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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "**Board**") of directors (the "**Director(s)**") of Shanghai Conant Optical Co., Ltd. (上海康耐特光學科技集團股份有限公司) (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2022, together with comparative figures for the same period in 2021.

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

HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 amounted to approximately RMB746.6 million, representing an increase of approximately 15.2% as compared with the same period in 2021.

- Gross profit for the six months ended 30 June 2022 amounted to approximately RMB249.8 million, representing an increase of approximately 13.5% as compared with the same period in 2021.

- Profit attributable to owners of the parent for the six months ended 30 June 2022 amounted to approximately RMB118.1 million, representing an increase of approximately 41.2% as compared with the same period in 2021.

- Earnings per share for the six months ended 30 June 2022 amounted to approximately RMB0.28, representing an increase of approximately 3.7% as compared with the same period in 2021.

- For the six months ended 30 June 2022, total sales volume of our products amounted to approximately 77.2 million pieces, representing an increase of approximately 21.8% as compared with the same period in 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	*3*	**746,622**	647,960
Cost of sales		**(496,843)**	(427,913)
Gross profit		**249,779**	220,047
Other income and gains	*3*	**13,634**	11,890
Selling and distribution expenses		**(36,586)**	(38,043)
Administrative expenses		**(62,607)**	(64,348)
Impairment loss on financial assets		**(3,207)**	(3,613)
Other expenses		**(15,638)**	(5,135)
Finance costs	*5*	**(14,706)**	(17,469)
Share of losses of:			
A joint venture		**(30)**	(80)
An Associate		**160**	(741)
PROFIT BEFORE TAX	*4*	**130,799**	102,508
Income tax expense	*6*	**(12,695)**	(18,891)
PROFIT FOR THE PERIOD		**118,104**	83,617
Attributable to:			
Owners of the parent		**118,104**	83,617
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**RMB0.28**	RMB0.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
PROFIT FOR THE PERIOD	**118,104**	83,617
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(10,298)**	(10,085)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**107,806**	73,532
Attributable to:		
Owners of the parent	**107,806**	73,532

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**30 June 2022 RMB'000 (Unaudited)**	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**324,336**	333,373
Investment properties		**17,486**	18,184
Right-of-use assets		**7,913**	8,414
Other intangible assets		**338**	543
Investment in a joint venture		**2,299**	2,329
Investment in an associate		**42,035**	11,875
Long-term prepayments		**36,951**	11,479
Deferred tax assets		**20,807**	27,026
TOTAL NON-CURRENT ASSETS		**452,165**	413,223
CURRENT ASSETS			
Inventories	*9*	**402,663**	408,914
Trade and bills receivables	*10*	**261,399**	212,645
Due from related parties		**–**	56
Prepayments, deposits and other receivables		**94,944**	41,170
Financial assets at fair value through profit or loss		**126,063**	145,505
Cash and cash equivalents		**419,734**	589,836
TOTAL CURRENT ASSETS		**1,304,803**	1,398,126
CURRENT LIABILITIES			
Trade and bills payables	*11*	**88,329**	78,958
Other payables and accruals		**168,175**	142,712
Derivative financial instruments		**–**	517
Interest-bearing bank and other borrowings		**167,263**	285,042
Lease liabilities		**1,399**	1,379
Tax payable		**12,338**	17,464
TOTAL CURRENT LIABILITIES		**437,504**	526,072
NET CURRENT ASSETS		**867,299**	872,054
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,319,464**	1,285,277

	Notes	**30 June 2022** *RMB'000* ***(Unaudited)***	31 December 2021 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**280,000**	311,623
Defined benefit obligations		**10,017**	10,017
Lease liabilities		**858**	1,187
Deferred tax liabilities		**8,170**	11,383
Deferred income		**11,473**	13,669
TOTAL NON-CURRENT LIABILITIES		**310,518**	347,879
NET ASSETS		**1,008,946**	937,398
EQUITY			
Equity attributable to owners of the parent			
Paid-in capital		**–**	–
Share capital		**426,600**	426,600
Reserves		**582,346**	510,798
TOTAL EQUITY		**1,008,946**	937,398

NOTES TO FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all standards and interpretations, International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations) approved by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative instruments 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 six months ended 30 June 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).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised IFRSs for the first time for the financial statements for the six months ended 30 June 2022.

