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

GLOBAL OFFERING

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	121,600,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	12,160,000 H Shares (subject to reallocation)
Number of International Placing Shares	:	109,440,000 H Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK$6.10 per H Share, plus brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H Share
Stock code	:	2276

Sole Sponsor

Guotai Junan Capital Limited

Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Joint Lead Managers

HTF Securities Limited

Ever-Long Securities Company Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VIII to this prospectus has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 9 December 2021 (Hong Kong time) and, in any event, not later than Wednesday, 15 December 2021 (Hong Kong time). The Offer Price will be not more than HK$6.10 per Offer Share and is currently expected to be not less than HK$4.46 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Wednesday, 15 December 2021 (Hong Kong time) between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Investors applying for Offer Shares must pay, on application, the maximum Offer Price of HK$6.10 per H Share, unless otherwise announced, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price finally determined is lower than HK$6.10 per H Share.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published at our website at **www.conantoptical.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and all of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-established companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Summary of Principal Legal and Regulatory Provisions" in Appendix V and "Summary of Articles of Association" in Appendix VI to this prospectus. Prior to making an investment decision, potential investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our H Shares commences on the Stock Exchange. For further details, please see the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Underwriting Agreement — Grounds of Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

Tuesday, 30 November 2021

IMPORTANT NOTICE TO INVESTORS
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section and our website at www.conantoptical.com.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service through the designated website **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(a) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(b) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, at 2862 8690 on the following dates:

- **Tuesday, 30 November 2021 — 9:00 a.m. to 9:00 p.m.**
- **Wednesday, 1 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Thursday, 2 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Friday, 3 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Saturday, 4 December 2021 — 9:00 a.m. to 6:00 p.m.**
- **Sunday, 5 December 2021 — 9:00 a.m. to 6:00 p.m.**
- **Monday, 6 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Tuesday, 7 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Wednesday, 8 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Thursday, 9 December 2021 — 9:00 a.m. to 12:00 noon**

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

Shanghai Conant Optical Co., Ltd.
(HK$6.10 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
500	3,080.73	9,000	55,453.23	200,000	1,232,293.94	1,500,000	9,242,204.55
1,000	6,161.47	10,000	61,614.70	250,000	1,540,367.43	2,000,000	12,322,939.40
1,500	9,242.21	20,000	123,229.39	300,000	1,848,440.91	2,500,000	15,403,674.25
2,000	12,322.94	30,000	184,844.09	350,000	2,156,514.40	3,000,000	18,484,409.10
2,500	15,403.67	40,000	246,458.79	400,000	2,464,587.88	3,500,000	21,565,143.95
3,000	18,484.41	50,000	308,073.49	450,000	2,772,661.37	4,000,000	24,645,878.80
3,500	21,565.15	60,000	369,688.18	500,000	3,080,734.85	5,000,000	30,807,348.50
4,000	24,645.88	70,000	431,302.88	600,000	3,696,881.82	6,080,000(1)	37,461,735.78
5,000	30,807.35	80,000	492,917.58	700,000	4,313,028.79		
6,000	36,968.82	90,000	554,532.27	800,000	4,929,175.76		
7,000	43,130.29	100,000	616,146.97	900,000	5,545,322.73		
8,000	49,291.76	150,000	924,220.46	1,000,000	6,161,469.70		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

*We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.conantoptical.com.cn** if there is any change in the following expected timetable of the Global Offering.*

Hong Kong Public Offering commences . . . . 9:00 a.m. on Tuesday, 30 November 2021

Latest time for completing electronic applications under the **White Form eIPO** service through the designated website www.eipo.com.hk(Note 2) .11:30 a.m. on Thursday, 9 December 2021

Application lists open(Note 3) . . . . .11:45 a.m. on Thursday, 9 December 2021

Latest time for giving **electronic application instructions** to HKSCC(Note 4) . . . . 12:00 noon on Thursday, 9 December 2021

Latest time to complete payments for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s). . . . . 12:00 noon on Thursday, 9 December 2021

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close . . . . 12:00 noon on Thursday, 9 December 2021

Expected Price Determination Date(Note 5) . . . . Thursday, 9 December 2021

Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the indications of the level of interest in the International Placing; and
- the basis of allocation of the Hong Kong Offer Shares to be published at the websites of the Stock Exchange at **www.hkexnews.hk** and our website at **www.conantoptical.com.cn** on(Note 6) . . . . Wednesday, 15 December 2021

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, or business registration numbers, where appropriate) to be available through a variety of channels. (See "How to Apply for Hong Kong Offer Shares — 11. Publication of Results") including:

(1) in the announcement to be posted on our website at **www.conantoptical.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** from . . . Wednesday, 15 December 2021

(2) Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . 8:00 a.m. on Wednesday, 15 December 2021 to 12:00 midnight on Tuesday, 21 December 2021

(3) From the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . Wednesday, 15 December 2021, Thursday, 16 December 2021, Friday, 17 December 2021 and Monday, 20 December 2021

H Share certificates in respect of wholly or partially successful applications under the Hong Kong Public Offering to be despatched/collected or deposited into CCASS on or before(Note (7) & (10)) . . Wednesday, 15 December 2021

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful if the final Offer Price is less than the price payable on application (if applicable) or wholly or partially unsuccessful applications under the Hong Kong Public Offering to be despatched/collected on or before(Notes (8), (9) & (10)) . . . . Wednesday, 15 December 2021

Dealings in H Shares on the Main Board of the Stock Exchange to commence at 9:00 a.m. on . . . Thursday, 16 December 2021

The application for the Hong Kong Offer Shares will commence from Tuesday, 30 November 2021 through to Thursday, 9 December 2021, being slightly longer than normal market practice. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, 15 December 2021. Investors should be aware that the dealings in the H Shares on the Stock Exchange are expected to commence on Thursday, 16 December 2021.

Notes:

(1) All dates and times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

(2) If you have already submitted your application and obtained application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 9 December 2021, the application lists will not open or close on that day. For further details, please refer to the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus for details.

(5) The Price Determination Date is expected to be on or about Thursday, 9 December 2021 and in any event not later than Wednesday, 15 December 2021. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Wednesday, 15 December 2021, the Global Offering will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) No temporary documents of title will be issued in respect of the Offer Shares.

(8) Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) despatched to the application payment account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

(10) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares may collect any refund cheque(s) (where applicable) and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 December 2021 or such other date as notified by us as the date of dispatch/collection of share certificates/e-refund payment instructions/refund cheque(s). Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

The H Share certificates will only become valid certificates of title provided that: (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date (which is expected to be Thursday, 16 December 2021). Investors who trade our H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares", respectively, in this prospectus.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Global Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Global Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Global Offering. Information contained on our websites, does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide whether to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Offer Shares.

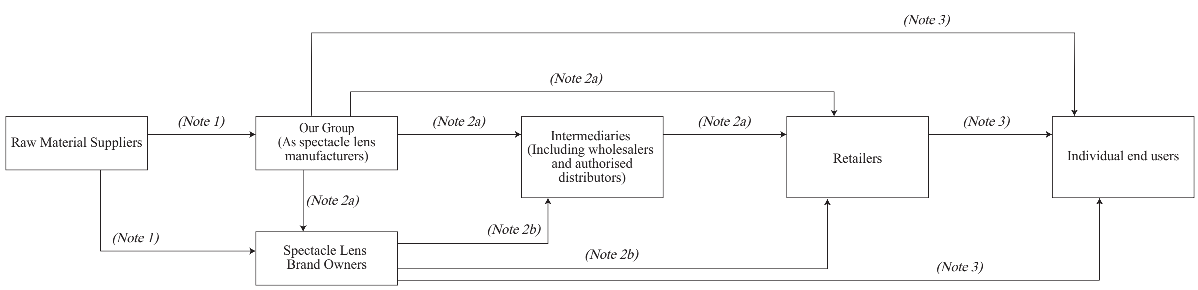
OVERVIEW

We are a leading resin spectacle lens manufacturer in the PRC with sales to over 80 countries during the Track Record Period, including but not limited to the PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil. According to the Frost & Sullivan Report, whilst glass is the traditional material for lens, in view of the much higher impact resistance of resin lens which makes it safe for wearer, resin lens accounted for approximately 95% by production value of spectacle lens in the PRC in 2020. Further, according to the Frost & Sullivan Report, the market size of resin spectacle lens in terms of production value in the PRC spectacle lens industry in 2020 was RMB11,633.3 million. In 2020, we ranked the first among resin lens manufacturers in the PRC in terms of production volume of resin spectacle lens manufacturing, with a market share of around 8.5% while the production volume of resin spectacle lens in the PRC was 1,508.7 million pieces in 2020. According to the Frost & Sullivan Report, due to the business cycle and inventory cycle of the global market, the resin lens manufacturing market in terms of total production volume in the PRC decreased from 1,598.7 million pieces in 2015 to 1,508.7 million pieces in 2020, with an overall growing trend of the total production volume of resin lens in the PRC from 2016 to 2020. We recorded an increase in our production volume for the year ended 31 December 2019 as compared with that for the year ended 31 December 2018, mainly attributable to the increase in our overall sales volume for the relevant period, while we recorded a decrease in our production volume for the year ended 31 December 2020 as compared with that for the year ended 31 December 2019, due to the decrease in our overall sales volume for the relevant period, which was mainly attributable to the decrease in our overseas sales volume of standardised lenses in 2020 which was caused by the COVID-19 pandemic. Driven by the recovery of global economy after the pandemic of COVID-19 and the increasing number of individuals with ametropia, it is expected the total production volume in the PRC to increase to 1,559.0 million pieces in 2025. The proportion of resin lens in the production volume of spectacle lens in the PRC increased from 92.3% in 2015 to 94.0% in 2020, and it is expected to increase to 95.8% in 2025. We are the largest exporter in the PRC in terms of resin spectacle lens export value in 2020 with a market share of around 7.3%. On a global scale, we ranked the ninth in terms of revenue from resin spectacle lens in 2020, with a market share of around 0.4%, and is the only group with its headquarter based in the PRC among the top ten global market players.

We offer a wide range of resin spectacle lenses to our customers including standardised lenses and customised lenses. Our products are mainly resin spectacle lenses with the refractive index of 1.499, 1.56, 1.60, 1.67 and 1.74. In addition to refractivity, our spectacle lenses are also differentiated by the following lens designs: (i) flat lens, (ii) single-vision lens, (iii) multifocal lens, and (iv) progressive lens. Our spectacle lenses may also be tinted or coated or cast with various films or coatings for added functionality, such as polarised, photochromic, blue-ray blocking, anti-scratch, anti-reflection and anti-smudge, etc.

As a result of our success in the business operation, our profit after tax was approximately RMB78.5 million, RMB111.9 million, RMB128.5 million, RMB32.5 million and RMB64.6 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021 respectively.

THE SUPPLY CHAIN OF OUR GROUP IN THE RESIN SPECTACLE LENS INDUSTRY



Notes:

1. Supply of raw materials.

2a. Sales of resin spectacle lens without engraving of brand name on the lens products.

2b. Sales of resin spectacle lens with or without engraving of brand name on the lens products depending on their respective marketing needs.

3. Sales of spectacles.

According to Frost & Sullivan, as a resin spectacle lens manufacturer, we are positioned at the midstream of the spectacle lenses value chain, our upstream are the raw material suppliers and downstream are the distributors and retailers. For details of the supply chain of the resin spectacle lens industry and the positioning of our Group, please see "Business — The supply chain of our Group in the resin spectacle lens industry" in this prospectus.

OUR BUSINESS MODEL

We principally engage in the production and sales of the standardised and customised lenses, both of which are semi-finished products requiring further processing. Customised lenses and standardised lenses (other than the lens roughcasts) would require simple further processing such as cutting the lenses and assembling the same onto spectacle frames to form spectacles. We may assist our customers to cut the lens and assemble the same to the spectacles frames as our value-added services to them. We operate mainly through ODM (original design manufacturer) business model and our customers include spectacle lens brand owners, wholesalers, authorised distributors, retailers and individual end-users. For instance, all of our sales to spectacle lens brand owners are operated through ODM business model, the customer type of which attributed a significant portion of our revenue of approximately 52.5%, 53.9%, 51.4% and 48.2% of our total revenue during the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. For all the lens products we sold to our customers (including spectacle lens brand owners, wholesalers, authorised distributors and retailers), there is no engraving of brand name on our lens products, whether it be our brand or that of our customers. Once the lens products are sold, it shall be at the discretion of our customers to determine whether such engraving is required depending on their respective marketing needs, especially the spectacle lens brand owners. In view of the business nature of other customer types (i.e. wholesalers, authorised distributors and retailers), to the best knowledge of the Directors, they normally would not engrave their brand name before reselling. In respect of the standardised lens, we have a product list with reference prices for the standardised lenses we offered to the customers who can choose products from the aforesaid list based on their needs. On the other hand, in respect of the customised lens, given that the products are manufactured based on the specifications and requirements of the customers, their prices vary in each case depending on product complexity.

The following table sets out information about our revenue, gross profit and gross profit margin by customer type for the Track Record Period:

	For the year ended 31 December												For the five months ended 31 May							
	2018				2019				2020				2020				2021			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Spectacle lens brand owners *(Note 1)*	448,554	52.5	129,693	28.9	570,510	53.9	174,872	30.7	562,664	51.4	175,465	31.2	185,837	51.0	50,632	27.2	259,072	48.2	75,796	29.3
Wholesalers *(Note 2)*	195,247	22.9	53,701	27.5	228,534	21.6	73,993	32.4	260,891	23.9	92,161	35.3	85,351	23.5	29,289	34.3	147,446	27.4	50,492	34.2
Retailers *(Note 3)*	145,633	17.1	54,679	37.6	176,420	16.7	70,667	40.1	206,778	18.9	92,505	44.7	72,143	19.8	32,613	45.2	104,763	19.5	45,884	43.8
Authorised distributors	60,469	7.1	20,623	34.1	78,838	7.4	27,331	34.7	58,679	5.4	18,750	32.0	19,676	5.4	7,035	35.8	24,354	4.5	8,712	35.8
Individual end-users *(Note 4)*	3,857	0.5	2,644	68.5	4,544	0.4	3,015	66.4	4,152	0.4	3,169	76.3	1,135	0.3	872	76.8	2,288	0.4	1,772	77.4
Total	853,760	100.0	261,341	30.6	1,058,846	100.0	349,878	33.0	1,093,164	100.0	382,051	35.0	364,142	100.0	120,441	33.1	537,923	100.0	182,656	34.0

Notes:

1. Spectacle lens brand owners include international ophthalmic optics companies.
2. Wholesalers primarily on-sell our products to other market players including retailers.
3. Retailers include eyewear stores and ophthalmology clinics.
4. Individual end-users include the customers originated from the e-commerce platforms and the retail shopfronts and on-site optometry services and spectacles sales to some corporations.

In general, the closer it is for our direct sales to the end customers down the value chain, the higher is our gross profit margin. During the Track Record Period, we generally recorded lower gross profit margin for sales to spectacle lens brand owners, wholesalers and authorised distributors which are intermediaries. We generally recorded higher gross profit margin for sales to retailers and the highest gross profit margin for sales to individual end-users.

During the Track Record Period, our gross profit margin for sales to spectacle lens brand owners remained relatively stable. We recorded in general an increasing trend in our gross profit margin for sales to wholesalers, authorised distributors, retailers and individual end-users, which was in line with the increase in our overall gross profit margin.

OUR PRODUCTS

The following table below sets out the breakdown of our revenue, our gross profit and gross profit margin by two major categories namely standardised lenses and customised lenses during the Track Record Period:

	For the year ended 31 December												For the five months ended 31 May							
	2018				2019				2020				2020				2021			
	Revenue	Revenue	Gross profit	Gross profit Margin	Revenue	Revenue	Gross profit	Gross profit Margin	Revenue	Revenue	Gross profit	Gross profit Margin	Revenue	Revenue	Gross profit	Gross profit Margin	Revenue	Revenue	Gross profit	Gross profit Margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
														(unaudited)						
Resin spectacle lenses																				
Standardised lenses	702,997	82.3	191,661	27.3	879,459	83.1	255,967	29.1	887,851	81.2	256,504	28.9	294,591	80.9	83,263	28.3	418,685	77.8	119,837	28.6
Customised lenses	139,978	16.4	65,981	47.1	168,656	15.9	88,764	52.6	197,837	18.1	120,933	61.1	66,713	18.3	36,071	54.1	116,403	21.6	61,127	52.5
Others (Note)	10,785	1.3	3,699	34.3	10,731	1.0	5,147	48.0	7,476	0.7	4,614	61.7	2,838	0.8	1,107	39.0	2,835	0.6	1,692	59.7
Total	853,760	100.0	261,341	30.6	1,058,846	100.0	349,878	33.0	1,093,164	100.0	382,051	34.9	364,142	100.0	120,441	33.1	537,923	100.0	182,656	34.0

Note: Others mainly comprised (i) sales of spectacle frames and spare parts; (ii) sales of packaging materials sold together with our lens products; and (iii) sales of spectacle lenses which we do not produce but source from third party suppliers.

Given that our lens products are equipped with various functions depending on the customers' requirement, the selling price of the lens products varies according to the functions required.

In general, the gross profit margin of our customised lens is higher than that of our standardised lens as (i) our customised lens are tailor-made for our customers based on their requirements on the specific size, shape, curvature and corrective power of the spectacle lens; and (ii) our customised lens are principally sold to individual end-users and retailers which are expected in turn to the individual end-users allowing us to have greater pricing flexibility. Besides, given that customised lenses are tailor-made in nature, the fluctuation of gross profit margin is subject to various factors including the production cost and selling price depending on the customers' requirement.

During the Track Record Period, the gross profit margin of our standardised lenses remained relatively stable, while the Group's overall gross profit margin was mainly impacted by our customised lens.

The gross profit of our customised lens decreased from 54.1% for the five months ended 31 May 2020 to 52.5% for the five months ended 31 May 2021. For instance, the gross profit margin of the customised lenses sold to Customer G, which is a retailer in the United States and top one customer for customised lens for the five months ended 31 May 2020 and 2021, decreased from 55.0% for the five months ended 31 May 2020 to 54.5% for the five months ended 31 May 2021. The gross profit margin of another major customer for customised lenses, which is a spectacle lens brand owner in the PRC and one of top ten customers for customised lens for the five months ended 31 May 2020 and 2021, decreased from 60.3% for the five months ended 31 May 2020 to 59.9% for the five months ended 31 May 2021.

The gross profit of our customised lens increased from 52.6% for the year ended 31 December 2019 to 61.1% for the year ended 31 December 2020. For instance, the gross profit margin of one of our major customers for customised lenses, which is a spectacle lens brand owner in the PRC and one of our top ten customers for customised lens in 2019 and 2020, increased from 59.7% for the year ended 31 December 2019 to 60.7% for the year ended 31 December 2020 while its revenue increased by approximately 27.0%. The increase in the revenue to this customer was mainly due to the sales of more customised lens with higher refractive index including but not limited to 1.74. Moreover, the gross profit margin of Customer G, which is a retailer in the United States and top one customer for customised lens in 2020, increased from 44.5% for the year ended 31 December 2019 to 59.5% for the year ended 31 December 2020 while its revenue increased by approximately 546.9%. Such increase in sales was principally due to more sales of the photochromic lens with higher selling price.

