitiveness. We intend to upgrade our research and development centre to a state-level research and development centre by scaling up our research and development centre in terms of equipment, manpower and area, which are expected to enhance our research and development capabilities and help maintain our competitiveness in the market. The Company's upgrade project on its research and development centre has been gradually planned and implemented. Moreover, the Company has been researching and developing superimposed and innovative products with different refraction index and different functions, and actively enhancing and upgrading the existing products.

Expansion of customer base in the PRC market and promotion of our brands. We plan to allocate more resources on sales and marketing. As for offline marketing, we will participate in industry exhibitions, event organisation and customer visits, and collaborate with ophthalmology service providers and retailers to boost the building of our distribution channels. We also plan to enhance our online marketing strategies by increasing our online advertising and promotion on multiple platforms and adopt new sales channel. The Company currently adopt a vigorous strategy for brand promotion to attract the attention of the market and consumers. In 2023, we actively participated in various trade fairs, organisational activities and customer visits, and we also established numerous in-hospital ophthalmology centres through active collaboration with hospital systems to provide customers with one-stop integrated ophthalmology services for diagnosis, treatment, examination and fitting. Meanwhile, hospitals are usually regarded as the authoritative institutes in ophthalmology, which would bring customers sufficient trust and confidence and in turn contribute to enhance the overall image of the brand and the products of the Company. This year, we also focus on enhancing our online marketing strategy by utilizing new marketing channels such as Douyin and WeChat mini programme to further promote the Company's brand image. Our efforts in this area have yielded positive results. In 2024, we will continue to improve our image promotion and brand enhancement in the domestic market, and strive to develop different distribution channels.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

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

We principally sell our products to customers in the PRC, other Asian countries such as India and Japan, the United States and Europe such as the Netherlands, Germany and Italy. Our sales in most geographic locations across the world increased, of which, the sales in Mainland China increased significantly to 29%, primarily attributable to an increase in the number of orders as well as the appreciation of U.S. dollar against Renminbi.

We recorded an increase in our revenue in both the standardised lens segment and customised lens segment. Revenue from standardised lens and customised lens increased by 12.9% and 16.7% in 2023 as compared to 2022, respectively. Such increases were mainly due to more orders from customers and the appreciation of U.S. dollar against Renminbi.

### Cost of Sales

Our cost of sales increased by 7.6% from RMB1,023.4 million in 2022 to RMB1,101.5 million in 2023, primarily in line with the growth of our revenue.

**Gross Profit and Gross Profit Margin**

As a result of the foregoing, our gross profit increased by 22.4% from RMB537.9 million in 2022 to RMB658.1 million in 2023. Our gross profit margin increased from 34.4% in 2022 to 37.4% in 2023. The gross profit margin of standardised lens and customised lens increased from 29.4% and 54.8% in 2022 to 31.7% and 57.6% in 2023, respectively, primarily due to (i) an increase in the number of orders: (ii) the appreciation of U.S. dollar against Renminbi; and (iii) upgrade of product structure.

**Other Income and Gains**

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

**Selling and Distribution Expenses**

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

**Administrative Expenses**

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

**Other Expenses**

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

### Impairment Loss of Financial Assets

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

### Finance Costs

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

### Income Tax Expenses

Our income tax expenses increased by 100.1% from RMB33.0 million in 2022 to RMB66.0 million in 2023, primarily due to the increase in taxable income.

### Profit for the Year

As a result of the foregoing, our profit for the year increased by 31.6% from RMB248.6 million for the year ended 31 December 2022 to RMB327.0 million for the year ended 31 December 2023.

### Capital Structure

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

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

**Liquidity and Financial Resources**

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. For the year ended 31 December 2023, we financed our operations primarily through internal resources, bank and other borrowings, and net proceeds from the global offering (the "**Global Offering**") of its H shares in connection with the listing of the H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 December 2021. Our cash and cash equivalents decreased by 1.5% from RMB335.6 million as of 31 December 2022 to RMB330.5 million as of 31 December 2023, primarily attributable to the use of net proceeds from the Global Offering received in 2021, partially offset by an increase in our net cash generated from operating activities.

Our gearing ratio, which is calculated based on the total borrowings divided by the total equity and multiplied by 100%, decreased from 30.8% as of 31 December 2022 to 14.7% as of 31 December 2023, primarily due to a decrease in interest-bearing bank and other borrowings of RMB147.2 million due to repayment of bank loans.