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

The nature and impact of the revised IFRSs are described below:

a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, 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, 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 while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor 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 as 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 amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2 OPERATING SEGMENT INFORMATION

The Group is principally engaged in manufacturing and sales 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

	For the six months ended 30 June			
	2022		2021	
	RMB'000	**% of total**	*RMB'000*	% of total
	(Unaudited)	**revenue**	*(Unaudited)*	revenue
Asia (except Mainland China)	**184,260**	**24.7**	153,368	23.7
Mainland China	**202,113**	**27.1**	167,228	25.8
United States	**115,915**	**15.5**	127,867	19.7
Europe	**140,491**	**18.8**	116,715	18.0
Americas (except the United States)	**74,185**	**9.9**	35,451	5.5
Africa	**7,623**	**1.0**	23,114	3.6
Oceania	**22,035**	**3.0**	24,217	3.7
	746,622	**100.0**	647,960	100.0

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

(b) Non-current assets

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Mainland China	**410,752**	362,564
Japan	**20,260**	23,208
Mexico	**85**	100
United States	**261**	325
	431,358	386,197

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

Information about major customers

For the six months ended 30 June 2022, revenue of approximately RMB101,640,000 (six months ended 30 June 2021: RMB69,385,000) 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:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue from contracts with customers	**746,622**	647,960

Disaggregated revenue information

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Type of goods or services		
Standardised lenses	**602,480**	499,024
Customised lenses	**139,482**	143,081
Others	**4,660**	5,855
	746,622	647,960
Geographical markets		
Asia (except Mainland China)	**184,260**	153,368
Mainland China	**202,113**	167,228
United States	**115,915**	127,867
Europe	**140,491**	116,715
America (except the United States)	**74,185**	35,451
Africa	**7,623**	23,114
Oceania	**22,035**	24,217
Total revenue from contracts with customers	**746,622**	647,960

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Timing of revenue recognition		
Goods transferred at a point in time	**746,622**	647,960

An analysis of other income and gains is as follows:

		For the six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
	Notes	***(Unaudited)***	*(Unaudited)*
Other income			
Government grants and subsidies			
related to income	*(i)*	**598**	2,737
related to assets	*(ii)*	**1,060**	1,048
Gross rental income from investment property operating leases		**5,451**	4,890
Bank interest income		**900**	125
Others		**616**	108
		8,625	8,908
Gains			
Fair value gain on financial assets at fair value through profit or loss		**–**	1,038
Fair value gain on derivative financial instruments		**–**	1,944
Gain on bargain purchase of investment in an associate		**5,009**	–
		5,009	2,982
		13,634	11,890

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

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

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold*	**496,843**	427,913
Depreciation of property, plant and equipment	**22,795**	22,306
Depreciation of right-of-use assets	**816**	938
Depreciation of investment properties	**698**	666
Amortisation of intangible assets	**205**	232
Research and development costs	**25,615**	20,449
Lease payments not included in the measurement of lease liabilities	**930**	486
Auditor's remuneration	**–**	236
Listing expenses	**–**	8,854
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other allowances	**138,565**	127,595
Pension scheme contributions and social welfare	**30,957**	23,524
	169,522	151,119
Foreign exchange differences, net	**(5,009)**	3,964
Fair value (gain)/loss on derivative financial instruments	**13,091**	(1,944)
Impairment of trade receivables	**3,207**	3,613
Write-down of inventories to net realisable value	**(791)**	7,683
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**76**	71

* During the six months ended 30 June 2022, employee benefit expense of RMB113,032,000 (six months ended 30 June 2021: RMB83,120,000), and write-down of inventories to net realisable value of (RMB791,000) (six months ended 30 June 2021: RMB7,683,000) were included in cost of inventories sold disclosed above.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank loans	**14,134**	16,277
Interest on other loans	**479**	1,099
Interest on lease liabilities	**64**	64
Interest on defined benefit obligations	**29**	29
	14,706	17,469

6. INCOME TAX

Jiangsu Conant was accredited as a "High and New Technology Enterprise" in 2017 and the qualification was subsequently renewed in 2020, and therefore the Company is entitled to a preferential EIT rate of 15% during the period (six months ended 30 June 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 2018 and the qualification was subsequently renewed in 2021, and therefore the Company is entitled to a preferential EIT rate of 15% during the period (six months ended 30 June 2021: 15%). "High and New Technology Enterprise" qualifications are subject to review by the relevant tax authority in the PRC for every three years.