The gross profit of our customised lens increased from 47.1% for the year ended 31 December 2018 to 52.6% for the year ended 31 December 2019. For instance, the gross profit margin of one of our major customers for customised lenses, which is a spectacle lens brand owner in the PRC and one of our top ten customers for customised lens in 2019 and 2018, increased from 43.6% for the year ended 31 December 2018 to 59.7% for the year ended 31 December 2019. The sales of such customer increased by approximately 51.1% for the two years ended 31 December 2018 and 2019 and such increase in sales was principally driven by the demand on the customised lens with certain parameters such as dyeing and polarising resulting in higher gross profit margin.

For details of the reasons of the fluctuations in the gross profit margin of customised lenses, please refer to the section headed "Financial Information — Review of Historical Results of Operations" in this prospectus.

Difference between standardised lenses and customised lenses

In terms of features, existing product list is available for our standardised lens which principally involves general parameters for our customers to choose when they place the purchase orders to us. The processing steps (such as coating or hardening) to be involved would be subject to our customers' preference on our product list for standardised lens.

On the other hand, no product list is available for our customised lens. Instead, our customised lens may have some personalised parameters (such as size, shape, curvature and specific corrective power) which are tailor-made in nature according to the request of our customers and our standardised lens may not be able to satisfy such request. For example, these personalised parameters may include a combination of various parameters which are prescribed in a single lens to correct the vision deficiencies such as correcting a combination of presbyopia, myopia and astigmatism in a single lens while such combination of parameters are not commonly requested by customers and therefore not offered under the standardised lenses product list. As such, the price of customised lens which are equipped with the specific personalised parameters would be quoted on a case-by-case basis depending on the customer's requirement. Given that the customised lens sold by us basically can fulfill the customers' need in view of its tailor-made nature, such kind of spectacle lens would involve simple further processing such as cutting the lens and assembling the same to the spectacle frame to form spectacles which are ready to use by the end-users.

Save for the aforementioned difference, our standardised lens and customised lens principally share the same range of the refractive index (i.e. 1.499, 1.56, 1.60, 1.67 and 1.74) and lens design (e.g. bifocal lens, progressive lens and photochromic lens) which can be equipped with various functions. Coatings on the spectacle lens as well as the functions brought by the coatings (such as anti-scratch and blue-ray protection) would not constitute the difference between the standardised lens and customised lens as there is no type of coating only applicable to the standardised lens or customised lens.

For details of the difference between standardised lenses and customised lenses, please refer to the section headed "Business — Our Product — Difference between standardised lenses and customised lenses" in this prospectus.

We offer standardised lens for our customers to choose during our sales of spectacles to them. If our customers request some personalised parameters which are not on our standardised lens product list, we will offer them the spectacles assembled by the customised lens. As such, the sales of spectacles to end-users may involve sales of standardised lens or customised lens depending on the customer's requirement.

OUR PRODUCTION FACILITIES

With the production facilities in our three production bases as detailed below, our Group is capable of manufacturing resin spectacle lens of various specifications as required by our customers.

				For the year ended 31 December			For the five months ended
	Location	Major functions		2018	2019	2020	31 May 2021
Shanghai Production Base	Pudong New Area, Shanghai, PRC	— Production of standardised lenses with refractive index of 1.60 and 1.67 *(Note 1)*	— **Standardised Lenses**				
			Estimated annual production capacity *(pieces)* *(Note 2)*	18,057,194	17,977,374	20,126,304	8,814,052
			Actual annual production volume *(pieces)*	16,040,267	15,524,656	17,204,243	8,153,067
			Approximately Utilisation rate *(%)* *(Note 3)*	88.8	86.4	85.5	92.5
		— Production of customised lenses *(Note 1)*	— **Customised Lenses**				
			Estimated annual production capacity *(pieces)* *(Note 2)*	2,823,836	2,979,629	4,263,022	1,981,729
			Actual annual production volume *(pieces)*	2,537,617	2,668,100	3,632,069	1,929,521
			Approximately Utilisation rate *(%)* *(Note 3)*	89.9	89.5	85.2	97.4
Jiangsu Production Base	Qidong Waterfront Industrial Park* (啟東濱海工業園區), Jiangsu, PRC	— Production of standardised lenses with refractive index of 1.499, 1.56 and 1.74 *(Note 1)*	— **Standardised Lenses**				
			Estimated annual production capacity *(pieces)* *(Note 2)*	96,852,845	117,092,748	118,953,077	49,204,780
			Actual annual production volume *(pieces)*	86,951,872	113,100,438	107,368,182	44,926,576
			Approximately Utilisation rate *(%)* *(Note 3)*	89.8	96.6	90.3	91.3
		— Lens moulds production					
Sabae Production Base	Sabae City, Fukui Prefecture, Japan	— Production of standardised lenses with refractive index of 1.67 and 1.74 *(Note 1)*	— **Standardised Lenses**				
			Estimated annual production capacity *(pieces)* *(Note 2)*	2,533,186	3,103,893	2,361,000	1,154,003
			Actual annual production volume *(pieces)*	2,560,010	2,841,798	2,065,574	1,132,888
			Approximately Utilisation rate *(%)* *(Note 3)*	101.1 *(Note 4)*	91.6	87.5	98.2

Notes:

1. The aforesaid production of lenses includes lens coating and treatments, such as anti-scratch and hard coating. The production lines within each production base are interchangeable for standardised lenses with different refractive index principally by way of (i) adjusting the mixtures; (ii) using other suitable lens moulds; and (iii) adjusting the processing time such as the baking time for solidification and hardening, depending on the types and specification of the products required.

2. For illustration purpose, the estimated annual production capacity for each of the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 was calculated by using the maximum monthly production volume divided by the number of days of operations in the particular month; and multiplied by the number of days of operation (taking into account the number of public holidays and days required for repair and maintenance of the equipment and machineries if and when appropriate), in a particular year/period (in the case of five months ended 31 May 2021). The estimated annual production capacity is derived from the aforesaid calculation basis and the actual production capacity depends on a number of factors such as efficiency of the production facilities, types of products to be manufactured and complexity of the products.

3. The utilisation rate is calculated as the actual production volume for the year/period (in the case of five months ended 31 May 2021) divided by the estimated annual production capacity.

4. For the year ended 31 December 2018, the utilisation rate of our Sabae Production Base reached 101.1% because in the month which had the maximum monthly production volume in that year, our manufacturing workers were working overtime which our Sabae Production Base was operating on extra days. Hence, the number of days of operation in that month was higher but our actual production volume on those extra days of operation could be less than the actual production volume on a normal working day. After annualising our daily production volume in that month, our actual annual production volume exceeded our theoretical estimated annual production capacity as a result.

OUR COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

- We are a leading resin spectacle lens manufacturer in the PRC
- We possess strong product development capabilities
- We have a stable and established customer base that span across multiple countries with diversified sales channels
- We are able to offer a comprehensive range of resin spectacle lens with high quality
- We have a competent management team with experience and knowledge in the eyewear industry

OUR BUSINESS STRATEGIES

In view of the potential growing market demand and business opportunities as mentioned in the Frost & Sullivan Report, we have formulated the business strategies, not only to strengthen our market position in the PRC resin spectacle lens manufacturing industry, but more importantly, to increase our market share and capture the aforesaid business opportunities, as follows:

- Enhancing our production capacity
- Strengthening our product development capability
- Expansion of customer base in the PRC market and promotion of our brands
- Advancing our technology in craftsmanship and production process

OUR CUSTOMERS

The following table sets out information about our revenue by our customer's geographical location for the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
• Asia (except the PRC) *(Note 1)*	314,528	36.9	397,903	37.5	291,541	26.7	115,604	31.7	135,763	25.2
• PRC	125,649	14.7	168,917	16.0	260,376	23.8	84,933	23.3	135,151	25.1
• United States	153,173	17.9	159,035	15.0	203,758	18.6	67,225	18.5	101,790	18.9
• Europe *(Note 2)*	129,981	15.2	148,212	14.0	144,886	13.3	38,669	10.6	69,060	12.8
• Americas *(Note 3)* (except the United States)	76,797	9.0	99,152	9.4	101,800	9.3	27,130	7.5	50,445	9.4
• Africa *(Note 4)*	34,670	4.1	49,393	4.7	52,986	4.8	18,500	5.1	24,967	4.6
• Oceania *(Note 5)*	18,962	2.2	36,234	3.4	37,817	3.5	12,081	3.3	20,747	4.0
Total	853,760	100.0	1,058,846	100.0	1,093,164	100.0	364,142	100.0	537,923	100.0

Notes:

1. Our sales to the Asia include, among others, sales to India, Thailand, Japan, South Korea and Philippines but exclude the PRC.

2. Our sales to Europe include, among others, sales to Spain, Russia, Netherlands, Germany and Italy.

3. Our sales to the Americas include, among others, sales to Mexico, Argentina and Brazil but exclude the United States.

4. Our sales to Africa, include, among others, sales to South Africa.

5. Our sales to Oceania include, among others, sales to Australia.

Our customers include spectacle lens brand owners, wholesalers, authorised distributors, retailers and individual end-users. In particular, we sold our products to authorised distributors which accounted for 7.1%, 7.4%, 5.4% and 4.5% of our total revenue for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 respectively. During the Track Record Period, the majority of our authorised distributors were originated from the PRC. As at 31 December 2018, 2019 and 2020 and 31 May 2021, we had 77, 85, 78 and 60 authorised distributors, respectively. Details of the business arrangement with authorised distributors are set out in the section headed "Business — Customers — Authorised Distributors" in this prospectus.

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the aggregate revenue attributable to our top five customers were approximately RMB291.1 million, RMB371.7 million, RMB354.4 million and RMB170.5 million, respectively, which accounted for approximately 34.1%, 35.1%, 32.4% and 31.7% of our total revenue, respectively. For the same periods, revenue attributable to our largest customer, Customer A [(Note)], was approximately RMB131.8 million, RMB155.2 million, RMB132.5 million and RMB55.5 million, which accounted for approximately 15.4%, 14.7%, 12.1% and 10.3% of our total revenue, respectively. As at the Latest Practicable Date, we had established a relationship with our five largest customers during the Track Record Period ranging from four to ten years.

Note: Customer A is a med-tech company listed on the Tokyo Stock Exchange with market capitalisation of approximately JPY7.0 trillion (equivalent to approximately HK$477.7 billion) as at the Latest Practicable Date, and is a specialty manufacturer of optical glass founded in 1941 in Japan and such customer ranked second (i.e. Company H) in terms of the revenue generated from sales of resin spectacle lens in 2020 according to Frost & Sullivan. Please refer to the section headed "Industry Overview — Competitive Landscape Analysis — Ranking of Resin Spectacle Lens Market by Revenue in the Global Range" in this prospectus for details. According to the Integrated Report of Customer A for the fiscal year ended 31 March 2021, it recorded revenue of approximately JPY547,921 million and profit for the year of approximately JPY125,221 million. Its business segments include (i) life care, comprising of health care and medical; (ii) information technology, comprising of imaging and electronics; and (iii) other business comprising of speech synthesis software business, information system services business, and new businesses, all of which under the same holding listing vehicle. Its customer types include (i) relatively small and diversified customers, such as end consumers, retailers, and medical institutions, under the business segment of life care and (ii) globalized companies, under the business segment of information technology. For the fiscal year ended 31 March 2021, a substantial portion of its revenue was derived from customers located in Japan, Asia (including China, Singapore and South Korea) and United States, amounting to approximately 26.4%, 25.6% and 12.5% of its revenue respectively.

OUR SUPPLIERS

The major raw materials which are used in the production of our spectacle lenses are resin monomers, ancillary materials such as resin hardening chemicals, chemicals for adding functionality such as UV absorption and photochromic, dyes for lens tinting, films and coatings for added functionality (such as anti-scratch, blue-ray blocking and polarised), packaging materials and lens moulds roughcast. The total purchases from our five largest suppliers amounted to approximately RMB267.8 million, RMB345.2 million, RMB336.4 million and RMB161.6 million, respectively, representing approximately 64.5%, 66.3%, 62.4% and 65.5% of our total purchases respectively, for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, among which, our purchases from our largest supplier, Supplier A, amounted to approximately RMB168.1 million, RMB217.6 million, RMB223.7 million and RMB102.8 million, respectively, representing approximately 40.5%, 41.8%, 41.5% and 41.6% of our total purchases, respectively.

Our relationship with Supplier A

Supplier A is a PRC subsidiary of a Japanese chemical company which is a global and dominant supplier of resin monomers. Supplier A also granted us the authorisation certificate which certified that Supplier A is our supplier for all resin monomers under the "MR" brand in 2018. According to the Frost & Sullivan Report, (i) Supplier A is the dominant supplier of 1.74 Monomers which accounted for approximately 99.9% of the market share in 1.74 Monomers supply industry in the PRC in terms of sales volume in 2020; and (ii) there are very few other suppliers of 1.74 Monomers in the industry which are able to supply 1.74 Monomers with stable quantity and quality. According to the Frost & Sullivan Report, we are one of the four manufacturers in the PRC which were able to manufacture resin spectacle lenses with refractive index of 1.74 in 2020. Supplier A was our only supplier of 1.74 Monomers during the Track Record Period and we may not be able to purchase 1.74 Monomers in comparable terms from other suppliers in the event that our relationship with Supplier A terminates after considering the dominant position of the Supplier A in the 1.74 Monomers supply industry (99.9% of the market share in 1.74 Monomers supply industry in the PRC). In view of the considerable revenue contribution of our lenses of refractive index of 1.74 (representing approximately 13.9%, 16.5%, 15.9% and 17.1% of our total revenue during the Track Record Period, comprising of (i) standardised lenses of approximately 13.1%, 15.4%, 14.5% and 15.9% of our total revenue and (ii) customised lenses of approximately 0.8%, 1.1%, 1.4% and 1.2% of our total revenue during the Track Record Period), the dominating status of Supplier A as 1.74 Monomers supplier in the industry, our negligible revenue contribution to the relevant business segment of Supplier A (i.e. basic materials) during the Track Record Period and the remote likelihood that we are able to source a stable supply of 1.74 Monomers from other suppliers up to the quality standard in comparable terms, in the event that Supplier A does not provide 1.74 Monomer to us, we may not be able to manufacture resin spectacle lens with refractive index of 1.74. For details of our suppliers and our relationship with Supplier A, please refer to the section headed "Business — Suppliers" in this prospectus.

OUR RESEARCH AND DEVELOPMENT

We consider that our continuous product research and development is crucial to our success in the resin spectacle lens industry. Up to the Latest Practicable Date, we have successfully developed coating mixtures which can equip several value-added functions (such as polarised and blue-ray blocking) concurrently to our resin spectacle lens. Besides, we also collaborated with a university in the PRC on product research and development with a view to enhance our product functionality, with collaborations such as the development of resin spectacle lens with refractive index of 1.50UV++ with blue-ray blocking and impact resistance. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our research and development cost amounted to approximately RMB35.3 million, RMB37.1 million, RMB39.6 million and RMB17.1 million, representing approximately 4.1%, 3.5%, 3.6% and 3.2% of the revenue, respectively. For details of the research and development activities by projects during the Track Record Period, please refer to the paragraph headed "Business — Research and development"in this prospectus.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we delivered certain resin spectacle lens products to Côte d'Ivoire, Cuba, Egypt, Haiti, Iran, Lebanon, Myanmar, Russia, Turkey, Ukraine, Venezuela, and Zimbabwe, all of which are Countries subject to International Sanctions, among which Cuba and Iran are subject to comprehensive international sanctions programmes.

As advised by our International Sanctions Legal Adviser, (i) the Cuba and Iran Transactions appear to be in violation of US sanctions regulations that are applicable to certain transactions with customers located in Cuba and Iran; and (ii) none of our business activities with customers in other Countries subject to International Sanctions have implicated any violation of International Sanctions. Our payments received from sales to customers located in Cuba and Iran amounted to approximately US$361,000, US$1,790,000, and US$360,000, representing approximately 0.3%, 1.2% and 0.2% of our total revenue for the three years ended 31 December 2018, 2019 and 2020, respectively. In March 2021, we filed a voluntary self-disclosure ("**VSD**") with OFAC related to the Cuba and Iran Transactions. In August 2021, OFAC responded to the Group's VSD with a cautionary letter (the "**Cautionary Letter**") indicating that it had completed its review of all of the information provided in the VSD. In the Cautionary Letter, OFAC stated that (i) the Group's sales to Cuba were not prohibited under OFAC regulations, (ii) the processing of transactions by a U.S. financial institution between 2016 and 2020 for the benefit of persons in Iran did not comply with the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (the "**ITSR**"), (iii) it had determined to address this matter through the issuance of the Cautionary Letter, and (iv) it would not be pursuing a civil monetary penalty or taking any enforcement action. OFAC further indicated that the issuance of the Cautionary Letter represents its final determination as to all matters related to the VSD. On this basis, and the view of our International Sanctions Legal Adviser, our Directors therefore consider the matter to be fully resolved.

We have ceased all of our sales transactions relating to Cuba and Iran prior to the end of 2020 and we do not plan to undertake any future business with persons that may expose us to sanctions risks. We intend to continue to conduct business in Cote d'Ivoire, Egypt, Haiti, Lebanon, Myanmar, Russia, Turkey, Ukraine, Venezuela, and Zimbabwe, in a manner consistent with our business throughout the Track Record Period. As advised by our International Sanctions Legal Advisers, our business in these countries does not implicate any violations of International Sanctions. We have implemented the internal control measures as described in the paragraph titled "Business — Business Activities in Countries subject to International Sanctions — Our undertakings and internal control procedures" to minimise our risk exposure to International Sanctions in our future dealing with customers located in Countries subject to International Sanctions of any kind. For details, please also refer to the section headed "Risk Factors — Risks Relating to International Sanctions — We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities." and "Business — Business Activities in Countries subject to International Sanctions" in this prospectus.

HIGHLIGHTS OF RISK FACTORS

Our operating results are mainly subject to several risk factors which can be categorised into the following areas: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in Japan; (iv) risks relating to conducting business in the PRC; (v) risks relating to international sanctions; and (vi) risks relating to the Global Offering. For further details relating to these risks, please refer to the section headed "Risk Factors" in this prospectus. Our Directors believe our major risks include the following:

- We rely on international markets and therefore subject to any material adverse changes to these markets.

- Our financial performance and results of operations may be adversely affected by trade protectionism and global trade policies.

- We place reliance upon Supplier A as supplier of resin monomers.

- We generally do not enter into long-term supply agreements with our suppliers.

- We principally rely on placing of orders by our customers on an order-by-order basis and demand for our products may fluctuate.

- We may not be able to identify and respond to the latest trends and end-users' demand in a timely manner.

- Our success depends on the ability to retain our Directors, senior management and key personnel, and recruit new talents.