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

Except for the bank and other loans amounting to RMB5.0 million as of 31 December 2023 (as of 31 December 2022: RMB6.8 million), which were denominated in Japanese Yen, all the Group's bank and other borrowings as of 31 December 2023 were denominated in Renminbi. The Group mainly uses Renminbi, Japanese Yen, U.S. dollar and Hong Kong dollar to make borrowings and loans and to hold cash and cash equivalents.

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

### Capital Expenditures

Our capital expenditure increased significantly by 5.9% from RMB119.5 million in 2022 to RMB126.5 million in 2023. Our capital expenditure was used primarily for the purchase of plant and machineries and other items of fixed assets. We financed our capital expenditure primarily through our cash flow generated from operating activities, bank borrowings and the net proceeds from the Global Offering.

### Contingent Liabilities

As of 31 December 2023, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

### Pledge of Assets

As of 31 December 2023, the Group's property, plant and equipment with carrying values of RMB131.6 million (as of 31 December 2022: RMB136.4 million), investment properties with carrying values of RMB15.5 million (as of 31 December 2022: RMB16.9 million) and leasehold land with carrying values of RMB5.5 million (as of 31 December 2022: RMB5.7 million) were pledged to secure general banking facilities granted to the Group. The Company has pledged the equity interests in certain of its subsidiaries to secure the Company's bank loans of RMB180.2 million as of 31 December 2023.

### Foreign Exchange Risk and Hedging

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

**Significant Investment**

In 2023, the Group did not have any significant investment which exceeded 5% of the Group's total assets. As of 31 December 2023, the Group held financial assets at FVTPL of RMB221.0 million (as of 31 December 2022: RMB116.5 million), accounting for more than 5% of the Group's total assets as of the same date. Such financial assets included investments in various fund or wealth management products which were managed or issued by several major and reputable financial institution or commercial banks in the PRC. The value of such investments from any single financial institution or bank did not reach 5% of the Group's total assets as of 31 December 2023.

**Material Acquisitions and Future Plans for Major Investment**

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the year of 2023. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 November 2021 (the "**Prospectus**"), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

**Significant Events after the Reporting Period**

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

**Final Dividend**

The Board recommends the payment of a final dividend of RMB0.20 (tax inclusive) per ordinary share for the year ended 31 December 2023 (the"**Proposed Final Dividend**") (for the year ended 31 December 2022: RMB0.15 per share). Subject to the approval of shareholders of the Company (the "**Shareholders**") at the annual general meeting to be held on Tuesday, 4 June 2024 (the"**AGM**"), the Proposed Final Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Thursday, 20 June 2024. The Proposed Final Dividend will be declared in Renminbi and paid in Hong Kong dollars based on the average exchange rate of Renminbi against Hong Kong dollars published by the People's Bank of China five business days prior to the date of the AGM. The Proposed Final Dividend is expected to be distributed to the Shareholders no later than Friday, 2 August 2024.

## Annual General Meeting

The AGM will be held on Tuesday, 4 June 2024. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

## Closure of Register of Members

*(a) Entitlement to Attend and Vote at the AGM*

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Wednesday, 29 May 2024 to Tuesday, 4 June 2024, both days inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28 May 2024.

*(b) Entitlement to the Proposed Final Dividend*

For determining the entitlement of the Shareholders to receive the Proposed Final Dividend, the Company's register of members will be closed from Friday, 14 June 2024 to Thursday, 20 June 2024, both days inclusive, during which period no transfer of share will be registered. In order to be eligible to receive the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 June 2024.

## Company Information

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

**Employees**

As of 31 December 2023, we had a total of 2,509 employees who were based in PRC, Japan, United States and Mexico.

The ability to recruit and retain experienced and skilled labour is crucial to our business development and growth. The remuneration payable to our employees generally includes basic salaries and discretionary bonuses. The basic salaries of our employees are generally determined by the employee's rank, position, qualification, experience and performance. The discretionary bonuses are paid on an annual basis, depending on the performance of the individual staff. In order to incentivise, attract and retain our employees, we assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made. For the year ended 31 December 2023, our employee benefit expenses including Director's and chief executive's remuneration, wages, salaries and other allowances, and pension scheme contributions and social welfare amounted to approximately RMB387.5 million (for the year ended 31 December 2022: RMB357.9 million).