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

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

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% (six months ended 30 June 2021: 21%) on the federal taxable income as well as Georgia's state corporate income tax at the rate of 5.75% (six months ended 30 June 2021: 5.75%) on its Georgia taxable income during the period.

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

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 six months ended 30 June 2022 (six months ended 30 June 2021: 34.26%).

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current – Mainland China	**12,203**	10,053
Current – Hong Kong	**617**	521
Current – Japan	**–**	1,620
Current – Mexico	**–**	–
Current – United States	**1,720**	994
Deferred tax expense	**(1,845)**	5,703
Total tax charge for the period	**12,695**	18,891

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:

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit before tax	**130,799**	102,508
Tax at the statutory tax rate of 25%	**32,700**	25,627
Impact of different tax rates applied to subsidiaries	**(11,427)**	(9,586)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries	**617**	536
Losses attributable to a joint venture and an associate	**(19)**	125
Income not subject to tax	**(185)**	(64)
Expenses not deductible for tax	**283**	72
Additional deduction on research and development expenses	**(3,650)**	(2,969)
Unrecognised deductible temporary differences	**69**	3,125
Tax losses not recognised	**(5,929)**	1,872
Others	**236**	153
Tax charge at the Group's effective rate	**12,695**	18,891

7. DIVIDENDS

During the six months ended 30 June 2022, a final dividend for the year 2021 of RMB0.085 (tax inclusive) per ordinary share (six months ended 30 June 2021: nil), amounting to a total of RMB36,261,000 (six months ended 30 June 2021: nil), proposed to the equity shareholders of the Company was approved at the annual general meeting held on 14 June 2022, which has been fully paid on 12 August 2022.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 426,600,000 (six months ended 30 June 2021: 305,000,000) in issue during the six months ended 30 June 2022.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

9. INVENTORIES

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Raw materials	**175,296**	184,892
Work in progress	**11,832**	10,994
Finished goods	**215,535**	213,028
	402,663	408,914

10. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	**291,969**	256,463
Bills receivables	**–**	269
Impairment	**(30,570)**	(44,087)
	261,399	212,645

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months. Most of customers has 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 sales and financial department both 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.

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:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	**239,808**	189,096
3 to 6 months	**15,826**	15,755
6 to 12 months	**3,747**	6,118
1 to 2 years	**1,218**	1,248
2 to 3 years	**800**	159
	261,399	212,376

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
At beginning of year	**44,087**	59,806
Impairment losses recognised	**3,207**	4,241
Amount written off as uncollectible	**(16,724)**	(19,960)
At the end of year	**30,570**	44,087

Bills receivable are bank acceptance bills that are unconditionally accepted by banks within the maturity period, and there is no loss allowance for impairment of bills receivable.

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 30 June 2022 (unaudited)

	Within 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	1.79%	15.11%	24.87%	73.64%	69.76%	100%	10.47%
Gross carrying amount *(RMB'000)*	244,179	18,643	4,987	4,620	2,646	16,894	291,969
Expected credit loss *(RMB'000)*	4,371	2,817	1,240	3,402	1,846	16,894	30,570

As at 31 December 2021 (audited)

	Within 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	1.95%	15.53%	21.11%	60.44%	94.22%	100.00%	17.19%
Gross carrying amount *(RMB'000)*	200,999	9,376	7,556	3,155	2,752	32,625	256,463
Expected credit loss *(RMB'000)*	3,911	1,456	1,595	1,907	2,593	32,625	44,087

11. TRADE AND BILLS PAYABLES

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

	30 June 2022 ***RMB'000*** ***(Unaudited)***	31 December 2021 *RMB'000* *(Audited)*
Within 3 months	**74,279**	68,671
3 to 6 months	**8,671**	9,732
6 to 12 months	**4,684**	190
Over 1 year	**695**	365
	88,329	78,958

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

BUSINESS REVIEW AND OUTLOOK

Overview

We are a leading resin spectacle lens manufacturer in the People Republic of China (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.