- Failure to obtain or renew any or all of the licences, certificates and permits our business requires could adversely affect our business, financial condition and results of operations.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period, we failed to make full contributions to social insurance and housing provident funds for some of our employees as required by the PRC laws and regulations. We made provision for the non-compliance of social insurance and housing provident funds of approximately RMB5.0 million, RMB5.3 million, RMB3.0 million and nil for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021. For details, please refer to the section headed "Business — Legal and Regulatory Compliance" in this prospectus.

As at the Latest Practicable Date, we were not aware of any material legal proceedings, claims, disputes, arbitration or administrative proceedings pending or threatening against any member of our Group that could have a material adverse impact on our financial condition or operating results.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

The following table summarises the financial information of our Group during the Track Record Period, which is extracted from the Accountants' Report set out in Appendix I to this prospectus.

Summary of consolidated statements of profit or loss

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	853,760	1,058,846	1,093,164	364,142	537,923
Cost of sales	(592,419)	(708,968)	(711,113)	(243,701)	(355,267)
GROSS PROFIT	261,341	349,878	382,051	120,441	182,656
Other income and gains	19,471	20,592	22,898	6,123	9,851
Selling and distribution expenses	(62,867)	(75,305)	(67,101)	(23,857)	(32,573)
Administrative expenses	(98,719)	(107,930)	(112,287)	(34,290)	(53,875)
(Impairment)/reversal of impairment on financial assets	(13,378)	2,655	(1,495)	(3,667)	(3,155)
Other expenses	(3,439)	(2,975)	(21,682)	(1,436)	(7,155)
Finance costs	(9,448)	(47,447)	(47,079)	(21,362)	(14,708)
Share of losses of a joint venture	—	(152)	(42)	(6)	(80)
Share of losses of an associate	—	—	—	—	(735)
PROFIT BEFORE TAX	92,961	139,316	155,263	41,946	80,226
Income tax expense	(14,499)	(27,415)	(26,801)	(9,444)	(15,644)
PROFIT AFTER TAX FOR THE YEAR/PERIOD	78,462	111,901	128,462	32,502	64,582
Attributable to:					
Owners of the parent	78,462	111,901	128,462	32,502	64,582

Summary of consolidated statements of financial position

		31 December		As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	426,070	414,856	418,876	406,273
Current assets	656,604	959,798	1,025,324	984,168
Current liabilities	780,116	530,552	521,879	448,769
Net current assets/(liabilities)	(123,512)	429,246	503,445	535,399
Non-current liabilities	189,400	465,904	417,787	383,026
Total equity/Net assets	113,158	378,198	504,534	558,646

As at 31 December 2018, 2019 and 2020 and 31 May 2021, we recorded net current liabilities of approximately RMB123.5 million and net current assets of approximately RMB429.2 million, RMB503.4 million and RMB535.4 million, respectively. Our net current liabilities as at 31 December 2018 was primarily attributable to (i) the amounts due to related parties of approximately RMB416.1 million which mainly represented the amounts due to the Controlling Shareholder and his controlled companies; and (ii) the interest-bearing bank and other borrowings of approximately RMB205.8 million. The significant balance of amounts due to related parties and interest-bearing bank and other borrowings mainly represented the advances from the Controlling Shareholder (and the companies controlled by him) and banks, to finance the regrouping of the entities now comprising the Group in 2018. For details, please refer to the section headed "History and Development — Evolution of Our Group — Spin-off from Qitian Technology and Regrouping of Our Business Entities" in this prospectus. Our net current assets position as at each of these dates was mainly attributable to our inventories, trade and bills receivables, cash and cash equivalents and amounts due from related parties, partially offset by our interest-bearing bank loans and other borrowings, other payables and accruals and trade and bills payables. Please refer to the section headed "Financial Information — Net current assets/(liabilities)" in this prospectus for details.

The change from net current liabilities position as at 31 December 2018 to net current assets position as at 31 December 2019 was primarily attributable to the capital injection by the then Shareholders of the Company during the year ended 31 December 2019, and the shift in some of our short-term borrowings to long-term borrowings as at 31 December 2019.

Summary of consolidated statements of cash flows

	For the year ended 31 December			For the five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash and cash equivalents at beginning of the year/period	212,891	109,182	62,118	62,118	201,850
Net cash from operating activities	66,322	91,021	243,090	46,048	26,839
Net cash (used in)/from investing activities	(58,354)	(284,117)	4,696	(13,547)	33,717
Net cash (used in)/from financing activities	(111,677)	146,032	(108,054)	28,568	(85,321)
Net (decrease)/increase in cash and cash equivalents	(103,709)	(47,064)	139,732	61,069	(24,765)
Cash and cash equivalents at end of the year/period	109,182	62,118	201,850	123,187	177,085

Our net cash generated from operating activities for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 were approximately RMB66.3 million, RMB91.0 million, RMB243.1 million and RMB26.8 million, respectively. The progressive increase of net cash generated from operating activities during the three years ended 31 December 2018, 2019 and 2020 was primarily attributable to the increase in profit before tax, partially offset by the increase in our inventories. The significant increase in net cash from operating activities for the year ended 31 December 2020 was also due to the decrease in financial assets at fair value through profit and loss of RMB99.5 million, which represented proceeds received from the disposal of wealth management products issued by banks in the PRC. The decrease in net cash generated from operating activities for the five months ended 31 May 2021 as compared to the five months ended 31 May 2020 was mainly due to the increase in financial assets at fair value through profit and loss of RMB53.1 million, which represented investment in wealth management products issued by banks in the PRC.

For more details, please refer to the section headed "Financial Information — Liquidity and Capital Resources" in this prospectus.

Key financial ratios

	For the year ended/ as at 31 December			For the five months ended/as at 31 May
	2018	2019	2020	2021
Liquidity ratios				
Current ratio	0.8 times	1.8 times	2.0 times	2.2 times
Quick ratio	0.5 times	1.2 times	1.2 times	1.3 times
Capital adequacy ratios				
Gearing ratio (%)	694.7	207.8	133.9	106.6
Net debt to equity ratio (%)	598.3	191.4	93.9	74.9
Interest coverage	10.8 times	3.9 times	4.3 times	6.5 times
Profitability ratios				
Return on total assets (%)	7.2	8.1	8.9	N/A
Return on equity (%)	69.3	29.6	25.5	N/A
Net profit margin (%)	9.2	10.6	11.8	12.0

Note: Please refer to the section headed "Financial Information — Key Financial Ratios" in this prospectus for the basis of calculation of such financial ratios.

Revenue

Our revenue increased by 47.7% from approximately RMB364.1 million for the five months ended 31 May 2020 to approximately RMB537.9 million for the five months ended 31 May 2021. Such increase was mainly driven by the increase in sales volume of our lens products. By geographical location, our Directors believe that the increase in our revenue was mainly due to the ease of adverse impact of COVID-19 pandemic globally, which resulted in the improvement in consumption sentiment and the gradual resumption of international logistics and transportation which our products were then more accessible to customers globally for the five months ended 31 May 2021 compared to the five months ended 31 May 2020. The revenue derived from Americas (except the United States) increased by 85.9% from RMB27.1 million for the five months ended 31 May 2020 to RMB50.4 million for the five months ended 31 May 2021. Revenue derived from Oceania increased by 71.7% from RMB12.1 million for the five months ended 31 May 2020 to RMB20.7 million for the five months ended 31 May 2021, whereas revenue derived from Europe increased by 78.6% from RMB38.7 million for the five months ended 31 May 2020 to RMB69.1 million for the five months ended 31 May 2021.

Our revenue increased by 3.2% from approximately RMB1,058.8 million for the year ended 31 December 2019 to approximately RMB1,093.2 million for the year ended 31 December 2020. Such increase was mainly driven by the increase in revenue from the sales of customised lens due to the increase in sales volume of our customised lens as a result of the increase in demand by our customers. By geographical location, the increase in our revenue was mainly driven by the increase in our sales in the PRC and United States, and partly offset by the decrease in sales in other Asian countries such as India and Singapore, which was mainly due to the slighter impact of the outbreak of COVID-19 to the PRC than some of the other overseas countries, as well as the lesser impact to the logistics and transportation within the PRC region as two of our production bases are located in the PRC.

Our revenue increased by 24.0% from approximately RMB853.8 million for the year ended 31 December 2018 to approximately RMB1,058.8 million for the year ended 31 December 2019. Such increase was mainly driven by the increase in revenue from the sales of standardised lens, which was attributable to both the increase in sales volume as well as average selling price of our standardised lens as the demand for our spectacle lens products increased. By geographical location, the increase in our revenue was mainly driven by the increase in our sales in most of the geographical locations, in particular, the PRC and other Asian countries such as India and Thailand, which was mainly due to our efforts on the sales and distribution within the PRC as well as the establishment of new business relationships with customers from other Asian countries.

Gross profit and net profit

Our gross profit for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021 was approximately RMB261.3 million, RMB349.9 million, RMB382.1 million, RMB120.4 million and RMB182.7 million respectively. The increase in gross profit is principally due to the increase in our revenue which has been explained above, as well as the increase in our gross profit margin. Our gross profit margin for the same periods was approximately 30.6%, 33.0%, 34.9%, 33.1% and 34.0%, respectively. Our net profit was approximately RMB78.5 million, RMB111.9 million, RMB128.5 million, RMB32.5 million and RMB64.6 million, respectively.

LISTING EXPENSES

Based on the Offer Price of HK$5.28 (being the mid-point of the Offer Price range stated in this prospectus and assuming the Over-allotment Option is not exercised at all), the total Listing expenses (including legal and professional fees, underwriting fees and other relevant expenses) in relation to the Global Offering payable by us are estimated to be approximately RMB59.7 million, which will account for approximately 11.3% of the gross proceeds of the Global Offering on the aforesaid basis. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our Listing expenses charged to our consolidated statement of profit or loss were nil, nil, approximately RMB8.0 million and RMB8.9 million, respectively. We expect to further recognise Listing expenses of approximately RMB13.5 million to our consolidated statement of profit or loss subsequent to the Track Record Period and to deduct from equity of approximately RMB29.3 million upon Listing.

The total Listing expenses of approximately RMB59.7 million borne by us include (i) underwriting-related expenses, including underwriting commission of approximately RMB18.4 million; (ii) professional fees, including fees of legal advisors and Reporting Accountants of approximately RMB31.3 million; and (iii) other fees and expenses of approximately RMB10.0 million.

The above total Listing expenses are the latest practicable estimates for reference only, and the final amount to be recognised may differ from these estimates.

DIVIDEND

Our Company had not declared any dividends for the three years ended 31 December 2018, 2019 and 2020. Dividends of RMB30.8 million have been declared and paid by certain of our subsidiaries to the then equity holder of the subsidiaries in mid-2018 prior to the regrouping of our business entities detailed in the section headed "History — Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities" in this prospectus.

On 10 August 2021, our Shareholders resolved to amend another resolution of the Shareholders dated 20 March 2021 and our Shareholders approved a special dividend distribution plan, pursuant to which we declared a special dividend from our distributable reserve as of 31 May 2021, to the then existing Shareholders as of 31 May 2021 in proportion to their respective shareholdings as of 31 May 2021, and a special dividend of approximately RMB149.5 million (inclusive of tax) was declared as a result. The special dividend has been fully settled in August 2021 by our Company with our internal resources including proceeds from the repayment of the amount due from the Controlling Shareholder and related parties.

Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant. Since our Company and a majority of our major subsidiaries were established in the PRC, the future dividend payments of our Company will depend largely upon the availability of dividends received from our subsidiaries in the PRC, which were subject to the PRC laws. Under the PRC laws, dividends can only be paid out of distributable profit of a PRC company. PRC laws require that dividends be paid only out of the profit for the year calculated according to the PRC GAAP, which differ in certain aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require our subsidiaries to set aside at least 10% of its net profit as statutory reserves, which are not available for distribution as cash dividends. Distributable profit is our profit as determined under PRC GAAP or IFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other statutory funds we are required to make. Due to the continuous convergence of PRC GAAP and IFRSs, there is no significant difference between these two accounting standards. We do not have any specific dividend policy nor any pre-determined dividend pay out ratio. For details, please refer to the section headed "Financial Information — Dividend" in this prospectus.

IMPACT OF COVID-19

Due to the outbreak of COVID-19, we had experienced a short-term suspension in February 2020 for our production bases in the PRC and that from April to May 2020 for our production base in Japan respectively and recorded a decrease in our production volume to approximately 2.6 million and 220,000 pieces in February 2020 in our PRC production bases and April to May 2020 in our Japan production base respectively, as compared to our production volume of approximately 6.0 million and 500,000 pieces in our production bases in the PRC and Japan, respectively during the relevant periods in 2019. Further, our suppliers were subject to different quarantine measures and have experienced temporary suspension to their production and business operations but have resumed the provision of raw materials purchased by us as at the Latest Practicable Date. In view of the relatively short term of the suspension of our production bases and short-term delay in the provision of raw materials, there was no material disruption or delay in the supply chain and delivery of raw materials to us nor material claim for damages due to delay in delivery of our products to our customers.

With regard to our sales, as some of our products are sold and delivered to countries affected by the pandemic of COVID-19, we experienced only minor decrease in the revenue in the first half year of 2020 of approximately RMB35.6 million, or approximately 7.0%, when compared to that in the corresponding period in 2019, and an increase in the total revenue for the full financial year of 2020, since the outbreak of COVID-19. Notwithstanding the above, due to the cancellation or reduction in air and oceanic transportations, travel restrictions and lockdown measures imposed, the availability of local and international transportation and delivery services had been adversely affected, which resulted in a delay in our product delivery in the first half year of 2020. Nevertheless, we did not experience any material claim for damages by customers due to such delay.

In view of the above factors, our Directors are of the view that (i) the COVID-19 outbreak has not caused a prolonged impact on our business operation, nor the demand for our Group's products; and (ii) the potential impact of the outbreak of COVID-19 on our Group's business operations and financial conditions is only temporary. However, our Directors are aware of the potential rebounding of the COVID-19 in the PRC and worldwide, in the event of which, we shall be more proactive in taking preventive measures to minimise disruption to our business and financial conditions.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Sales Performance

Our business operation remained stable after the Track Record Period and up to the Latest Practicable Date and we continued to focus on the manufacturing and sales of resin spectacle lens. Our sales volume continued to grow subsequent to the Track Record Period. During four months ended 30 September 2021, our sales volume of standardised lens and customised lens increased by not less than 10.6% and 17.0%, respectively, as compared to the corresponding period in 2020. As at 31 May 2021, our remaining performance obligations amounted to RMB57.5 million. The remaining performance obligations primarily represented our purchase orders on hand, in which we have not yet delivered the relevant goods to our customers.

Based on the unaudited financial information, our revenue and gross profit during the four months ended 30 September 2021 increased moderately as compared to the corresponding period in 2020. As to our retail shopfronts, during the five months ended 31 May 2021, our retail shopfronts recorded the revenue of approximately RMB1.4 million and gross profit of approximately RMB1.1 million, representing an increase of approximately 78.0% and 86.2%, as compared to the revenue of RMB0.8 million and gross profit of RMB0.6 million derived from our retail shopfronts during the five months ended 31 May 2020. Subsequent to the Track Record Period and during the four months ended 30 September 2021, the revenue and gross profit of our retail shopfronts increased moderately as compared to the corresponding period in 2020. We have established an ophthalmology centre at a hospital in Qidong City, Jiangsu Province in November 2021.

Recent power restrictions

On 15 September 2021, our Company received an urgent notice on the power restrictions and electricity supply issued by Qidong Power Control Work Unit Office* (啟東市節能工作領導小組辦公室), pursuant to which, corporations with certain operating scale shall implement power control policies, including but not limited to, either (i) maintain normal operation for three days and suspend operation for four days or (ii) maintain normal operation for six days and suspend operation for eight days, affecting period commencing from 16 September 2021 to 30 September 2021. The electricity supply for routine maintenance was unaffected.

Accordingly, our Jiangsu Production Base maintained normal operation from 16 September 2021 to 22 September 2021 and suspended operation of large production equipment and machinery from 23 September 2021 to 30 September 2021 (the "**Affected Period**"). In order to mitigate the impact of the aforesaid restrictions on our operation, we carried out the following measures:

1. We carried out production procedures which involved large production equipment and machinery, such as lens hardening, to the largest extent possible, before the commencement of the Affected Period, and maintained the routine operation on the production procedures which did not involve large production equipment and machinery, such as quality inspection, cleansing and packaging during the Affected Period;

2. We arranged our Shanghai Production Base, which is not subject to any power restrictions, to accommodate some of the production need involving large production equipment and machinery on an urgent basis;

3. We carried out repair and maintenance work on our large production equipment and machinery during the Affected Period in order to increase their production efficiency when electricity resumed; and

4. In view of the long public holidays of National Day in the PRC, our Company made adjustment on the day-off arrangement of some of our staff working at Jiangsu Production Base, such that they could have day off in advance of the National Day holidays during the Affected Period and resume to work when electricity resumed.

As at the Latest Practicable Date, we did not receive further notice on the power restrictions and electricity supply from relevant government authorities.

To cope with potential power shortage and rationing in the PRC, we will principally adopt the following measures as contingency:

1. At the time of limited power supply, we shall re-arrange the production schedule to avoid overloading of electricity at the peak production period; and

2. We shall coordinate the production schedule among our production bases such that production base which is not subject to any power restrictions could accommodate some of the production need.

Our production volume and sales volume in the Jiangsu Production Base recorded a decrease of approximately 33.6% and 8.3% for standardised lenses for September 2021 as compared to that for September 2020, respectively. Notwithstanding the aforesaid decrease of the production volume and sales volume, our Group's revenue recorded an increase of approximately 0.2% for September 2021 as compared to that for September 2020.

Further, our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, there was no material disruption or delay in the supply chain and delivery of raw materials to us by our suppliers nor substantial delay in delivery of our products to our customers, as a result of the aforesaid power restrictions.

In view of (i) the fact that our two other production bases, being Shanghai Production Base and Sabae Production Base, remained unaffected; (ii) the fact that we fulfilled part of our sale orders with products retrieved directly from our existing inventories; (iii) the above mitigating measures we adopted; and (iv) we did not receive further notice on the power restrictions and electricity supply from relevant government authorities as at Latest Practicable Date, our Directors consider the aforesaid power restrictions did not have a material impact on our business operation as at Latest Practicable Date.

Other events after the Track Record Period

On 10 August 2021, our Shareholders resolved to amend another resolution of the Shareholders dated 20 March 2021 under which our Shareholders approved a special dividend plan. For further details, please refer to the paragraph titled "Dividend" in this section for further details.

We expect to recognise Listing expenses of approximately RMB13.5 million to our consolidated statement of profit or loss subsequent to the Track Record Period and to deduct from equity of approximately RMB29.3 million upon Listing, which we consider to have a material impact on the financial position of our Group.

