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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)

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the prospectus of Shanghai Conant Optical Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 November 2021 (the “**Prospectus**”) in relation to the global offering (the “**Global Offering**”), setting out the intended use of the net proceeds of the Global Offering at the time of the preparation of the Prospectus (the “**Net Proceeds**”), and the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report**”), which disclosed the use of the Net Proceeds as at 30 June 2022. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Interim Report.

USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the Net Proceeds for the following purposes:

- (1) approximately 46.4% of the Net Proceeds will be used to increase the Group’s production capacity of the Shanghai Production Base and the Jiangsu Production Base;
- (2) approximately 19.9% of the Net Proceeds will be used for strengthening the Group’s research and development capability;
- (3) approximately 10.3% of the Net Proceeds will be used for enhancing the Group’s sales and marketing efforts;
- (4) approximately 10.0% of the Net Proceeds will be used for working capital and general corporate purposes;
- (5) approximately 8.1% of the Net Proceeds will be used to enhance the Group’s production efficiency and technology in craftsmanship; and
- (6) approximately 5.3% of the Net Proceeds will be used for 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.

The Net Proceeds amounted to approximately HK\$473.5 million. As disclosed in the Interim Report, as at 30 June 2022, the Company has utilized approximately HK\$110.8 million of the Net Proceeds for the intended purposes set out in the Prospectus, accounting for 23.4% of the Net Proceeds, and the remaining unutilized Net Proceeds was approximately HK\$362.7 million.

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

As at the date of this announcement, the unutilized Net Proceeds amounted to approximately HK\$275.9 million (the “**Unutilized Net Proceeds**”). For reasons set out below in the section headed “Reasons for the Change in Use of Net Proceeds” in this announcement, the Board has resolved and approved to reallocate the Unutilized Net Proceeds on 29 November 2022. Details of the revised use and proportionate application of the Net Proceeds are set out below:

Intended use of Net Proceeds	Original percentage of Net Proceeds	Revised percentage of Net Proceeds	Net Proceeds for the planned use under revised percentage <i>Approximately HK\$ million</i>	Net Proceeds actually utilized as of the date of this announcement <i>Approximately HK\$ million</i>	Unutilized Net Proceeds as at the date of this announcement <i>Approximately HK\$ million</i>	Expected timetable for the usage of the Unutilized Net Proceeds
Increase the Group’s production capacity of the Shanghai Production Base and the Jiangsu Production Base	46.4%	46.4%	219.7	109.9	109.8	By the second half of 2023
Strengthening the Group’s research and development capability	19.9%	19.9%	94.2	6.3	87.9	By the second half of 2023 <i>(Note 2)</i>
Enhancing the Group’s sales and marketing efforts	10.3%	2.3%	10.9	0.9	10.0	By the second half of 2023 <i>(Note 2)</i>
Working capital and general corporate purposes	10.0%	10.0%	47.3	47.3	–	N/A
Enhance the Group’s production efficiency and technology in craftsmanship	8.1%	8.1%	38.4	8.1	30.3	By the second half of 2023
Repayment of the Group’s bank borrowings	5.3%	13.1%	62.0 <i>(Note 3)</i>	25.1	36.9	By the first half of 2023
Total <i>(Note 1)</i>	100%	100%	473.5	197.6	275.9	

Note 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.

Note 2: As disclosed in the Interim Report, the Company expects to fully utilize the remaining Unutilized Net Proceeds for (1) strengthening the Group’s research and development capability; and (2) enhancing the Group’s sales and marketing efforts by the second half of 2023, representing a one-year delay in its expected timeframe. The delay is primarily due to the adjustment of its business development strategy as affected by the social, economic and environmental impacts on the macroeconomic environment in China.

Note 3: The Net Proceeds for the planned use under the original percentage, being approximately HK\$25.1 million, have been fully utilized for the repayment of the Group’s bank borrowings as set out in the Prospectus.

REASONS FOR THE CHANGE IN USE OF NET PROCEEDS

As disclosed in the Prospectus, the Group intended to apply approximately 10.3% of the Net Proceeds for enhancing the Group's sales and marketing efforts, including, among other things, establishing the Group's own physical eyewear stores, and approximately 5.3% of the Net Proceeds for the repayment of the Group's bank borrowings. For the reasons set out below, the Group intends to reallocate approximately HK\$36.9 million (approximately RMB30.0 million and approximately 7.8% of the Net Proceeds) to repay the Group's bank borrowings, thus increasing the percentage of Net Proceeds to be used to repay the Group's bank borrowings to approximately 13.1%.

The impact of the COVID-19 pandemic and changes in the overall market conditions caused great impact on the retail consumer industry, which has also greatly changed the consumption patterns of customers through offline channels. The Group intended to utilize part of the Net Proceeds to open its own physical eyewear stores in order to increase the Group's sales and marketing efforts. However, as a result of the impact of COVID-19 pandemic and the aforesaid changes in the market conditions, the Group was unable to find a suitable opportunity for the original business development project.

In order to enhance the efficiency of the use of the Net Proceeds and to balance the use of the Net Proceeds in a more reasonable manner while aligning with the Company's business development needs, couple with the changes in external environmental factors, the Board has resolved to utilize approximately HK\$36.9 million (approximately RMB30.0 million and approximately 7.8% of the Net Proceeds) of the Net Proceeds to repay existing bank borrowings of the Group. The Group intends to repay a portion of the interest-bearing bank borrowings which were obtained in 2018 to finance the regrouping of the Group's entities (the "**Regrouping Loan**"). As at the date of this announcement, the outstanding amount of the Regrouping Loan is approximately RMB310.0 million (approximately HK\$381.3 million) with its maturity date in August 2026 and at a floating interest rate currently set at 5.2% per annum.

The adjustment of the use of the Net Proceeds to repay existing banking borrowings is conducive to further reduce the Group's debt-to-equity ratio and optimize the debt structure of the Group, enhancing the asset to liability ratio of the Group and thereby enhancing the cash utilization efficiency of the Group. The Board considers that the proposed changes in the allocation of the Net Proceeds are fair and reasonable and will enable the Group to meet its needs of utilizing the Net Proceeds in a more efficient and flexible manner. The Board is also of the opinion that there is no material change in the nature of the Group's business as set out in the Prospectus, and the change of use of Net Proceeds shall not have any material adverse impact on the operations of the Group and is in the interests of the Company and its shareholders as a whole.

Save as disclosed in this announcement, there are no other changes on the use of the Net Proceeds.

By order of the Board
Shanghai Conant Optical Co., Ltd.
上海康耐特光學科技集團股份有限公司

Fei Zhengxiang
Executive Director and Chairman of the Board

Hong Kong, 29 November 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.

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1.00 to HK\$1.23. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.