The volatile global macroeconomic environment and several new waves of COVID-19 outbreak in the PRC made the first half of 2022 challenging for businesses with international presence. However, we actively rose to these challenges and demonstrated resilience and robustness of our business in the first half of 2022. The management stayed in our Shanghai office to maintain normal operations and took proactive actions in response to the tightening of pandemic control measures, such as coordinating production plans of our Shanghai Production Base and Jiangsu Production Base and arranging the delivery of supplies from Jiangsu to Shanghai by our own logistic team, to mitigate the impact of the resurgent outbreak of COVID-19. As a result, our revenue increased by 15.2% from RMB648.0 million for the six months ended 30 June 2021 to RMB746.6 million for the six months ended 30 June 2022, and our profit increased by 41.2% from RMB83.6 million for the six months ended 30 June 2021 to RMB118.1 million for the six months ended 30 June 2022. These increases were primarily attributable to (i) the increase in our sales volume from 63.4 million pieces in the first half of 2021 to 77.2 million pieces in the first half of 2022; (ii) the increase in foreign exchange gains arising from the appreciation of U.S. dollar against Renminbi; and (iii) a decrease in finance costs due to the repayment of bank borrowings. The total production volume of our three production bases reached 84.0 million pieces in the first half of 2022, representing a 24.2% growth as compared with the same period in 2021.

Outlook

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 will purchase suitable new equipment and machineries and recruit additional staff for both bases, as well as purchase a production management software for our Shanghai Production Base.

Strengthening our product development capability. We consider our research and development capacity to be 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.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

We generate revenue primarily through the sales of our resin spectacle lenses. Our revenue increased by 15.2% from RMB648.0 million for the six months ended 30 June 2021 to RMB746.6 million for the six months ended 30 June 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 location increased in the first half of 2022 as compared to the first half of 2021, primarily attributable to the ease of adverse impact of the COVID-19 pandemic globally.

We recorded an increase in our revenue in the standardised lens segment attributable to the increase in sales volume of our products across all refractive indices. In particular, revenue from standardised lens with refractive index of 1.67 and 1.74 increased by 18.4% and 16.3% in the first half of 2022, respectively. Revenue from customized lenses slightly decreased by 2.5% in the first half of 2022, mainly due to the temporary impact of the resurgent outbreak of COVID-19 in the first half of 2022.

Cost of Sales

Our cost of sales increased by 16.1% from RMB427.9 million for the six months ended 30 June 2021 to RMB496.8 million for the six months ended 30 June 2022. This increase was primarily attributable to (i) the increase in cost of raw materials along with the increase in sales; and (ii) the increase in direct labour costs, utility costs and other manufacturing overheads in line with the increase in production volume.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 13.5% from RMB220.0 million for the six months ended 30 June 2021 to RMB249.8 million for the six months ended 30 June 2022.

The gross profit margin of our standardised lens remained relatively stable at 28.4% and 28.6% for the six months ended 30 June 2021 and 2022, respectively.

The gross profit margin of our customised lens increased from 52.7% for the six months ended 30 June 2021 to 54.2% for the six months ended 30 June 2022, primarily due to the appreciation of U.S. dollar against Renminbi.

Other Income and Gains

Our other income increased by 14.7% from RMB11.9 million for the six months ended 30 June 2021 to RMB13.6 million for the six months ended 30 June 2022, primarily due to (i) an increase in foreign exchange gains arising from the appreciation of U.S. dollar against Renminbi; and (ii) an increase in interest income on net proceeds received from the Global Offering (as defined below).

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 3.8% from RMB38.0 million for the six months ended 30 June 2021 to RMB36.6 million for the six months ended 30 June 2022, primarily due to a decrease in sales commissions to external parties for their referral of sales opportunities of RMB2.2 million.