Save as aforesaid, our Directors confirm that from 31 May 2021 and up to the date of this prospectus, (i) there has been no material adverse change in the operation or financial position or prospects of our Group; and (ii) no event has occurred that would materially and adversely affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK$5.28 per Share (being the mid-point of the indicative range of the Offer Price of HK$4.46 to HK$6.10 per Share), the aggregate amount of net proceeds of the Global Offering to be received by our Company after deducting the underwriting commission and estimated expenses payable by our Company is estimated to be approximately HK$569.2 million. We intend to use the net proceeds from Global Offering in the following manner:

— approximately 46.4% of our total estimated net proceeds, or HK$264.1 million, will be used to increase our production capacity of our Shanghai Production Base and Jiangsu Production Base;

— approximately 19.9% of our total estimated net proceeds, or HK$113.5 million, will be used for strengthening our research and development capability;

— approximately 10.3% of our total estimated net proceeds, or HK$58.6 million, will be used for enhancing our sales and marketing efforts;

— approximately 10.0% of our total estimated net proceeds, or HK$56.9 million, will be used for working capital and general corporate purposes;

— approximately 8.1% of our total estimated net proceeds, or HK$46.2 million, will be used to enhance our production efficiency and technology in craftsmanship; and

— approximately 5.3% of our total estimated net proceeds, or HK$29.9 million, will be used for repayment of our bank borrowings, while such borrowings were principally used to finance our working capital to support our business operation.

Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for details.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of	
	HK$4.46 per Offer Share	**HK$6.10 per Offer Share**
Market capitalisation *(Note 1) and (Note 3)*	HK$1,902.6 million	HK$2,602.3 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share	HK$2.76	HK$3.20

Notes:

1. Such calculation is based on 426,600,000 H Shares expected to be issued following the completion of the Global offering, but does not take into account any H Share which may be issued upon the exercise of the Over-allotment Option.

2. Please refer to Appendix II to this prospectus for details regarding the assumptions and the calculation method used.

3. The unaudited pro forma adjusted net tangible assets of the Company does not take into account of the special dividend approved by our Shareholders on 10 August 2021 which resolved to amend another resolution of the Shareholders dated 20 March 2021. The special dividend was declared from our distributable reserves as of 31 May 2021, to the then existing Shareholders as of 31 May 2021 in proportion to their respective shareholdings as of 31 May 2021, which amounted to RMB149.5 million (inclusive of tax). The special dividend has been fully settled in August 2021. Had such dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be approximately HK$2.33, assuming an Offer Price of HK$4.46 per Share, and HK$2.77, assuming an Offer Price of HK$6.10 per Share.

OUR SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Mr. Fei will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 49.87% of the issued share capital of our Company. Accordingly, Mr. Fei will continue to be our Controlling Shareholder under the Listing Rules.

PRE-IPO INVESTMENTS

On 8 January 2021, Mr. Fei entered into a series of equity transfer agreements with our Pre-IPO Investors for the transfer of an aggregate registered capital of RMB90,709,670, representing 29.74% of the total registered capital in our Company to the Pre-IPO Investors. The aggregate consideration of the Pre-IPO Investments was RMB184,140,630, determined after arm's length negotiations between Mr. Fei and each of the Pre-IPO Investors taking into account the operating results and prospects of our business and operating entities. The background of the Pre-IPO Investors are set out as below:

Pre-IPO Investor	Equity interest as at the Latest Practicable Date *(%)*	Background of the Pre-IPO Investor
Shanghai Shuyun	6.03	A special purpose vehicle established in the PRC by certain of our employees for the purpose of investing in our Company, with Mr. Zhang Huixiang (張惠祥), the chairman of our Supervisory Committee, and Mr. Zheng Yuhong (鄭育紅), our executive Director as the managing partners, each of whom also held approximately 15.73% and 13.39% of the equity interest in Shanghai Shuyun, respectively.
Zhourong Lianer	4.90	A venture capital funds established in the PRC which is engaged in asset management and investment in the manufacturing sector and real estate. Each of Zhourong Lianer, its ultimate beneficial owners and their partners is an Independent Third Party.

Pre-IPO Investor	Equity interest as at the Latest Practicable Date *(%)*	Background of the Pre-IPO Investor
Jiaxing Huiyi	4.90	A venture capital funds established in the PRC which is engaged in investment consultancy and investment in the technology sector. Each of Jiaxing Huiyi, its ultimate beneficial owners and their partners is an Independent Third Party.
Shanghai Fengchang	3.92	A special purpose vehicle established in the PRC by certain of our employees for the purpose of investing in our Company, with Mr. Xia Guoping (夏國平), our executive Director as the managing partner, who also held approximately 20.61% of the equity interest in Shanghai Fengchang.
Mr. Qian	3.60	The shareholder of two of our suppliers, namely Shanghai Yongchuang Printing Co., Ltd (上海永創印務有限公司) (i.e. Supplier C) and Linxi Packaging (i.e. Supplier H) both of which are our five largest suppliers during the Track Record Period, each of which were held as to 90% by Mr. Qian.
Mr. Fan	3.49	The supervisor of Jiangsu Conant and Shanghai Conant.
Ms. Huang	2.00	A personal acquaintance of Mr. Fei and otherwise an Independent Third Party.
Mr. Lan	0.90	A personal acquaintance of Mr. Fei from their hometown for more than 20 years and otherwise an Independent Third Party.

For other details of the Pre-IPO Investment, please refer to the section headed "History and Development — Pre-IPO Investments" in this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed "Glossary" in this prospectus.

"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on 20 March 2021 and to take effect on the Listing Date, as supplemented, amended or otherwise modified from time to time, a summary of which is set out in Appendix VI
"Asahi Holdings"	Asahi Lite Holdings Limited (朝日鏡片控股有限公司), a limited liability company incorporated in Hong Kong on 3 July 2013 and a direct wholly-owned subsidiary of our Company
"Asahi Optical"	Asahi Lite Optical Co., Ltd (株式会社アサヒオプティカル), a stock company incorporated in Japan with limited liability on 12 December 1980
"Board" or "Board of Directors"	our board of Directors
"Board of Supervisors"	our supervisory committee established pursuant to the PRC Company Law, as described in the section headed "Directors, Supervisors and Senior Management" in this prospectus
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licenced banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of the HKSCC in relation to CCASS, containing the practises, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or the "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references to China or the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	Shanghai Conant Optical Co., Ltd. (上海康耐特光學科技集團股份有限公司) (formerly known as Shanghai Linwu Industrial Co., Ltd.* (上海林梧實業有限公司) and Shanghai Conant Optical Co., Ltd. (上海康耐特光學科技集團有限公司)), a limited liability company established in the PRC on 20 June 2018 and subsequently converted into a joint stock company with limited liability on 23 February 2021
"Conant Eyewear"	Jiangsu Conant Optics Eyewear Co., Ltd.* (江蘇康耐特光學眼鏡有限公司) (formerly known as Jiangsu Conant Kaiyue Optical Glasses Co., Ltd.* (江蘇康耐特凱越光學眼鏡有限公司)), a limited liability company established in the PRC on 27 January 2011 and an indirect wholly-owned subsidiary of the Company
"Conant Lens"	Conant Lens Inc., a domestic profit corporation established in the State of Georgia, the United States, on 12 November 2010 and a wholly-owned subsidiary of the Company
"Conant Mexico SA"	Conant Optics México, S.A. de C.V., a commercial stock corporation with variable capital incorporated in Mexico on 4 April 2011 and a direct wholly-owned subsidiary of our Company
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meeting or are in a position to control the composition of a majority of our Board, which as at the date of this prospectus consisted of Mr. Fei
"Converted H Shares"	H Shares which will be converted from Domestic Shares immediately upon Listing
"Countries subject to International Sanctions"	countries regarding which governments such as the United States or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2

"CSRC"	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Cuba and Iran Transactions"	the delivery of our products, either directly or indirectly to end customers located in Cuba or Iran
"Director(s)" or "our Directors"	the director(s) of our Company
"Domestic Share(s)"	Ordinary share in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"EIT"	the PRC enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law, issued on 16 March 2007 and effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, respectively
"ESG Committee"	the environmental, social and governance committee of the Board
"Euros" or "EUR"	the lawful currency of the Eurozone
"Extreme Condition(s)"	extreme condition(s) including but not limited to serious disruption of public transport services, extensive flooding, major landslides and large-scale power outage caused by a super typhoon according to the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Labour Department of the government of Hong Kong in July 2021, as announced by the government of Hong Kong
"FDA"	the US Food and Drug Administration
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the independent industry consultant commissioned by our Company to prepare the Frost & Sullivan Report
"Frost & Sullivan Report"	the independent research report commissioned by our Company and prepared by Frost & Sullivan

"FSE List"	the list of the "Foreign Sanctions Evaders" maintained by OFAC, which sets forth individuals and entities that are determined to have violated, attempted to violate, conspired to violate, or caused a violation of US sanctions on Iran or Syria; entities on the FSE List are prohibited to transact with U.S. persons or within the United States, but whose assets/property interests are not subject to blocking
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company's subsidiaries at the relevant time, or the businesses acquired or operated by them or (as the case may be) their predecessors
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Stock Exchange
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 12,160,000 H Shares (subject to reallocation) being offered by our Company for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus, as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Underwriters for the Global Offering — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 November 2021 relating to the Hong Kong Public Offering and entered into by our Company, the Controlling Shareholder (in his capacity as an executive Director as well), the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Underwriting Agreement" in this prospectus
"IFRSs"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are not a connected person of our Company within the meaning of the Listing Rules
"International Placing"	the conditional offering of the International Placing Shares by the International Underwriters with professional, institutional and other investors by the International Underwriters on behalf of our Company as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Placing Shares"	the 109,440,000 H Shares (subject to reallocation) offered by our Company pursuant to the International Placing, together with, where relevant, any additional H Shares to be sold pursuant to the exercise of the Over-allotment Option
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the US Government, the European Union and its member states, United Nations or the Government of Australia
"International Sanctions Legal Adviser"	Stephen Peepels, our legal adviser as to International Sanctions laws in connection with the Listing

"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
"International Underwriting Agreement"	the international underwriting agreement relating to the International Placing and to be entered into by, among others, our Company, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting — Undertakings Pursuant to the Listing Rules — The International Placing" in this prospectus
"Japan Legal Advisers"	Kamimura Ohira & Mizuno, our legal advisers as to Japanese laws in connection with the Listing
"Jiangsu Asahi"	Jiangsu Asahi Optical Co., Ltd.* (江蘇朝日光學有限公司), a limited liability company established in the PRC on 8 November 2019 and an indirect wholly-owned subsidiary of our Company
"Jiangsu Blue"	Jiangsu Blue Optics Lens Co., Ltd* (江蘇藍圖眼鏡有限公司), a limited liability company established in the PRC on 21 December 2006 and is owned as to 49% by Jiangsu Conant
"Jiangsu Conant"	Jiangsu Conant Optics Co., Ltd.* (江蘇康耐特光學有限公司), a limited liability company established in the PRC on 25 December 2006 and a wholly-owned subsidiary of the Company
"Jiangsu Production Base"	the production base, which is located in Jiangsu, PRC operated by our Group for, among others, the manufacturing of our resin spectacle lenses products
"Jiaxing Huiyi"	Jiaxing Huiyi Investment Partnership (Limited Partnership)* (嘉興慧奕投資合夥企業(有限合夥)), one of the Pre-IPO Investors
"Joint Lead Managers"	Guotai Junan Securities (Hong Kong) Limited, HTF Securities Limited and Ever-Long Securities Company Limited
"Laboratorio Opticos SA"	Laboratorios y Servicios Ópticos, S.A. de C.V., a commercial stock corporation with variable capital incorporated in Mexico on 24 January 2014 and an indirect wholly-owned subsidiary of our Company
"Latest Practicable Date"	21 November 2021, being the latest practicable date for ascertaining certain information contained in this prospectus prior to the printing of this prospectus

"Linxi Packaging"	Linxi Packaging Materials Technology Qidong Co., Ltd. (霖錫包裝材料科技啟東有限公司), a limited liability company established in the PRC on 19 June 2020 and is held as to 90% by Qian Yaoming (錢耀明), a Pre-IPO Investor, and 10% by Xi Xiuhua (奚秀華), his spouse
"Listing"	the listing and the commencement of dealings of our H Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings in our H Shares first commence on the Main Board, which is expected to be on Thursday, 16 December 2021
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and other PRC government departments on 27 August 1994 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
"MOF"	the PRC Ministry of Finance (中華人民共和國財政部)
"MOFCOM"	the PRC Ministry of Commerce (中華人民共和國商務部)
"Mr. Fan"	Fan Senxin (范森鑫), our former Supervisor until 22 February 2021, the supervisor of Jiangsu Conant and Shanghai Conant, and a Shareholder
"Mr. Fei"	Fei Zhengxiang (費錚翔), the founder of our Group, chairman of our Board, an executive Director, the general manager of our Company and our Controlling Shareholder
"MXN"	the Mexican Pesos, the lawful currency of Mexico
"National People's Congress"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Non-competition Undertaking"	the non-competition undertaking dated 22 November 2021 entered into by our Controlling Shareholder with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the section headed "Relationship with Controlling Shareholder — Non-Competition Undertaking" in this prospectus
"OECD"	Organisation for Economic Co-operation and Development
"OFAC"	The US Treasury Department's Office of Foreign Assets Control, the principal US regulator implanting and enforcing US International Sanctions programmes and policies
"Offer Price"	the final offer price per Offer Share in Hong Kong (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of not more than HK$6.10 and expected to be not less than HK$4.46 at which Hong Kong Offer Shares are to be subscribed and which will be determined in the manner further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares, collectively, and where relevant, together with any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by our Company to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) under the International Underwriting Agreement pursuant to which our Company may be required to sell up to an additional aggregate of 18,240,000 H Shares (in aggregate representing approximately 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price
"PRC Company Law"	the Company Law of the PRC* (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the Accounting Standards for Business Enterprises (企業會計準則) promulgated by the Ministry of Finance
"PRC Legal Advisers"	Han Kun Law Offices, our legal advisers as to PRC laws in connection with the Listing

"Pre-IPO Investment(s)"	the Pre-IPO Investment(s) in our Company undertaken by the Pre-IPO Investor(s), details of which are set out in "History and Development — Pre-IPO Investments"
"Pre-IPO Investor(s)"	Shanghai Shuyun, Zhourong Lianer, Jiaxing Huiyi, Shanghai Fengchang, Qian Yaoming (錢耀明), Mr. Fan, Huang Anfen (黃安芬) and Lan Zhiping (蘭志平) or, where the context so requires, any of them, details of which are set out in "History and Development — Pre-IPO Investments — Information about the Pre-IPO Investors"
"Price Determination Agreement"	the agreement to be entered into by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, which is expected to be on or around Thursday, 9 December 2021, but no later than Wednesday, 15 December 2021, on which the Offer Price is fixed for the purposes of the Global Offering
"Qitian Technology"	Qitian Technology Group Co., Ltd. (旗天科技集團股份有限公司) (formerly known as Shanghai Conant Optics Co., Ltd. (上海康耐特光學有限公司) from 5 December 1996 to 28 April 2008, Shanghai Conant Optics Co., Ltd. (上海康耐特光學股份有限公司) from 29 April 2008 to 23 July 2017 and Shanghai Conant Macroflag Group Co., Ltd. (上海康耐特旗計智能科技集團股份有限公司) from 24 July 2017 to 14 January 2020), a joint stock limited company established in the PRC whose shares are listed on the ChiNext Market of the Shenzhen Stock Exchange (stock code: 300061)
"Regulation S"	Regulation S under the US Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Sabae Production Base"	the production base, which is located in Sabae, Fukui Prefecture, Japan operated by our Group for, among others, the manufacturing of our resin spectacle lenses products
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"Sanctioned Person(s)"	certain person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, European Union, United Nations or Australia
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SDN List"	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with US persons
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Blue"	Shanghai Blue Optics Lens Co., Ltd.* (上海藍圖眼鏡有限公司), a limited liability company established in the PRC on 25 May 2001 and is owned as to 49% by Mr. Zhang Aiguo (張愛國) and 51% by Ms. Wang Ying (王穎), spouse of Mr. Zhang Aiguo, each of whom is an Independent Third Party
"Shanghai Conant"	Shanghai Conant Optics Co., Ltd.* (上海康耐特光學有限公司) (formerly known as Shanghai Conant Optics Sales Co., Ltd.* (上海康耐特光學銷售有限公司)), a limited liability company established in the PRC on 13 April 2011 and a wholly-owned subsidiary of the Company
"Shanghai Fengchang"	Shanghai Fengchang Enterprise Management Partnership (Limited Partnership)* (上海風暢企業管理合夥企業(有限合夥)), one of the Pre-IPO Investors
"Shanghai Production Base"	the production base, which is located in Shanghai, PRC operated by our Group for, among others, the manufacturing of our resin spectacle lenses products
"Shanghai Shuyun"	Shanghai Shuyun Enterprise Management Partnership (Limited Partnership)* (上海書雲企業管理合夥企業(有限合夥)), one of the Pre-IPO Investors
"Share(s)"	Domestic Share(s) and/or H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)

"Sole Global Coordinator" and "Sole Bookrunner"	Guotai Junan Securities (Hong Kong) Limited, a licenced corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities as defined in the SFO
"Sole Sponsor"	Guotai Junan Capital Limited, being the sole sponsor to the Listing and a licenced corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity as defined in the SFO
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), issued on 4 August 1994 and effective on 25 December 1995
"SSI List"	the list of the Sectoral Sanctions Identifications parties maintained by OFAC, which sets forth entities designated by OFAC in Russia's energy, financial and/or defence sectors that are subject to more limited, sectoral, sanctions imposed under one or more OFAC Directives that prohibit certain (but not all) dealings with US persons or within the United States
"Stabilising Manager"	Guotai Junan Securities (Hong Kong) Limited, a licenced corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities as defined in the SFO
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of our Company
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three years ended 31 December 2018, 2019 and 2020 and five months ended 31 May 2021
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement

"United States" or "US"	the United States of America
"US Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"USD" or "US$"	United States dollar(s), the lawful currency of the United States
"VSD"	voluntary self-disclosure filing made by the Company to OFAC to assist in resolving any issues related to the Cuba and Iran Transactions
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Yen" or "¥" or "JPY"	Japan Yen, the lawful currency of Japan
"Zhourong Lianer"	Ningbo Meishan Bonded Port Zone Zhourong Lianer Investment Partnership (Limited Partnership) (寧波梅山保稅港區舟融聯爾投資合夥企業(有限合夥)), one of the Pre-IPO Investors
"sq. m."	square metre(s)
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, in this prospectus:

- *all times refer to Hong Kong time and references to years in this prospectus are to calendar years;*
- *the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed to such terms in the Listing Rules;*
- *all data in this prospectus is as at the Latest Practicable Date;*
- *certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and*

- *all relevant information in this prospectus assumes no exercise of any of the Over-allotment Option.*

The English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and titles etc. mentioned in this prospectus, including those marked with "", are translations from their Chinese names and are for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

This glossary contains an explanation of certain technical terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"customised lens(es)"	customised resin spectacle lens
"ERP"	Enterprise Resource Planning, an information technology system integrating internal and external information such as accounting, financial information, human resources management, inventory management and warehouse management to facilitate automation of business operations
"FOB"	free on board, which means that the seller pays for transportation of the goods to the port of shipment as well as loading costs; the buyer pays cost of marine freight transport, insurance, unloading and transportation from the arrival port to the final destination; and the passing of risks occurs when the goods are loaded on board at the port of shipment
"ISO"	acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001:2015"	a standard of the ISO9000 series, which specifies the requirements for a quality management system of an organisation to consistently provide products that meet customer requirements and applicable statutory and regulatory standards
"ISO 13485:2016"	a standard of the ISO13485 series, which specifies the requirements for a quality management system where an organisation to demonstrate its ability to provide medical devices and services that consistently meet customer requirements and regulatory requirements
"kg"	kilogram
"ODM"	acronym for original design manufacturing, where a manufacturer designs and manufactures a product which is expected to be branded by another company for its subsequent sale
"standardised lens(es)"	standardised resin spectacle lens

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as "expect", "believe", "plan", "intend", "estimate", "project", "potential", "anticipate", "seek", "may", "will", "would", "should" and "could" or similar words or statements, in particular, in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- our Group's business objectives, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of our Group's business;
- our Group's operation and business prospects;
- our Group's dividend policy;
- the regulatory environment of our Group's industry in general;
- general economic, market and business conditions in the PRC and the overseas;
- changes or volatility in foreign exchange rates;
- the products, actions and developments of our competitors;
- general political and economic conditions in the PRC and overseas;
- capital market developments;
- our ability to attract and retain customers;
- our ability to attract and retain qualified employees and key personnel;
- our ability to protect our brand, trademarks or other intellectual property rights;
- changes in restrictions on foreign currency convertibility and remittance abroad;
- the future development and trends in our Group's industry; and
- risks identified under the section headed "Risk Factors" in this prospectus.