The Group adopted the restricted share unit scheme on 18 December 2023 (the "**2023 Share Award Scheme**"), which will provide incentive to retain and encourage the selected participants for the continual operation and development of the Group. Details of the 2023 Share Award Scheme have been disclosed in the announcement and the circular of the Company dated 27 November 2023 and 1 December 2023 respectively. For the year ended 31 December 2023, the trustee of the 2023 Share Award Scheme had not repurchased any H Share of the Company as incentive. Subsequently, from the beginning of 2024 to the date of publication of this announcement, the trustee has repurchased an aggregate of 9,000,000 H Shares from the open market of the Stock Exchange as incentives under 2023 Share Award Scheme.

**Use of Proceeds**

The Company obtained net proceeds of approximately HK$473.5 million from the Global Offering. For the change in the intended use of net proceeds as previously disclosed in the Prospectus, please refer to the announcement of the Company dated 29 November 2022 (the "**Change in Use of Proceeds Announcement**"). As of 31 December 2023, the Company has utilised approximately HK$396.3 million of the net proceeds for the intended purposes set out in the Prospectus and the Change in Use of Proceeds Announcement, accounting for 83.7% of all raised funds, and the remaining unutilised net proceeds was approximately HK$77.2 million. It is expected that the unutilised net proceeds from the Global Offering will continue to be used according to the purposes and proportions as disclosed in the Prospectus and the Change in Use of Proceeds Announcement. Details of the use of net proceeds from the Global Offering was as follows:

| **Intended use of net proceeds** | **Percentage of net proceeds** | **Net proceeds from the Global Offering** | **Actual use of net proceeds up to 31 December 2023** | **Unutilised net proceeds as of 31 December 2023** | **Expected timeline for use of unutilised net proceeds** |
|---|---|---|---|---|---|
| | | *Approximately HK$ million* | *Approximately HK$ million* | *Approximately HK$ million* | |
| Increase the Group's production capacity of the Shanghai Production Base and the Jiangsu Production Base | 46.4% | 219.7 | 176.0 | 43.7 | By the second half of 2024 |
| Strengthening the Group's research and development capability | 19.9% | 94.2 | 74.0 | 20.2 | By the second half of 2024[1] |
| Enhancing the Group's sales and marketing efforts | 2.3% | 10.9 | 2.6 | 8.3 | By the second half of 2024[2] |
| Working capital and general corporate purposes | 10.0% | 47.3 | 47.3 | – | N/A |
| Enhance the Group's production efficiency and technology in craftsmanship | 8.1% | 38.4 | 33.4 | 5.0 | By the second half of 2024 |
| Repayment of the Group's bank borrowings | 13.1% | 62.0 | 62.0 | – | N/A |
| **Total**[1] | **100.0%** | **473.5** | **396.3** | **77.2** | |

*Notes:*

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

2. The Company expects to fully utilise the remaining unutilised net proceeds for (1) strengthening the Group's research and development capability; and (2) enhancing the Group's sales and marketing efforts by the second half of 2024, representing a one-year delay in its expected timeframe. The delay is primarily due to the adjustment of its business development strategy as affected by the social, economic and environmental impacts on the macroeconomic environment in China.

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

## ROUNDING

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

## OTHER INFORMATION

### Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as its own code of governance. The Board is of the view that for the year ended 31 December 2023, the Company has complied with all the code provisions as set out in the CG Code, except for the deviation from code provision C.2.1 as explained below.

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

## Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. After making specific enquiry to all Directors, the Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 December 2023.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

## Review of Annual Results

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

The Audit Committee has reviewed this annual results announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2023 and considered this annual results announcement and that the audited consolidated financial statements have been prepared in accordance with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements and have made appropriate disclosures accordingly.

**Scope of work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

**Publication of 2023 Annual Results and Annual Report**

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.conantoptical.com.cn), and the annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders according to the manners stipulated under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

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

Hong Kong, 27 March 2024

*As at the date of this announcement, the Board comprises Mr. Fei Zhengxiang, Mr. Zheng Yuhong, Mr. Xia Guoping, Mr. Chen Junhua and Mr. Wang Chuanbao as executive Directors; Ms. Zhao Xiaoyun as non-executive Directors; and Dr. Xiao Fei, Mr. Chen Yi and Dr. Wu Ying as independent non-executive Directors.*