Administrative Expenses

Our administrative expenses decreased by 2.7% from RMB64.3 million for the six months ended 30 June 2021 to RMB62.6 million for the six months ended 30 June 2022. This decrease was primarily due to a decrease in listing expenses of RMB8.9 million because we no longer incurred any listing expenses this year, partially offset by an increase in (i) research and development expenses of RMB5.2 million; and (ii) salary and staff benefits of RMB2.8 million.

Other Expenses

Our other expenses increased significantly by 204.5% from RMB5.1 million for the six months ended 30 June 2021 to RMB15.6 million for the six months ended 30 June 2022, primarily due to an increase in fair value losses on derivative financial instruments of RMB13.1 million, representing losses on changes in fair value of cross-currency interest rate swaps.

Impairment Loss on Financial Assets

Our impairment loss on financial assets decreased by 11.2% from RMB3.6 million for the six months ended 30 June 2021 to RMB3.2 million for the six months ended 30 June 2022, primarily due to the decrease in the gross amount of trade receivables as of 30 June 2022 that were aged over three months as compared to that of 30 June 2021.

Finance Costs

Our finance costs decreased by 15.8% from RMB17.5 million for the six months ended 30 June 2021 to RMB14.7 million for the six months ended 30 June 2022, primarily due to the decrease in interest on bank and other borrowings as a result of the repayment of bank and other borrowings.

Income Tax Expenses

Our income tax decreased by 32.8% from RMB18.9 million for the six months ended 30 June 2021 to RMB12.7 million for the six months ended 30 June 2022, primarily due to the increase in addition deduction on research and development expenses and the growth in profit contribution from subsidiaries subject to relatively lower income tax rates.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 41.2% from RMB83.6 million for the six months ended 30 June 2021 to RMB118.1 million for the six months ended 30 June 2022.

Capital Structure

Our total assets decreased by 3.0% from RMB1,811.3 million as of 31 December 2021 to RMB1,757.0 million as of 30 June 2022. Our total liabilities decreased by 14.4% from RMB874.0 million as of 31 December 2021 to RMB748.0 million as of 30 June 2022. Liabilities-to-assets ratio decreased from 48.2% as of 31 December 2021 to 42.6% as of 30 June 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 30 June 2022.

Liquidity and Financial Resources

The Group adopts a prudent funding and treasury policy with a view to optimize our financial position. We regularly monitor our funding requirements to support our business operations and perform ongoing liquidity review. Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. For the six months ended 30 June 2022, we financed our operations primarily through internal resources and bank and other borrowings. Our cash and cash equivalents decreased by 28.8% from RMB589.8 million as of 31 December 2021 to RMB419.7 million as of 30 June 2022, primarily attributable to (i) the repayment of bank loans using idle cash to reduce finance costs; and (ii) the utilisation of net proceeds from the Global Offering (as defined below).

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 44.3% as of 30 June 2022 as a result of a decrease in interest-bearing bank and other borrowings due to repayment of bank loans.

As of 30 June 2022, the Group had interest-bearing and other borrowings of RMB447.3 million (as of 31 December 2021: RMB596.7 million), representing 59.8% (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 30 June 2022, RMB167.3 million were repayable within one year and RMB280.0 million were repayable beyond one year. The Group's bank borrowings amounting to RMB335.6 million as of 30 June 2022 (as of 31 December 2021: RMB360.7 million) were borrowings with floating interest rates.

Except for the bank and other loans amounting to RMB7.4 million as of 30 June 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 30 June 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 30 June 2022, banking facilities of the Group totalling RMB644.0 million (as of 31 December 2021: RMB652.8 million) were utilised to the extent of RMB446.5 million (as of 31 December 2021: RMB594.8 million).

Capital Expenditures

Our capital expenditure increased by 76.8% from RMB15.1 million for the six months ended 30 June 2021 to RMB26.7 million for the six months ended 30 June 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 and bank borrowings.

Contingent Liabilities

As of 30 June 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.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

Pledge of Assets

As of 30 June 2022, the Group's property, plant and equipment with carrying values of RMB161.7 million (as of 31 December 2021: RMB170.9 million), investment properties with carrying values of RMB17.5 million (as of 31 December 2021: RMB18.2 million) and leasehold land with carrying values of RMB5.8 million (as of 31 December 2021: RMB5.9 million) were pledged to secure general banking facilities granted to the Group. As of 30 June 2022, the Group's property, plant and equipment with carrying values of RMB35.8 million (as of 31 December 2021: RMB40.1 million) were pledged to secure the Group's other loan from an independent financial corporation.