Our Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our Group's control. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this prospectus.

In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment in the H Shares. Our business, operation, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the H Shares could decline due to any of these risks and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material effect on us.

RISKS RELATING TO OUR BUSINESS

We rely on international markets and therefore subject to any material adverse changes to these markets.

Currently, apart from the operating subsidiaries in the PRC, we have operating subsidiaries in Japan, Mexico and the United States. Further, during the Track Record Period, a significant portion of our Group's revenue is generated from various regions including Asia (except the PRC), United States, Europe, Americas, Africa and Oceania. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 approximately 85.3%, 84.0%, 76.2% and 74.9% of our revenue, respectively are generated from the regions other than the PRC. In particular, approximately 17.9%, 15.0%, 18.6% and 18.9% of our revenue are generated from the United States respectively. Please refer to the section headed "Business — Overview" in this prospectus for details.

Our Directors expect the export sales of our products will continue to account for a significant portion of our revenue in the near future. In light of the above and our overseas operation, we are subject to a number of risks and uncertainties associated with overseas sales and operation, including: (i) global economic downturn in overseas markets which affect general consumer confidence; (ii) exchange rate fluctuation in foreign currencies (in particular, RMB against USD); (iii) trade barriers, such as tariffs, taxes, trade bans, import control and other restrictions; (iv) increases costs associated with understanding the overseas market trend and maintaining overseas marketing and sales activities; (v) inability to maintain or enforce intellectual property rights in overseas jurisdictions; (vi) local economic, political, social and labour instabilities; (vii) changes in foreign laws, regulations requirements, trade, monetary or fiscal policies and industry standards; (viii) natural disasters, acts of war, domestic or international terrorist attacks and hostilities or other complications; (ix) difficulty of effective enforcement of contractual provisions in local jurisdictions; (x) potential disputes with foreign parties we work with; (xi) exposure to litigation or third-party claims outside of the PRC; (xii) economic sanctions, trade restrictions, discrimination, protectionism or unfavourable policies against PRC companies; (xiii) enforcement of anti-corruption and anti-bribery laws, such as the Foreign Corrupt Practices Act, or FCPA; (xiv) the effects of applicable local tax regimes, royalties and other payment obligations owed to local governments, and potentially adverse tax consequences; (xv) disruptions of capital and trading market; (xvi) restrictions on the transfer or repatriation of funds and foreign investments; and (xvii) concerns of local governments and regulators on our products and on the relevant management arrangements.

Certain federal, state and international healthcare laws and regulations of the United States pertaining to fraud and abuse and patients' rights are applicable to our business. For example, under the federal Anti-Kickback Statute of the United States, which prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving, or providing remuneration, directly or indirectly, to induce either the referral of an individual, for, among others, the purchasing or ordering of a good (which includes spectacle lens), for which payment may be made under federal healthcare programmes such as the Medicare and Medicaid programmes. Further, the federal physician sunshine requirements under the Patient Protection and Affordable Care Act of 2010 of the United States, which requires manufacturers of, among others, devices (which include spectacle lens) to report annually to the Centers for Medicare & Medicaid Services information related to payments and other transfers of value relating to, among others, certain devices (which include spectacle lens) to physicians, other healthcare providers, and teaching hospitals, and ownership and investment interests held by physicians and other healthcare providers and their immediate family members. For further details on how healthcare fraud and abuse laws and regulations of the United States may affect our ability to operate, please refer to the paragraph titled "Regulatory Overview — Healthcare Fraud and Abuse Laws and Regulations" in this prospectus. In view of the breadth of the relevant laws and the limited statutory exceptions and safe harbours available, our business activities which is subject to the jurisdictions of the United States could be affected under certain federal, state and international healthcare laws and regulations pertaining to fraud and abuse and patients' rights whereby our customers in the United States and/or our end-user customers may be subject to investigation or be accused of violating the prohibition under the Anti-Kickback State of the United States and our sales to these customers may be affected if they are found to have violated such law and in extreme cases are closed down as a result.

We cannot assure that the occurrence of the aforesaid uncertainties would not affect a particular country such as the United States which have material impact on other countries. Any occurrence of these uncertainties could have a material adverse effect on the continuity of our business, results of operations and financial condition.

Our financial performance and results of operations may be adversely affected by trade protectionism and global trade policies.

Our export sales of spectacle lenses products may be affected by adverse changes and developments in trade protectionism and global trade policies beyond our control, such as imposition of trade barriers, sanctions and boycotts. If such measures are introduced or imposed by the government of our major markets such as Asia (other than the PRC), the United States and Europe, it is expected that the international trade and overall export volume and value to those markets will be adversely affected. As such, the sales amount and financial performance of spectacle lenses product manufacturers such as our Group may be adversely affected. Trade protectionism may also bring volatility in the financial markets, which may slow down economic activities in our major export markets and in turn adversely affecting our financial performance and business strategies in major markets.

Our revenue attributable to customers in United States represented approximately 17.9%, 15.0%, 18.6% and 18.9% of our total revenue for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. As a result of the trade tensions between the United States and the PRC which emerged in late 2018, the United States government has imposed additional duties of 10% ad valorem on eyewear products. Please refer to the section headed "Business — Impact of the trade tensions between the United States and the PRC" in this prospectus for details. We cannot assure that there would not be anti-dumping duties, further additional tariffs or quota fees be imposed on our products to be exported to the United States or to our other major markets in the future, in which case, it could make our products less price competitive to our customers in the United States. This could adversely impact our revenue derived from the United States. Any trade restrictions imposed by the United States governments on our products could significantly increase our customers' purchase costs of our products produced by us in the PRC. If our customers in the United States cease to place purchase orders with us in the same quantities or at all, and we are unable to locate alternative customers to place purchase orders with us in the same quantities, or at the same price, or at all, to make up for the reduction in sales, our sales volume, profitability and results of operations could be adversely affected. Furthermore, we cannot assure you that we will be able to respond quickly to any economic, market or regulatory changes in the United States market, and any failure to do so may cause an adverse effect on our business performance, financial condition and results of operations.

We place reliance upon Supplier A as supplier of resin monomers.

During the Track Record Period, a substantial portion of resin monomers for the production of our spectacle lenses products were supplied by Supplier A. According to the Frost & Sullivan Report, Supplier A is the dominant supplier of 1.74 Monomers. There are very few other suppliers of 1.74 Monomers in the industry which are able to supply 1.74 Monomers with stable quantity and quality. Supplier A is our largest supplier which has the business relationship with us of approximately ten years. Supplier A accounted for approximately 40.5%, 41.8%, 41.5% and 41.6% of our total purchases for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. During the same period, our purchase of 1.74 Monomer from Supplier A amounted to approximately RMB16.1 million, RMB22.6 million, RMB35.6 million and RMB23.7 million, representing approximately 3.9%, 4.4%, 6.6% and 9.6% of our total purchases. Please refer to the section headed "Business — Suppliers — Our relationship with Supplier A" in this prospectus for details. We cannot assure that (i) we will be able to maintain business relationships with Supplier A; or (ii) there would not be any decrease, disruption or cessation of the supply of resin monomer of different refractive index at the reasonable price to us, or at all. In particular, Supplier A was our only supplier of 1.74 Monomers during the Track Record Period. In view of the considerable revenue contribution of our lenses of refractive index of 1.74 (representing approximately 13.9%, 16.5%, 15.9% and 17.1% of our total revenue during the Track Record Period, comprising of (i) standardised lenses of approximately 13.1%, 15.4%, 14.5% and 15.9% of our total revenue and (ii) customised lenses of approximately 0.8%, 1.1%, 1.4% and 1.2% of our total revenue during the Track Record Period), the dominating status of Supplier A as 1.74 Monomers supplier in the industry, our negligible revenue contribution to the relevant business segment of Supplier A (i.e. basic materials) during the Track Record Period and the remote likelihood that we are able to secure a stable supply of 1.74 Monomers from other suppliers up to the quality, in the event that Supplier A does not provide 1.74 Monomers to us for whatever reason, we may not be able to manufacture resin spectacle lens with refractive index of 1.74. Insofar as other resin monomers with different refractive index is concerned, in the event that we cannot locate alternative suppliers for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which would materially and adversely affect our profitability.

We generally do not enter into long-term supply agreements with our suppliers.

We source various raw materials from our suppliers for our spectacle lenses manufacturing business. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our total purchases amounted to approximately RMB414.8 million, RMB521.0 million, RMB539.4 million and RMB246.9 million respectively. The total purchases of our five largest suppliers amounted to approximately RMB267.8 million, RMB345.2 million, RMB336.4 million and RMB161.6 million, respectively, for the three years ended 31 December 2018, 2019 and 2020 and for the five months ended 31 May 2021, which accounted for approximately 64.5%, 66.3%, 62.4% and 65.5% of our total purchases during the same period. We rely on the ability and efficiency of suppliers to supply up-to-standard raw materials to us for our further processing. However, other than with Supplier A, we generally do not enter into long-term supply agreements with our suppliers and will negotiate prices with our suppliers on a case-by-case basis. Please refer to the section headed "Business — Suppliers" in this prospectus for details.

In the event that the price of our raw materials increases, we may not be able to negotiate a competitive price of the raw materials with our suppliers. As a result, we may need to pass the increased price, in whole or in part, onto our customers which may or may not be successful. Our inability to pass on or a delay in adjusting our selling price could adversely affect our profitability, financial conditions and results of operations.

If any of our suppliers cannot satisfy our order requirements, we may experience an interruption, reduction or cessation of raw material supplies and will be required to seek alternative suppliers. Furthermore, we cannot assure you that the raw materials supplied to us will not be defective or of a sub-standard. Any delay in the delivery of or defect in raw materials may affect or delay our production schedule, and if we cannot secure alternative suppliers of raw materials of similar quality from other suppliers at prices and terms acceptable to us, we may not be able to deliver our products to our customers on time. As a result, we may lose customer confidence, and our results of operations and financial condition may be materially and adversely affected.

We principally rely on placing of orders by our customers on an order-by-order basis and demand for our products may fluctuate.

Given that we sell our products to numerous countries and it may be difficult for us to enter into the sales agreements with customers in various locations, we accept the purchase orders placed by the overseas customers to sell our products. For the domestic sales in the PRC, we generally enter into sales framework agreements with our customers excluding the individual end-users, which normally sets out, among others, prices, product quality requirement and settlement and delivery arrangement. Our customers still require to place individual purchase orders with us each time when they need our products despite sales framework agreements or distributorship agreements have been entered into. Please refer to the section headed "Business — Customers — Sales Arrangement" in this prospectus for details.

In view of the above sales arrangement, we cannot guarantee that all of our customers will continue to place orders with us. In particular, we cannot guarantee that we will be able to maintain or improve our relationships with all of our customers and any of them may terminate their respective relationships with us. As a result, the volume of our customers' orders and hence our product mix may vary from period to period. Any delay or decrease in number or contract value of orders obtained from our customers could have a material and adverse effect on our operations and profitability.

We may not be able to identify and respond to the latest trends and end-users' demand in a timely manner.

During the Track Record Period, the sales to retailers and individual end-users accounted only for approximately 17.6%, 17.1%, 19.3% and 19.9% for the three years ended 31 December 2018, 2019 and 2020 and five months ended 31 May 2021 respectively whilst the majority of our sales were to spectacle lens brand owners and intermediaries. In view of the above, we may not be able to collect the end-users' feedbacks on the quality or areas for improvement of our spectacle lens products in an efficient manner which may affect our ability to identify and respond to the latest trends and end-user's demand in a timely manner. We consider such ability to identify and respond to be vital as we operate in a rapidly evolving industry affected by changing end-users' preferences. The purpose of usage of eyewear products change from time to time, depending on the trends, fluctuations in consumer preferences and demand. For instance, it is believed that the general purpose of people to wear the eyewear products is for vision correction. Along with development of the economy, the consumers may purchase the eyewear products for fashionable purpose without vision correction and some consumers may demand the eyewear products for health-care purpose such as blue-ray blocking. Such change of the purpose of usage of the eyewear products would affect our focus on the product development of our spectacle lens. Our growth and financial performance are reliant on our ability to identify, pinpoint and respond to trends in the eyewear industry in a timely manner. Hence, if we fail to identify and respond rapidly and effectively to the fast changing trends and end-users' demand, we may not be able to maintain our sales and as a result, our operating results may be adversely affected.

Our success depends on the ability to retain our Directors, senior management and key personnel, and recruit new talents.

Our future growth largely depends on the continuing contribution from, and our ability to retain, our Directors, senior management and key personnel. The expertise and experience of our senior management in our industry are crucial to our success. Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for details. Our success also depends on our key personnel with extensive technical and research and development experience in the eyewear industry. We cannot assure you that the service of our Directors, senior management and key personnel will continue in the future. Should any of our current Directors, senior management or key personnel become unable or unwilling to work for us, we may incur additional expenses to recruit and retain suitable replacements. In the event that we are unable to recruit new talents who have similar knowledge or experience, or if any of our Directors, senior management or key personnel joins our competitors or establishes a new company that becomes a competitor, our business may be adversely affected.

Failure to obtain or renew any or all of the licences, certificates and permits our business requires could adversely affect our business, financial condition and results of operations.

We are required to maintain various licences, certificates and permits as set out in the section headed "Business — Licences, Permits and Registration" in this prospectus for our operations. We are also required to comply with applicable standards in relation to our production processes, in particular, our production bases in the PRC are subject to annual product quality inspection by the regulatory authorities for compliance with the relevant laws and regulations in the PRC. If we fail to pass these inspections, or otherwise obtain or renew our licences, certificates and permits, it could lead to temporary or permanent suspension of some or all of our production activities which would adversely affect our business, financial condition and results of operations.

Our business plan is subject to certain uncontrollable risks and the outcome of our business plan may not follow our original expectation.

We have set our future plans in the sections headed "Business — Business Strategies" and "Future Plans and Use of Proceeds" in this prospectus. The successful implementation of these business strategies depends on various factors, including, among other things, market condition and demand, availability of resources, competition and government policy, and some of these factors are beyond the control of our Group and by nature, are subject to uncertainty. As such, we may not be able to expand as planned or the cost incurred under our business strategies may not follow the original expectation. If we have allocated resources to expand our business based on our business plan but subsequently the demand of our products reduces due to various uncontrollable factors such as market change, our financial position may be adversely affected. Besides, any over-expansion could exert pressure on our limited managerial, operational and financial resources and may in turn pose risks to our operational and financial stability.

In particular, we planned to set up a total of 10 physical eyewear stores in Shanghai by 30 November 2022 with the expected planned capital expenditure of approximately RMB2.1 million for each physical eyewear store and the estimated payback period of approximately 21 months after the commencement of business. However, we only had limited experience in managing stores given that we did not put much focuses on the sales through our retail shopfronts during the Track Record Period. Further, the successful expansion of the above physical stores depends on various factors, including our ability to identify suitable candidates possessing relevant managing experience, the actual consumer purchasing power in Shanghai, our ability to identify area within the prime location in Shanghai with rental cost commercially acceptable to us and the actual revenue generated from such stores. As such, we may not be able to expand as planned or that the actual payback period could be longer than expected.

In view of such uncertainties, there is no assurance that our future plans will materialise, or be completed by the predetermined timeframe, or that our objectives will be fully or partially achieved in which case, our business, profitability and financial condition in the future may be materially and adversely affected.

Our cash flow may deteriorate due to potential mismatch in time between receipt of payments from our customers and payments to our suppliers, and we may take a long time to collect our trade receivables.

There are often time lags between receiving payments from our customers and making payments to our suppliers, resulting in potential cash flow mismatch. The extent of such cash flow mismatch is illustrated by the differences between our trade payables turnover days and trade receivables turnover days. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our trade payables turnover days were approximately 27 days, 26 days, 35 days and 32 days respectively, while our trade receivables turnover days were approximately 61 days, 62 days, 73 days and 62 days respectively. Please refer to the section headed "Financial Information — Description of Selected Items of Consolidated Statements of Financial Position" in this prospectus for details. Given such disparity between our trade receivables turnover days and trade payables turnover days during the Track Record Period, in the event that we fail to receive payments from our customers on a timely basis resulting in causing us not able to fulfil our payment obligation to our suppliers, our suppliers may delay or even cease to provide the raw materials to us. Consequently, our production, our cash flows and financial performance could be affected adversely and materially.

We recorded net current liabilities in the past.

As at 31 December 2018, we had net current liabilities of approximately RMB123.5 million, compared to our net current assets of approximately RMB429.2 million, RMB503.4 million and RMB535.4 million as at 31 December 2019 and 2020 and 31 May 2021, respectively. Our net current liabilities as at 31 December 2018 was primarily attributable to (i) the amounts due to related parties of approximately RMB416.1 million which represented the amounts due to the Controlling Shareholder and his controlled companies; and (ii) the interest-bearing bank loans and other borrowings of approximately

RMB205.8 million which was principally used to finance the regrouping of the entities now comprising our Group. There can be no assurance that we will not have a net current liability position in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our planned expansion plans and our business operations.

We are exposed to fair value change of our financial assets at fair value through profit or loss and valuation uncertainty.

We may from time to time make investments in suitable financial products by using our idle cash to optimise our usage of working capital based on our treasury policy at an appropriate time. Our financial assets at fair value through profit or loss represent our investments in wealth management products issued by banks in the PRC for the purpose of treasury management. The balance of our financial assets at fair value through profit or loss was RMB73.6 million, RMB98.2 million, nil and RMB53.8 million as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively, among which approximately RMB73.6 million, RMB51.0 million, nil and RMB48.3 million were non-principal guaranteed with floating return. As such, the fair value of our investment in such products may fluctuate from time to time for reasons beyond our control, such as the prevailing market interest rates, performance of the relevant assets which is used to determine the return of our investments, changes to the relevant regulatory requirements or restrictions and the general economic conditions and risks associated with any specific country or currency. Such investments are also subject to the credit risk of the issuers of the products and we may lose all or a substantial amount of our investments in the event that an issuer becomes insolvent or fails to make any payments when due in a timely manner, or at all. Any decrease in value or any underperformance of the financial assets we purchase may adversely affect our financial condition.

We are exposed to credit risks of our customers.

Our credit risk arises from default by our counterparties, primarily including our customers. We recorded gross trade receivables of approximately RMB211.8 million, RMB268.3 million, RMB290.5 million and RMB260.1 million as at 31 December 2018, 2019 and 2020 and 31 May 2021 respectively. We usually grant a credit term within three months from the invoice date to our customers. Our major customers may default on their payment to us as a result of deteriorating financial condition or liquidity issues. As at 31 December 2018, 2019 and 2020 and 31 May 2021, the allowance for impairment of trade receivables of approximately RMB62.4 million, RMB59.4 million, RMB59.8 million and RMB53.7 million. We cannot guarantee that our customers would settle our outstanding trade balance on time, or at all. If our customers delay in settling the payments or default in making payments, our cash flow may be negatively affected, and our Group may have to make provision for impairment, write off the receivables, incur legal costs to recover the outstanding sum from our customers and/or seek alternative financing to maintain our operating cash flow so as to fulfil our business payment obligation, which may in turn have a material and adverse impact on our financial condition and results of operations.

Our deferred tax assets are subject to the uncertainties on recoverability.

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, our deferred tax assets were approximately RMB45.8 million, RMB37.7 million, RMB32.0 million and RMB27.4 million respectively. Under our accounting policies, deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses, and are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. The recognition of deferred tax assets depends on our management's judgement as to whether sufficient profits or taxable temporary differences will be available in the future, which is subject to the uncertainties. In the event that sufficient profits or taxable temporary differences are not expected to be available, our deferred tax assets may not be recovered, which would in turn affect our financial position and results of operations.

Unexpected disruptions to our production facilities and liability in connection with industrial accidents during our production process may adversely affect our business operations.

Our operations at our Jiangsu Production Base, Shanghai Production Base and Sabae Production Base are subject to operational risks. These risks include but not limited to disruption of water or power supply and breakdown or malfunction of our machinery, which could result in delay, temporary suspension, permanent, partial or complete shut-downs of our production. For example, our Jiangsu Production Base suspended its operation of large production equipment and machinery from 23 September 2021 to 30 September 2021 under a notice received in respect of a power control policy in Qidong, Jiangsu Province. Our production volume and sales volume in Jiangsu Production Base recorded a decrease of approximately 33.6% and 8.3% for standardised lenses for September 2021 as compared to that for September 2020, respectively. For details, please refer to the section headed "Summary — Recent Development and No Material Adverse Change" in this prospectus. Although we did not receive further notice on the power restrictions and electricity supply from relevant government authorities as at Latest Practicable Date, we cannot assure you that the government authorities will not issue any further notice in respect of such or the policies in respect of power restriction may be further tightened in the future. In the event that any of our production bases or our suppliers or customers is subject to the power restriction or the policies in respect of power restriction are further tightened, we may (i) encounter material disruption or delay in the supply chain and delivery of raw materials to us by our suppliers; or (ii) be required to suspend or cease the production activities; or (iii) encounter substantial delay in delivery of our products to our customers, due to unavailability of transportation or otherwise, which in turn, may adversely affect our business and financial condition. If there is any increment in the electricity cost in the future, our production cost will be increased accordingly. Further, all of our production bases had experienced a short-term suspension following the outbreak of COVID-19. In these events, our operations and delivery schedules may be materially affected and make us unable to deliver our products to our customers on time, leading to customers dissatisfaction and even loss of customers. In addition, as a result of disruption to our operations, our production volume and the utilisation rate of our production plants may be affected, which may result in a drop in our gross profit margin and profitability.

In addition, in the event of (i) natural disasters; (ii) political instability, riots, civil unrest and terrorist attacks; (iii) outbreak of infectious diseases such as COVID-19; and (iv) other events such as implementation of power control policies that are beyond our control, we may incur substantial losses due to loss of revenue from disruption of production, and additional expenditure on repairs or replacement of our damaged equipment and machinery depending on the nature of the occurrence of the events. Further, the production capacity would be negatively affected and we may not deliver our products to our customers on time, which would impair our customers' confidence in us. For further risks relating to the outbreak of COVID-19, please refer to the paragraph headed "Risks Relating to Our Industry — Our Business Operations and Financial Results May be Adversely Affected by the Outbreak of COVID-19." in this section. For further impact of COVID-19 on our business, please refer to the section headed "Business — COVID-19 Mitigation" in this prospectus.

Moreover, as our production process involves the operation of tools, equipment and machinery, there is no assurance that no industrial accident, whether due to malfunctions of machinery or other reasons, resulting in injuries or even deaths will occur in the future. In such event, we may be liable for personal injury or death and monetary losses suffered by our employees, fines or penalties or other legal liability arising from violation of applicable PRC and/or Japan laws and regulations. We may also be subject to disruptions to our business caused by equipment and/or equipment shutdown for investigation or implementation of safety measures. Our business, financial condition, results of operations would be materially and adversely affected.

We might not be able to fulfil our obligation in respect of contract liabilities which might have adverse impact on our liquidity.

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, we recorded contract liabilities under other payables and accruals of approximately RMB9.0 million, RMB11.7 million, RMB16.1 million and RMB20.1 million. These contract liabilities mainly represented the unsatisfied performance obligations for the sales of our products, which include short-term advances received from customers. In the event that we are not able to fulfil our performance obligations for the sales of our products for any reasons, we would not be able to recognise the contract liabilities as revenue or even we need to give back the short-term advances received to the customers, which in turn, would adversely affect our financial conditions and liquidity.

We are subject to the risks associated with our investment in an associate and a joint venture.

As at 31 December 2018, 31 December 2019, 31 December 2020 and 31 May 2021, our investment in an associate and a joint venture amounted to nil, approximately RMB2.6 million, RMB15.1 and RMB14.3 million in aggregate. Since our investments in an associate and a joint venture are stated in the consolidated statements of financial position at our Group's share of net assets under the equity method of accounting less any impairment losses, our investment in the associate and the joint venture would not generate any positive cash flow until and unless our Group receives the dividends declared and paid by such associate and/or joint venture and there is no assurance that our associate and joint venture will do so. Moreover, our investment in an associate and a joint venture may not be as liquid as other investment products given that the associate and joint venture are private companies. As such, we are subject to the liquidity risks associated with such investment, as compared with other investment products which are more liquid.

We may experience inventories obsolescence if we fail to effectively manage our inventories.

Our inventories mainly consist of (i) raw materials (inclusive of lens moulds); (ii) work-in-progress; and (iii) finished lenses. As at 31 December 2018, 2019 and 2020 and 31 May 2021, we recorded provision for impairment of inventories of approximately RMB9.0 million, RMB8.2 million, RMB6.9 million and RMB12.7 million respectively mainly due to obsolete stocks and slow-moving stocks. In particular, as at 31 December 2018, 2019 and 2020 and 31 May 2021, our inventories amounted to approximately 43.6%, 34.7%, 38.2% and 38.9% of our total current assets respectively. Any failure to manage our inventories or accurately forecast the demand of our customers may result in obsolescence of our inventories, which in turn would adversely affect the result of our financial condition and results of operations.

We are exposed to foreign exchange risks.

During the Track Record Period, a majority of our revenue are denominated in RMB and USD ("**revenue currencies**") but the costs incurred by our Group in our business operation are mostly denominated in USD, RMB, JPY and EUR ("**expense currencies**"). The exchange rate of the revenue currencies against that of expense currencies fluctuates from time to time and is affected by a number of factors, such as changes in the political and economic conditions in the relevant jurisdiction as well as the fiscal and foreign exchange policies prescribed by the local governments. Any significant fluctuations in the exchange rates between the revenue currencies and the expense currencies could materially and adversely affect our results of operations. We recorded net foreign exchange gains of approximately RMB5.4 million and RMB2.5 million for the two years ended 31 December 2018 and 2019 and we recorded net exchange loss of approximately RMB16.4 million for the year ended 31 December 2020, we recorded net foreign exchange loss of approximately RMB6.2 million for the five months ended 31 May 2021, respectively, in the consolidated statements of profit or loss. This mainly represented the exchange gains from the sales and purchases of the Group that were denominated in foreign currencies other than the respective subsidiaries' functional currencies. Save for a cross-currency interest rate swap transaction entered into by our Group for the conversion of a variable-rate bank borrowing denominated in USD with a principal amount of RMB27.0 million into a fixed-rate bank borrowing denominated in RMB for the year ended 31 December 2020 and a supplemental agreement to extend the maturity date of the aforesaid bank borrowing and the cross-currency interest rate swap to May 2022, we did not enter into any other financial instruments to hedge the exchange rate exposure relating to any of these currencies during the Track Record Period and up to the Latest Practicable Date, and there is no assurance that we may successfully mitigate our exposure to foreign currency fluctuations risks in the future. For further details on the sensitivity to a reasonably possible change in the USD and RMB exchange rate, please refer to the section headed "Financial Information — Market Risk and Risk Management — Foreign Currency Risk" in this prospectus.

We are therefore exposed to foreign currency risks and our profit margins may be adversely affected if we are unable to hedge foreign currency risk. Any exchange rate volatility relating to the revenue currencies against the expenses currencies may affect our value of net assets, profits and dividends. Any such exchange rate fluctuations may result in increase or decrease in our reported costs and earnings, which may materially and adversely affect our financial condition and results of operations.

Our Group could be exposed to liability of non-compliance or legal proceedings which may divert our resources and adversely impact our reputation.

Pursuant to the relevant PRC laws and regulations, employers in the PRC shall make social insurance funds and housing provident funds contributions for their employees. During the Track Record Period, we were not in full compliance with the applicable contribution requirements for our PRC employees. As advised by our PRC Legal Advisers, there may be legal implications, and we may be ordered to (i) pay the unpaid amount within a certain period for the non-compliance of housing provident and (ii) pay the unpaid amount within a certain period and a late fee that equals 0.05% of the total unpaid amount per day and may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance fund contribution for the non-compliance of social insurance. For details of our non-compliance incidents, please refer to the section headed "Business — Legal and Regulatory Compliance" in this prospectus.

There is no assurance that there will not be any notification from the relevant PRC authorities alleging the non-compliance, employee's complaints or demands for payment of social insurance premiums and housing provident fund contributions in the future.

Further, our operational and financial stability are subject to other litigation or legal proceedings we face from time to time. During the ordinary course of our business operations, our Group is exposed to liability arising from labour disputes, contractual claims under customer and supplier agreements, intellectual property infringement claims, and other potential third party disputes. In addition, we may encounter additional compliance issues in the course of our operations in the case that we cannot promptly respond to the change of the regulation environment, which may subject us to administrative proceedings and unfavourable results.

We are also exposed to potential product liability claims in the event that there is any damage caused by defective products. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. In the event that our products prove to be defective, we cannot assure you that a product liability claim will not be brought against us in the future.

Due to the inherent uncertainties of the ultimate outcome of litigation and regulatory proceedings, litigation and legal proceedings might adversely affect our brand image, reputation and customer preference for our spectacle lenses products. Our management attention may be diverted in defence of such proceedings from our business and operations. Our financial performance may be materially and adversely affected by substantial legal costs and potential settlements or judgments against us.

We may not be granted the qualification of High and New Technology Enterprises and entitled to a preferential corporate income tax rate in the future.

Jiangsu Conant and Shanghai Conant were granted with the qualification of High and New Technology Enterprises on 17 November 2017 (with a re-grant in late 2020) and 27 November 2018, respectively and were entitled to a preferential corporate income tax rate of 15% for a period of three years. Shanghai Conant has applied for the renewal of the qualification for a period of three years from 2021 to 2023 in August 2021 and is expected to be granted with the renewed qualification by the end of 2021. We cannot assure that Jiangsu Conant and Shanghai Conant will be granted an extended period of preferential corporate income tax upon the expiry of the current one, in which case our profit, profit margin and financial conditions may be materially and adversely affected.

We are subject various risks relating to third party payments.

During the Track Record Period, there are certain transactions with our customers which was settled by third party payment processors, with the aggregated amount of approximately RMB2.4 million, RMB3.3 million, RMB1.1 million and nil, representing approximately 0.3%, 0.3%, 0.1% and nil of our total revenue respectively. All such transactions involved direct and/or indirect transactions with customers in Iran, which is a country subject to comprehensive sanctions administered by the United States. By December 2020, all business involving delivery of our products to Iran, or otherwise connected to Iran, was ceased. For the relevant risks relating to the international sanctions, please refer to the paragraph headed "Risks Relating to International Sanctions — We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities." in this section. For further details on our business activities in Sanctioned Countries, please refer to the section headed "Business — Business Activities in Countries Subject to International Sanctions" in this prospectus.

Since there is no contractual relationship between us and the third party payors, we may be subject to various risks, such as (i) we may be asked to return funds we receive from them; (ii) we could also be subject to potential claims from liquidators of third party payors if the third party payors become insolvent or were presented a winding up or a bankruptcy petition; and (iii) we may be expose to potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilised by the third party payors. For further details, please refer to the section headed "Business — Third Party Payments" in this prospectus.

If there is any claim from a third party payor or its liquidators or if legal proceedings (whether criminal or civil) are instituted or brought against us in respect of these payments or for violation or non-compliance of laws and regulations, we may have to spend significant financial and managerial resources to defend against such claims and legal proceedings. Moreover, if we were to be involved in legal proceedings for money laundering charges, our reputation may be adversely affected and we may face difficulties in maintaining our existing customers or attracting new customers, which may cause a decrease in our operating profit. We cannot assure you that our business, financial condition, results of operations and prospects will not be materially and adversely affected by a successful claim or prosecution against us.

Our operations may be subject to transfer pricing adjustments by competent authorities.

We have certain intra-group transactions among our subsidiaries in the PRC, United States, Mexico and Japan that may be subject to audit or challenge by the relevant tax authorities. For details, please refer to the section headed "Business — Transfer Pricing Arrangement" in this prospectus. As such, we could face adverse tax consequences if the relevant tax authorities determine that some of our intra-group transactions do not represent arm's-length negotiations and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operation may therefore be materially and adversely affected.

Further, we expect that the transfer pricing arrangements will continue in the foreseeable future and we will determine transfer pricing arrangement that we believe to be the same as that transacted with unrelated third parties on an arms' length basis. However, there is no assurance that tax authorities would share the same view, or such laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that such intra-group transactions were not on an arm's length basis that affect taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby adjust revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

Failure to maintain an effective quality control system on the manufacturing of our products could harm our business.

We believe that the quality of our products is critical to the success of our business. However, there is no assurance that our products are entirely free from defects and that we are able to continue to maintain effective quality control on the manufacturing of our spectacle lenses products in the future, which is determined by various factors, such as the adherence by our employees to its quality control measures and guidelines.

Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Further, if our products could not meet the specifications and requirements requested by our customers, or if our defective or substandard products result in product returns, large-scale product recalls or customers suffering losses arising from product liability claims, our Group may be subject to product liability claims and other claims for compensation. Regardless of the outcome of any such claim, we may incur significant legal costs. Product failures or defects, any complaints from customers or negative publicity could lead to a decrease in sales of relevant and/or other products, which could materially and adversely affect our business, financial condition and results of operations.

Our cross-currency interest-rate swaps may materially and adversely affect our financial position.

We entered into cross-currency interest rate swaps which are not designated for hedge purposes and are measured at fair value through profit or loss. Loss on change in the fair value of cross-currency interest rate swaps amounted to approximately RMB2.4 million were charged to the statement of profit or loss for the year ended 31 December 2020. We recorded gain on the change in the fair value of cross-currency interest rate swaps of approximately RMB1.9 million for the five months ended 31 May 2021. For further details, please see "Financial Information — Market Risks and Risk Management — Foreign currency risk" in this prospectus.

Such treatment of profit or loss may therefore cause volatility in our year-to-year earnings, and may have a material adverse impact on our business, financial position and prospects. Furthermore, our financial performance may be affected by the fair value of financial assets/(liabilities) at fair value through profit or loss as well as valuation uncertainty due to the use of unobservable inputs.

Our insurance coverage may not be sufficient to cover all losses or potential claims from our customers which would affect our business, financial condition and results of operations.

Our insurance coverage includes (i) general insurance for our Group's fixed assets (e.g. production plants and machinery), employees, vehicles, and trade receivables from overseas customers of our PRC subsidiaries; and (ii) fire insurance for our production plant and offices and product liability insurance of our Japan subsidiary. However, our delivery of goods to customers is in general not covered by insurance. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our Group incurred insurance expenses of approximately RMB2.8 million, RMB2.8 million, RMB2.2 million and RMB1.5 million, respectively. Please refer to the section headed "Business — Insurance" in this prospectus for details. There is no assurance that our current insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of loss or liability for which we may be held liable. As a result, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities. In addition, we cannot guarantee that we can renew our policies on similar or other acceptable terms, or if at all. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospects.

We may be exposed to risks in relation to our leased properties.

As at the Latest Practicable Date, the lessor of the office and warehouse of Conant Eyewear and the lessor of the ophthalmology centre of Shanghai Conant have not provided us with the relevant title certificate of the properties. As such, the respective legal owner and the respective nature and the permitted use of the properties cannot be ascertained. As advised by our PRC Legal Advisers, it is possible that the relevant lessor has no right to lease the property or the respective lease does not fall within the nature and permitted use of the property which might lead to the respective lease being nullified. Further, as at the Latest Practicable Date, the leases of (i) the office and warehouse of Conant Eyewear; (ii) the factory of the Company; (iii) the retail shopfront of Shanghai Conant; and (iv) the ophthalmology centre of Shanghai Conant were not registered. According to the Administration Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), lease agreements have to be registered with the relevant authorities within 30 days of signing. Our PRC Legal Advisers advised us that under relevant PRC laws and regulations, the relevant government authority may require the parties to a lease to register it within a given period, and a fine ranging between RMB1,000 to RMB10,000 for each unregistered lease may be imposed on the parties to the lease for failing to rectify it within the given period. In view of above, if our lease is nullified or our leased properties are encumbered resulting in the leases being unenforceable against third party or the lessors of our leased properties do not continue to lease the said properties to us upon the expiry of the current leases and that we are vacated by them, we will incur additional costs in relocating to other suitable venue. If we are not able to secure alternative venue for replacement on commercially reasonable terms, there will be a material adverse impact on our business.