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 the first half of 2022, the Group did not have any significant investment which exceeded 5% of the Group's total assets. As of 30 June 2022, the Group held financial assets at fair value through profit or loss of RMB126.1 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 30 June 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 in the first half of 2022. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 November 2021 (the "**Prospectus**"), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Significant Events after the Reporting Period

On 12 August 2022, the Company fully paid the final dividend for the year 2021 of RMB0.085 (tax inclusive) per ordinary share (six months ended 30 June 2021: nil), amounting to a total of RMB36,261,000 (six months ended 30 June 2021: nil).

Save as disclosed above, there are no material events subsequent to 30 June 2022 which could have a material impact on our operating and financial performance as of the date of this announcement.

Company Information

The Company was incorporated in the PRC on 20 June 2018 and is a joint stock company with limited liability. The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 December 2021.

Employees

As of 30 June 2022, we had a total of 2,782 employees who were based in the 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 six months ended 30 June 2022, our employee benefit expenses including director's and chief executive's remuneration, wages salary, and other allowances amounted to approximately RMB169.5 million.

No Material Change

Since the publication of the Group's annual report for the year ended 31 December 2021 on 28 April 2022, there has been no material change to the Group's business.

Material Litigation

The Company was not involved in any material litigation or arbitration during the six months ended 30 June 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Company during the six months ended 30 June 2022.

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

Purchase, Sale or Repurchase of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2022.

Compliance with the Corporate Governance 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 Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as the basis of its corporate governance practices. Other than the deviation from code provision C.2.1 of Part 2 to the CG Code, the Company has complied with all the code provisions during the six months ended 30 June 2022.

Mr. Fei Zhengxiang 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. Given his extensive experience in management as well as the spectacle lenses industry, the Board considers that vesting the roles of the chairman of the Board and the general manager of the Company in Mr. Fei Zhengxiang 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.

Securities Transactions of Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its model code of conduct for securities transactions by the Directors and supervisors (the "**Supervisors**") of the Company. 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 six months ended 30 June 2022. 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 six months ended 30 June 2022.

Audit Committee and Review of Financial Statements

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Chen Yi (chairman of the Audit Committee, and who possesses the appropriate professional qualifications and accounting and related financial management expertise), Dr. Xiao Fei and Mr. Jin Yiting.

The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the six months ended 30 June 2022, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Future Plans and Use of Proceeds

The Company obtained net proceeds of approximately HK$473.5 million 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 on 16 December 2021. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. As of 30 June 2022, the Company has utilised approximately HK$110.8 million of the net proceeds for the intended purposes set out in the Prospectus, accounting for 23.4% of all raised funds, and the remaining unutilised net proceeds was approximately HK$362.7 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. Details of the use of net proceeds from the Global Offering was as follows:

Proposed use of net proceeds as set out in the Prospectus	Net Proceeds from the Global Offering	Actual use of net proceeds up to 30 June 2022	Unutilised net proceeds	Expected timeline for use of unutilised net 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$35.6 million	HK$184.1 million	By 2023
Strengthening the Group's research and development capability	HK$94.2 million	HK$0.7 million	HK$93.5 million	By 2023 *(Note)*
Enhancing the Group's sales and marketing efforts	HK$48.8 million	HK$0.3 million	HK$48.5 million	By 2023 *(Note)*
Working capital and general corporate purposes	HK$47.3 million	HK$44.9 million	HK$2.4 million	By 2022
Enhance the Group's production efficiency and technology in craftsmanship	HK$38.4 million	HK$4.2 million	HK$34.2 million	By 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	HK$25.1 million	–	N/A

Note: The Company expects to fully utilise the remaining unused net proceeds for (i) strengthening the Group's research and development capability; and (ii) enhancing the Group's sales and marketing efforts by 2023, representing a one-year delay in its expected timeframe. Such 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.

Publication of Interim Results Announcement and Interim Report

This interim 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 interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the above websites in due course.

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

Hong Kong, 23 August 2022

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