We may be exposed to risks of infringement in relations to our intellectual property rights and we may be exposed to infringement or misappropriate claims by third parties.

The success of our business depends upon our ability to protect our intellectual property rights that came into our possession for the production of our products, as well as our ability to protect our own brands. As at 31 May 2021, we had three brand names, namely "CONANT", "康耐特" and/or "ASAHI", which are material to our business. Our Group relies on patent laws, proprietary technology and contractual restrictions to protect our intellectual property. As at the Latest Practicable Date, our Group had a total of 17 trademarks, five domain names and 20 patents globally, which are material to our business. For the trademarks, patents and domain names we had obtained registrations as at the Latest Practicable Date, which we consider material to our business, please refer to the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights" in Appendix VII to this prospectus. However, such registration may only provide limited protection for the intellectual properties of our Group. For example, as at the Latest Practicable Date, there were at least two other unrelated companies established in the PRC, all of which contain "康耐特" in their company names, operated in the spectacle lenses industry. These two companies are our customers and we have requested them to change their company names. However, there is no assurance that they will change the name as requested.

We cannot assure you that our measures intended to protect the above-mentioned intellectual property rights are sufficient in preventing any possible infringement by third parties or any defective products and/or services provided by these two companies would not adversely affect our business, prospects and reputation. Our competitive position may be weakened if we fail to protect our intellectual property and other proprietary rights. Litigation relating to the intellectual property may result in substantial costs, time and diversion of resources. Even if our Group has legal grounds for a lawsuit, our Group may need to take a long period of time to resort to court proceedings to enforce our intellectual property rights and consequently may adversely affect our business, prospects and reputation.

In addition, we cannot assure you that our products will not infringe any third party's intellectual property rights. If our products are proved to have infringed any third party intellectual property rights, we may be required to compensate the owner of the intellectual property right for the damages suffered as a result of the infringement or to pay a fine for such infringement. There is no assurance that we will not face such claims in future. In such event, our business may be materially and adversely affected.

We are exposed to risks of delivery disruption and damaged or lost products in relation to transportation services.

The delivery of our products to local customers or local designations are mainly conducted by third party courier companies. Our sales to overseas customers or overseas designations are usually on FOB basis and third party logistics providers including courier companies are engaged for the delivery. Please refer to the section headed "Business — Logistics Management" in this prospectus for details. We are subject to delivery disruptions due to various reasons beyond our control, for instance, the tough lockdown or restrictive measures by the respective governments due to the outbreak of COVID-19, transportation bottlenecks, typhoon, flood, earthquakes, dense haze and other natural disasters as well as labour strikes which could lead to delay or loss in delivery. In addition, our products may face the risk of theft or damage due to any poor handling by the logistics companies. If the products are not delivered to customers' designated delivery points on time, or are damaged or lost before the ownership and risks associated with our products are transferred, we may have to pay compensation to the relevant parties and could lose certain customers as well as suffer harm to our reputation. For further risks relating to the outbreak of COVID-19, please refer to the paragraph headed "Risks Relating to Our Industry — Our business operations and financial results may be adversely affected by the outbreak of COVID-19" in this section. For further impact of COVID-19 on our business, please refer to the section headed "Business — COVID-19 Mitigation" in this prospectus.

RISKS RELATING TO OUR INDUSTRY

The spectacle lens manufacturing industry in the PRC is very intense.

Based on the Frost & Sullivan Report, there are approximately 1,450 spectacle lens manufacturers in the PRC and we basically compete with other manufacturers on, amongst other matters, financial strength, relationship with the suppliers and customers, research and development capability and competent staff. Given that we export our products to the overseas market, we also compete with the spectacle lens manufacturers in other overseas countries.

There is no assurance that we can maintain our leading position in the resin spectacle lens manufacturing industry in the PRC, in the event of which our business operation and financial performance may be adversely and materially affected.

The spectacle lens industry may be threatened by the continuous improvement on the medical treatment on the ophthalmic problems.

Based on the Frost & Sullivan Report, one of the fundamental purposes of requiring an eyewear by the end-users is for vision correction. If the medical treatment on the ophthalmic problems keeps developing and becomes more mature such that more people are willing to accept relevant medical treatments, it may cause negative impacts on the demand on the eyewear including the spectacle lens. In that case, our business operation and financial performance may be materially and adversely affected.

We are subject to environmental, labour and safety laws, regulations and government policies, and compliance with these laws, regulations and policies may be costly.

We have two production bases in the PRC and one production base in Japan and thus our business operations are subject to various environmental, occupational and safety laws, regulations and government policies of the PRC and Japan governments. Please refer to the sections headed "Regulatory Overview — PRC Laws and Regulations" and "Regulatory Overview — Japanese Laws and Regulations" in this prospectus for further details.

During the Track Record Period, we failed to make full contributions to social insurance fund and housing provident fund under the PRC laws and regulations during the Track Record Period, details of which is set out in the section headed "Business — Legal and Regulatory Compliance" in this prospectus and we may be required to take remedial actions which may adversely impact our operations.

Further, there is no assurance that the relevant authorities in the PRC or Japan will not impose additional or more stringent laws, regulations or government policies in the future, which may subject us to more onerous duties and obligations. We may also incur higher financial or other resources to amend our production process, introduce new monitoring systems and purchase new equipment in order to ensure compliance, which may have an adverse impact on our results of operations and financial condition.

Labour shortages, increase in labour cost or other factors affecting labour supply may materially and adversely affect our business operations.

Our Group had over 2,000 employees as at 31 May 2021 and for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our employee benefit expenses including director's and chief executive's remuneration, wages salary, and other allowances amounted to approximately RMB222.0 million, RMB258.0 million, RMB249.5 million and RMB125.9 million, respectively.

There is no assurance that we can secure sufficient number of workers to meet our production needs, or that our labour costs will not increase. Should we fail to recruit staff in a timely and cost-efficient manner and/or retain our existing staff, we may not be able to achieve our production target, accommodate any sudden increase of purchase orders from our customers or carry out our expansion plans.

Labour costs have generally increased in the PRC in the recent years. Labour costs are affected by a number of factors such as demand and supply of labour and inflation. We cannot assure you that we can retain and attract sufficient qualified employees on commercially reasonable terms, or at all. We may need to increase our wage for the purpose of retaining our existing workers or recruit new workers. An increase in our labour costs would increase our operating costs. In the event that we may not be able to pass on all or part of the increase in our labour costs to our customers, our business, financial condition and results of operations may be materially and adversely affected.

Further, any labour dispute or strikes that take place in our production bases may disrupt our operations. We cannot assure that the above mentioned events will not occur in the future or we will be able to resolve them shortly when any of them occurs. If a labour dispute or a strike takes place and we fail to deal with it in a short period of time, our operations could be materially and adversely affected, which would impact our business, financial condition and results of operations negatively.

Our business operations and financial results may be adversely affected by the outbreak of COVID-19.

The global outbreak of COVID-19 is having a significant negative impact on the global economy, especially in retail and service sectors. It has severely disrupted business operations, supply chains and workforce availability across the world, leading to substantial declines in business activity. The COVID-19 pandemic as well as the responses and measures taken in China, Japan and elsewhere by the governments and society as a whole in response to the COVID-19 pandemic, present challenges to our business operations. These challenges include, but are not limited to, temporary suspension of work and quarantine order to restrict entry and exit of the countries which may adversely affect our ability to manufacture and deliver products to our customers. For instance, the short-term suspension for our production bases in the PRC in February 2020 and for our production base in Japan in April to May 2020 have resulted in a decrease in our production volume of approximately 3.4 million and 280,000 pieces in February 2020 in our PRC production bases and in April to May 2020 in our Japan production base respectively, as compared with the same months in the preceding year, and that we have recorded a minor decrease in the revenue in the first half year of 2020 of approximately RMB35.6 million, or approximately 7.0%, when compared to that in the corresponding period in 2019.

We are uncertain as to whether there is any potential rebounding of the COVID-19 in the PRC and worldwide. If the rebounding occurs without being effectively controlled in the future, our business operation and financial performance may be materially and adversely affected as a result of factors such as the changes in the outlook of the consumption markets, slow down in economic growth and negative business sentiment, and any measures which may restrict the operations of our Company, our production bases, our major customers and suppliers. In addition, if in the future any of our employees are suspected of having been infected by COVID-19, we may be required to quarantine such employees. We may also be required to disinfect the affected properties and thereby suffer a temporary suspension of our operations. Any suspension of our operations will materially and adversely affect our business operations and financial performance.

RISKS RELATING TO CONDUCTING BUSINESS IN JAPAN

We may suffer large losses in the event of a natural disaster, such as an earthquake, terrorist attack, outbreak of infectious disease, industrial accident or other casualty events in Japan.

Part of our business operations are located in Japan, including our Sabae Production Base in Sabae City, Fukui Prefecture, where we manufacture our resin spectacle lenses products. We also sell our resin spectacle lenses products in Japan. Japan has historically experienced numerous large earthquakes and tsunamis that resulted in extensive property damages. Additionally, large disasters, outbreaks, terrorist attacks, industrial accidents or other casualty events affecting our Sabae Production Base or our sales network in Japan could disrupt our sale and production even in the absence of direct physical damage to our properties, which in turn could result in significant interruptions to our business.

As at the Latest Practicable Date, the insurance policies we currently maintain do not include coverage for, among other things, earthquakes, volcanic eruptions, tsunamis caused by earthquakes or volcanic eruptions, nuclear accidents, terrorist incidents, civil strife, industrial strikes or other similar events. As a result, we may have to pay out of our funds for financial and other losses, damages and liabilities caused by such events. For more information about our insurance policies, see "Business — Insurance" in this prospectus. With or without insurance, damage to our Sabae Production Base, or to our sales network, due to fire, earthquake, tsunami, typhoon, flood, terrorism, outbreaks such as COVID-19, industrial accidents or other man-made or natural disasters or casualty events could materially and adversely affect our business, results of operations or financial condition.

The potential increase in consumption tax in Japan may affect our Company's financial condition, results of business operations and business.

The Japanese government reviews tax policy annually as part of its budgetary process. Under The Consumption Tax Act (Act No. 108 of December 30, 1988, as amended) in Japan, the consumption tax is assessed at each stage of the manufacturing, importing, wholesale and retail process. The current consumption tax rate for goods or services other than for daily necessities, which is effective from 1 October 2019, is 10% (7.8% imposed as national tax and 2.2% as local tax). Immediately before the increment of tax rate in 2019, the aforesaid consumption tax rate was 8% (6.3% imposed as national tax and 1.7% as local tax). We are unable to predict when the consumption tax will further increase in the future or at what rate. If the consumption tax is further increased, it is likely that consumer spending will be adversely affected. Declines in consumer spending may result in declines in our revenues, resulting in material adverse effects on our financial condition, results of operations or business.

The tax rate in Japan is significantly higher than in certain jurisdictions such as Hong Kong and is subject to change from time to time.

Our tax rate in Japan on assessable profits is significantly higher than applicable tax rates in jurisdictions such as Hong Kong. The effective statutory tax rate comprising of corporate tax, inhabitant tax and enterprise tax in Japan for the three years ended 31 December, 2018, 2019 and 2020 and five months ended 31 May 2021 was 34.48%, 34.26%, 34.26% and 34.26%, respectively, of estimated assessable profits. Given that Asahi Optical, one of our major operating subsidiaries, is incorporated in Japan, we may not be able to generate higher levels of profits in order to generate the same level of returns on our Shares relative to an investment in the shares of similar companies based in lower tax jurisdictions.

We may fail to satisfy the requirements for dividend distribution deduction and consequently incur higher tax costs in Japan.

According to Japanese law, Asahi Optical may only pay dividends out of its distributable profits. Distributable profits (as determined either by Japanese GAAP or IFRS, whichever is lower) refer to the net profits in a certain period, less any recovery of cumulative losses and allocations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to ensure us that we make dividend distributions to our Shareholders in the future. Any undistributed profit of the preceding year, which has not been distributed, will be retained and available for distribution in subsequent years.

Moreover, as distributable profits are calculated differently under Japanese GAAP than under IFRS, our operating subsidiaries may not have distributable profits as determined under Japanese GAAP, even if they have profits as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Any failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distribution to our Shareholders in the future, including those periods for which our financial statements indicate that our operations have been profitable.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the PRC's economic, political and social conditions, as well as government policies, could affect our business and prospects.

Most of our major operating subsidiaries are located in the PRC. Therefore, our business, results of operations, financial condition and prospect are, to a significant extent, subject to the economic, political and social conditions and government policies in the PRC. The economy of the PRC differs from the economies of the most developed countries in many aspects, including but not limited to (i) the degree of the PRC government's involvement; (ii) the growth rate and degree of development; (iii) control of foreign exchange; and (iv) allocation of resources.

The PRC's economy used to be a planned economy, and a substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also exercises substantial control over the PRC's economic growth by allocating resources, setting monetary policies and providing preferential treatment to particular industries or companies. Any economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Hence, we cannot assure you that we may be able to benefit from all, or any, of the measures which are under constant adjustments.

Furthermore, the economic conditions of the PRC could also be affected by its trade relations with other countries. For example, the recent trade war between the PRC and the United States may result in deterioration of the PRC economic environment, or that our spectacle lenses products are subject to tariffs imposed by the United States government in future. If we are unable to pass the increased costs to our customers or the demand for such products from our customers in United States decreases, it may have an adverse impact on our business, financial condition and results of operations.

Extensive government regulation of the manufacturing industry may limit our flexibility to respond to market conditions, competition or changes in our cost structure.

The manufacturing industry in the PRC is subject to various laws and regulations. Any change in the scope or application of these laws, regulations or approvals, however, may limit our ability to conduct our businesses, increase our costs, or increase competition and could have a material adverse effect on our financial results. In addition, complying with such laws and regulations may give rise to unexpected compliance costs that could have an effect on our financial condition and results of operations. Our failure to comply with such laws and regulations could also result in fines, penalties or lawsuits.

Furthermore, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited. As such, the outcome of dispute resolutions may not be consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement under the PRC laws, or to obtain enforcement of judgement by a court of another jurisdiction.

The enforcement of the PRC labour contract law, social insurance law and other labour related regulations may materially affect our business, financial condition and results of operations.

Pursuant to the PRC Labour Contract Law, effective on 1 January 2008 and amended on 28 December 2012, and its implementation rules that became effective on 18 September 2008, employers are subject to various requirements in terms of contract signing, minimum wages, payment of remuneration, overtime working hours limitations, determination of employees' probation period and unilateral termination of labour contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labour practices, the PRC Labour Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

On 28 October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, which became effective on 1 July 2011 and amended on 29 December 2018. According to the PRC Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of the PRC Labour Contract Law, the Social Insurance Law and other labour related regulations (the "**labour-related laws and regulations**") are still evolving, we cannot assure you that our employment practice do not and will not violate labour-related laws and regulations in PRC, which may subject us to labour disputes or government investigations. If we are deemed to have violated relevant labour-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Inflation in the PRC in general may increase our production costs.

We have two production bases located in the PRC. While the PRC economy has experienced rapid growth, such growth has been accompanied by periods of high inflation. If such inflation is allowed to proceed without mitigating measures by the PRC government, our operational costs will likely increase, and our profitability may be materially reduced, as there is no assurance that we will be able to pass any cost increases onto our customers. If the PRC government implements new measures to control inflation, these measures may lead to a slowing of economic growth.

It may be difficult to effect service of process or to enforce foreign judgments against our Group.

Major part of our businesses, assets and operations are located in the PRC and our PRC subsidiaries are governed by PRC laws, rules and regulations. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us. Moreover, it is understood that the enforcement of foreign judgments in the PRC is subject to uncertainties. A judgement of a court from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC. However, the PRC does not have treaties for the reciprocal recognition and enforcement of court judgments with the United States and many other countries. As a result, recognition and enforcement in the PRC or Hong Kong of a court judgement obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

PRC government's control of foreign currency may limit our foreign exchange transactions, including dividend payments to our Company's shareholders in foreign currency.

RMB generally cannot be freely converted into any foreign currencies. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, subject to certain procedures. However, there is no assurance that the foreign exchange policies regarding payment of dividends in foreign currencies will continue.

Moreover, foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require prior approval of the SAFE. The PRC government may further implement rules and regulations in the future, which could restrict the use of foreign currency under current account and capital account in certain circumstances. These restrictions could affect our ability to pay dividends to the holders of our H Shares in foreign currencies, obtain foreign currency through debt financing, or to obtain foreign exchange needed for our capital expenditure, and could materially and adversely affect our business, financial condition and results of operations.

In addition, to the extent that we need to convert HK$ that we will receive from the Global Offering into RMB for our operations, appreciation of RMB against HK$ would have an adverse effect on the RMB amount that we will receive. Conversely, if we decide to convert our RMB into HK$ for the purpose of making dividend payments on our H Shares or for other business purposes, appreciation of HK$ against RMB would reduce the HK$ amount available to us.

Payment of dividends is subject to restrictions under the PRC law.

Under the current PRC law, dividend may be paid only out of our Company and our PRC subsidiaries' accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Moreover, our Company and our PRC subsidiaries are required to set aside a certain amount of its after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, in the future, if our Company or our PRC subsidiaries incur debt on its own behalf, the instruments governing the debt may impose restrictions on its ability to pay dividends or other payments. The inability to distribute dividends or other payments could significantly affect the amount of capital available to supply the development and growth of our business.

Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares.

Under current PRC tax laws, regulations and rules, foreign individuals and foreign enterprises that are not PRC residents are subject to different tax obligations with respect to the dividends paid by us or the gains realised upon the sale or other disposition of H Shares.

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) issued by the SAT on 28 June 2011, we are required to withhold taxes from dividend payments to non-PRC resident individual holders of H Shares at rates ranging from 5% to 20% (usually 10%), depending on the applicable tax treaty or arrangement between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders of H Shares who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us.

In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, non-mainland China resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-mainland China resident individual holders on the transfer of shares in mainland China resident enterprises listed on overseas stock exchanges. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation rules, for foreign enterprises that do not have offices or establishments in the PRC, or have offices or establishments in the PRC to which their income is not related, dividends paid by us and the gains realised by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to EIT at a rate of 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence. In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Nonresident Enterprises (Guo Shui Han [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知(國稅函[2008]897號)), which became effective on 6 November 2008, 10% withholding tax shall be imposed on dividends paid by Chinese resident enterprises to holders of H Shares that are overseas non-resident enterprises. These holders of H Shares may apply for tax refunds in accordance with applicable tax treaties or arrangements, if any. In addition, the PRC tax laws, rules and regulations may also change from time to time. If the tax rates stipulated in the EIT Law and the related implementation rules are amended, the value of your investment in our H Shares could be materially and adversely affected.

In addition, it is also unclear whether and how the EIT on gains realised by non-resident holders of H shares through the sale, or transfer by other means, of H shares will be collected by the PRC tax authorities in the future. Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realised through sale or transfers of the H Shares.

RISKS RELATING TO INTERNATIONAL SANCTIONS

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

The United States and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we delivered certain resin spectacle lens products to customers in Cuba and Iran, which countries are subject to comprehensive international sanctions programmes. Our payments received from sales to customers located in Cuba and Iran amounted to approximately US$361,000, US$1,790,000, US$360,000 and nil representing approximately 0.3%, 1.2%, 0.2% and nil of our total revenue for the three years ended 31 December 2020 and the five months ended 31 May 2021, respectively. Please refer to the section headed "Business — Business Activities in Countries Subject to International Sanctions" in this prospectus for further details.

During 2016 to 2020, we received payments in an aggregate amount of approximately US$4,620,000 from customers located in Cuba and Iran. As advised by our International Sanctions Legal Adviser, the Group's Cuba and Iran Transactions appear to be a potential violation of US sanctions regulations that are applicable to certain transactions with Cuba and Iran. We have filed a VSD with OFAC to address these violations, and in August 2021, OFAC responded to the Group's VSD with the Cautionary Letter indicating that it had completed its review of all of the information provided in the VSD. In the Cautionary Letter, OFAC stated that (i) the Group's sales to Cuba were not prohibited under OFAC regulations, (ii) the processing of transactions by a U.S. financial institution between 2016 and 2020 for the benefit of persons in Iran did not comply with the ITSR, (iii) it had determined to address this matter through the issuance of the Cautionary Letter, and (iv) it would not be pursuing a civil monetary penalty or taking any enforcement action. OFAC further indicated that the issuance of the Cautionary Letter represents its final determination as to all matters related to the VSD. On this basis, and the view of our International Sanctions Legal Adviser, our Directors therefore consider the matter to be fully resolved.

Sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of United States, the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us. Further, we have made certain undertakings to the Stock Exchange, including that we will not enter any future business, or use the proceeds of the Global offering, in any manner that could violate any International Sanctions. If we were to breach our undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange. Please see the section headed "Business — Business Activities in Countries Subject to International Sanctions — Our Undertakings and Internal Control Procedures" for more information. For details of our business operations in the Countries subject to International Sanctions and our undertakings to the Stock Exchange and its related group companies, please refer to the section headed "Business — Business Activities in Countries Subject to International Sanctions".

RISKS RELATING TO THE GLOBAL OFFERING

As the Offer Price of our H Shares is higher than our net tangible book value per H Share, purchase of our H Shares in the Global Offering may experience immediate dilution upon such purchases.

Potential investors will pay a price per H Share that substantially exceeds the per H Share value of the Company's tangible assets after subtracting the Company's total liabilities and will therefore experience immediate dilution when purchasing the H Shares offered in the Global Offering. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their H Shares. In addition, if we issue additional H Shares or equity-linked securities at a price lower than the net tangible asset value per H Share at the time of issuance, you and other purchasers of our H Shares may experience further dilution in the net tangible asset value per H Share.

Any further issue of Domestic Shares and subsequent conversion into H Shares in the future could dilute your shareholding under H Shares, increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

On 29 December 2017, the CSRC issued a press release in connection with the launch of the H share full circulation pilot project (H股全流通試點項目) (the "**Pilot Project**"). A participating company, which was a H share company listed on the Stock Exchange, in the Pilot Project would be allowed to convert certain of its domestic shares into H shares, which are eligible to be listed and traded on the Stock Exchange. On 15 November 2019, the CSRC announced to fully promote its "full circulation" reform of the H shares by covering both qualified H share companies already listed on the Stock Exchange and companies planning initial public offerings of the H shares on the Stock Exchange.

We have obtained the approval from the CSRC for the conversion of 305,000,000 Domestic Shares into Converted H Shares, and the Converted H Shares may be listed on the Stock Exchange upon completion of the conversion. Such conversion will increase the number of H Shares to 426,600,000 H Shares (assuming the Over-allotment Option is not exercised) and in the case that there is any further issue of Domestic Shares and subsequent conversion into H Shares in the future, your shareholding under the class of holders of our H Shares will be diluted. Further, according to the PRC Company Law, the Shares issued by our Company prior to the Global Offering (including a total of 305,000,000 Converted H Shares held by nine existing Shareholders of our Company, including Mr. Fei) are restricted from trading within one year from the Listing Date. Such restriction from trading will limit the number of H Shares tradable on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. Any future sales (after the expiration of the restrictions set out above) of Converted H Shares by relevant Shareholders in the public market may affect the market price of our H Shares.

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The initial price to the public of our H Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the H Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

There has been no prior public market for our H Shares, and there may be limited liquidity in the H Shares and volatility in the price of the H Shares on the Main Board.

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range to the public for our H Shares was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. A Listing on the Stock Exchange, however, does not guarantee that an active trading market for the H Shares will develop, or if it does develop, will be sustained following the Global Offering, or that the market price of the H Shares will not decline following the Global Offering. In addition, the Global Offering may not result in the development of an active and liquid public trading market for our H Shares. Furthermore, the price and trading volume of our H Shares may be volatile. Factors such as the following may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations;
- loss of significant customers or material default by our customers;
- news regarding recruitment or loss of key personnel by us;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- involvement in potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the release of lock-up or other transfer restrictions on our outstanding H Shares, or sales or perceived sales of additional H Shares by us or other shareholders;
- our inability to obtain or maintain regulatory approval for our business operations; and
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

In addition, H shares of other PRC issuers listed on the Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

Future sales, or market perception of sales, of substantial amounts of our H Shares in the public market, including any future offerings, could have a material adverse effect on the market price of our H Shares and make it difficult for you to recover the full value of your investment.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amount of our H Shares could materially and adversely affect the market prices of our H Shares and may also materially and adversely affect our ability to raise capital in the future. In addition, the Shareholders would experience dilution in their holdings upon our issuance or sale of additional securities in future offerings.

Historical dividends are not indicative of our Group future's dividends.

Our Company had not declared any dividends for the three years ended 31 December 2020. Dividends of RMB30.8 million have been declared and paid by certain of our subsidiaries to the then equity holder of the subsidiaries in mid-2018 prior to the regrouping of our business entities detailed in the section headed "History — Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities" in this prospectus. On 10 August 2021, our Shareholders resolved to amend another resolution of the Shareholders dated 20 March 2021 and our Shareholders approved a special dividend distribution plan, pursuant to which we declared a special dividend from our distributable reserve as of 31 May 2021, to the then existing Shareholders as of 31 May 2021 in proportion to their respective shareholdings as of 31 May 2021, and a special dividend of approximately RMB149.5 million (inclusive of tax) was declared as a result. The special dividend has been fully settled in August 2021 by our Company with our internal resources including proceeds from the repayment of the amount due from the Controlling Shareholder and related parties. There is no assurance that dividends will be declared or paid in the future, at a certain level or at all. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

Furthermore, under the applicable PRC laws, dividends may be paid only out of profit after taxation after we have made the following allocations: recovery of accumulated losses, if any; allocations to the statutory common reserve fund equivalent to 10% of our profit after taxation; and allocations that are approved by the shareholders in a shareholders' meeting, if any, to any common reserve fund. Our profit distributable for the above-mentioned allocations and our dividend distribution shall be our profit after taxation as determined by PRC GAAP or IFRSs, whichever is lower. As a result, we may not have sufficient profit to enable us to make future dividend distributions to the Shareholders, even if one of our financial statements prepared in accordance with PRC GAAP or IFRS indicates that our operations have been profitable. Subject to any of the above constraints, there can be no assurance that we will be able to declare or distribute any dividend.

Our future financing may cause dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional H Shares or other securities convertible into or exchangeable for the H Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in earning per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may (i) further limit our ability or discretion to pay dividends; (ii) increase our risks in adverse economic conditions; (iii) adversely affect our cash flows; or (iv) limit our flexibility in business development and strategic plans.

Our Controlling Shareholder has substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.

The interests of our Controlling Shareholder may differ from the interests of our other Shareholders. Our Controlling Shareholder could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their H Shares in a sale of our Company or may reduce the market price of our H Shares. In addition, to the extent the interests of our Controlling Shareholder conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the disclosure of forward-looking statements in this prospectus should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events, or otherwise. Please refer to the section headed "Forward-looking Statements" in this prospectus for further details.

Investors should not rely on any information contained in press articles or other media regarding our Group or the Global Offering.

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage regarding us or the Global Offering, and such information that was not sourced from or authorised by us. We make no representation to the appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media coverage about our business or financial projections, share valuation or other information. Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus in making any decision as to whether to invest in our Shares.

Certain facts and statistics in this prospectus may not be reliable and accurate.

The facts and statistics disclosed in this prospectus (particularly those set out in the section headed "Industry Overview" in this prospectus) relating to the PRC and other countries, their economy, regulatory framework and the spectacle lenses industry have been derived from various publications which we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. Whilst we have taken reasonable care in the production of such information, they have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers or the Underwriters, any of our or their respective directors or any other parties involved in the Global Offering. Therefore, all the aforesaid parties, including but not limited to our Company and the Sole Sponsor, make no representation as to the accuracy of such facts and statistics disclosed in this prospectus. Due to the possibly flawed or ineffective data collection methods or discrepancies between published information and market practise, the facts and statistics disclosed in this prospectus may be inaccurate or may not fairly reflect the actual situations or market conditions. Furthermore, we cannot assure that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus in making any decision as to whether to invest in our H Shares.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Stock Exchange in its discretion.

Since a substantial portion of our business operations and management are carried out in the PRC, there is no business need to appoint executive Directors based in Hong Kong. As none of our executive Directors or senior management currently resides in Hong Kong, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rules 8.12 and 19A.15 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules. The two authorised representatives are Mr. Fei, an executive Director, and Wong Keith Shing Cheung ("**Mr. Wong**"), a joint company secretary. The authorised representatives will act as the principal channel of communication between the Stock Exchange and our Company. The authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorised representatives has means to contact all Directors (including the non-executive Director and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:

    (i) each Director will provide his mobile phone number, office phone number, residential phone number, email address and facsimile number to the authorised representatives;

(ii) each Director will provide his phone numbers or means of communication to the authorised representatives when he is travelling; and

(iii) each Director will provide his mobile phone number, office phone number, email address and facsimile number to the Stock Exchange;

(c) in compliance with Rule 3A.19 of the Listing Rules, we have retained Guotai Junan Capital Limited to act as our compliance adviser, which will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules;

(d) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and compliance adviser;

(e) each Director who is not ordinary resident in Hong Kong has confirmed that each of them possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

(f) we will retain a Hong Kong legal advisor to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our Listing.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of the Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that in accessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 (i.e. not less than 15 hours of relevant professional training in each financial year); and

(d) professional qualifications in other jurisdictions.

We have appointed Cao Xue ("**Ms. Cao**") as one of the joint company secretaries. Although Ms. Cao does not possess the qualification and sufficient relevant experience as stipulated in the Notes to Rule 3.28 of the Listing Rules, we would like to appoint her as our joint company secretary due to her past management experience within our Group and her thorough understanding of the internal administration and business operations of our Group as well as her industry knowledge. In addition, we have appointed Mr. Wong, who fulfils the requisite qualification as required under Note 1 to Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to assist Ms. Cao to acquire all qualifications and experience as the company secretary of the Company required under Rule 3.28 of the Listing Rules.

Apart from discharging his functions in his role as one of our joint company secretaries, Mr. Wong will assist Ms. Cao in enabling her to acquire the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. In addition, Ms. Cao will attend relevant professional training during each financial year as required under Rule 3.29 of the Listing Rules.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance of Rules 3.28 and 8.17 of the Listing Rules in respect of the appointment of Ms. Cao as one of our joint company secretaries pursuant to Guidance Letter HKEX-GL108–20 on the following conditions:

(a) Ms. Cao must be assisted by Mr. Wong, who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary of our Company throughout the validity period of the waiver; and

(b) the waiver is valid for period of three years from the Listing Date and will be revoked immediately if and when Mr. Wong ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors (including any proposed director who is named as such in this Prospectus), having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

We have obtained an approval letter from the CSRC for the Global Offering, the conversion of 305,000,000 Domestic Shares into H Shares and the making of the application to list our H Shares on the Stock Exchange dated 9 October 2021. In granting such approval, the CSRC does not accept any responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this prospectus.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus sets forth the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The International Placing is expected to be underwritten by the International Underwriters. The Global Offering is coordinated by the Sole Global Coordinator.

For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or around Thursday, 9 December 2021, and in any event no later than Wednesday, 15 December 2021.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before Wednesday, 15 December 2021, or such later date or time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF OUR H SHARES ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Converted H Shares. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(a) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(b) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers, agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(c) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and

(d) authorises us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, Sole Bookrunner and Joint Lead Managers, the Underwriters, or any of their respective directors, agents, employees, affiliates or advisors or any other party involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, please refer to the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

H SHARE REGISTER AND STAMP DUTY

All of our H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar. Our principal register of members will be maintained by us at our head office in China. Dealings in our H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in our H Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, Sole Bookrunner and Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding, disposing of, or dealing in our H Shares or the exercise of any rights attaching to our H Shares.

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedure for application for the Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus should prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

For exchange rate conversions throughout this prospectus, unless otherwise specified, or in respect of transactions that have occurred at historical exchange rates, all conversions from HK$ to US$ were made at the rate of US$1.00 to HK$7.7902 and HK$1.0 to RMB0.8193 as at 19 November 2021.

We make no representations and none should be construed as being made, that any of the HK$, US$ or RMB contained in this prospectus could have been converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

For exchange rates translations throughout this prospectus (if any), we make no representations and none should be construed as being made, that any of the Hong Kong dollar or U.S. dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Fei Zhengxiang (費錚翔)	Room 901, No. 28 Lane 77, Fangdian Road Pudong New Area, Shanghai China	Chinese
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Mr. Xia Guoping (夏國平)	Room 304, No. 94 Building 40 Zizhu Apartment Chengdong Street Dinghai District Zhoushan, Zhejiang China	Chinese
Mr. Chen Junhua (陳俊華)	No. 141 Jianguo Middle Road Shanghai China	Canadian
Non-executive Director		
Dr. Takamatsu Ken (高松健)	1–24–11–1413, Hagoromocho Tachikawa-shi Tokyo 190–0021 Japan	Japanese

Name	Residential Address	Nationality
Independent non-executive Directors		
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Mr. Chen Yi (陳一)	Flat B, 21/F Block 2 Connaught Garden 155 Connaught Road West Hong Kong	Chinese
Mr. Jin Yiting (金益亭)	Room 203, No. 2 Lane 555, Luding Road Putuo District, Shanghai China	Chinese

SUPERVISORS

Name	Residential Address	Nationality
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Mr. Xu Jingming (徐敬明)	No. 71, Gujiazhai Changfeng Six Team Chuansha Town Pudong New Area, Shanghai China	Chinese
Mr. Tang Baohua (唐寶華)	Room 101, No. 9 Lane 436, Jianghui Road Shanghai China	Chinese

Further information about our Directors, Supervisors and other senior management members are set out in "Directors, Supervisors and Senior Management".

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Sole Sponsor

Guotai Junan Capital Limited
(a licenced corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities)
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Sole Global Coordinator and Sole Bookrunner

Guotai Junan Securities (Hong Kong) Limited
(a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities)
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Joint Lead Managers

Guotai Junan Securities (Hong Kong) Limited
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HTF Securities Limited
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Unit 1807, 18/F
Office Tower
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1 Harbour Road
Wan Chai, Hong Kong

	Ever-Long Securities Company Limited *(a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities)* Room 1101–1102 & 1111–1112 11/Floor, Wing On Centre 111 Connaught Road Central Sheung Wan, Hong Kong
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	As to PRC laws: **Han Kun Law Offices** 33/F, HKRI Centre Two HKRI Taikoo Hui 288 Shimen Road (No. 1) Jing'an District Shanghai 200041 PRC

	As to Japanese laws: **Kamimura Ohira & Mizuno** Toranomon 40 MT Building 3F 5-13-1 Toranomon Minato-ku Tokyo, 105-0001 Japan
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	As to PRC laws: **Grandall Law Firm (Shanghai)** 23–25/F, Garden Square 968 West Beijing Road Shanghai PRC
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Transfer Pricing Consultant	**Ernst & Young Tax Services Limited** 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Property Valuer	**Roma Appraisals Limited** 22/F., China Overseas Building 139 Hennessy Road Wan Chai Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 China
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

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Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.conantoptical.com.cn** *(Note: the information contained on this website does not form part of this prospectus)*
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Audit Committee	Mr. Chen Yi (陳一) *(Chairman)* Mr. Jin Yiting (金益亭) Dr. Xiao Fei (肖斐)
Remuneration Committee	Mr. Jin Yiting (金益亭) *(Chairman)* Dr. Xiao Fei (肖斐) Mr. Chen Junhua (陳俊華)
Nomination Committee	Dr. Xiao Fei (肖斐) *(Chairman)* Mr. Chen Yi (陳一) Mr. Xia Guoping (夏國平)
Risk Management Committee	Mr. Fei Zhengxiang (費錚翔) *(Chairman)* Mr. Zheng Yuhong (鄭育紅) Mr. Chen Yi (陳一)
ESG Committee	Mr. Fei Zhengxiang (費錚翔) *(Chairman)* Mr. Zheng Yuhong (鄭育紅) Mr. Xia Guoping (夏國平)
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	China Construction Bank Corporation, Shanghai Chuansha Sub-branch No. 621, Miaojing Road Pudong New Area Shanghai PRC
	Jiangsu Qidong Rural Commercial Bank Co., Ltd., Binhai New City Sub-branch No. 596, Nanhai Road Binhai Industrial Park Qidong, Jiangsu PRC
	China CITIC Bank, Shanghai Chuansha Sub-branch 5007 Chuansha Road Pudong New Area Shanghai PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources form independent suppliers, and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct market research and prepare a report on spectacle lens manufacturing market with the Global Offering (the "**Frost & Sullivan Report**"). Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We were charged RMB645,000 by Frost & Sullivan in connection with its preparation of the report, which our Directors believe that such fee reflects market rates for reports of this type. Our payment of such fee is not contingent upon the results of its research and analysis.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved in-depth telephone and face-to-face interviews with industry participants. Frost & Sullivan also conducted secondary research which involved reviewing annual reports, industry publications and data based on its own research database. Frost & Sullivan obtained the figures for various market size estimates from historical data analysis plotted against macroeconomic data, and considered related industry drives. Its forecasting methodology integrates several forecasting techniques with its internal analytics of critical market elements investigated in connection with its market research work. These elements primarily include identification of market drivers and restraints and integration of expert opinions. In preparation of the Frost & Sullivan Report, Frost & Sullivan assumed: (i) the industry drivers such as increasing purchasing power and increasing awareness of vision health are likely to drive the resin spectacle lens industry in the forecast period; (ii) the social, economic and political environment of the world is likely to remain stable in the forecast period; and (iii) the negative effects of outbreak of COVID-19 to the macro economy of the world will fade away after 2021.

OVERVIEW OF MACRO ECONOMY

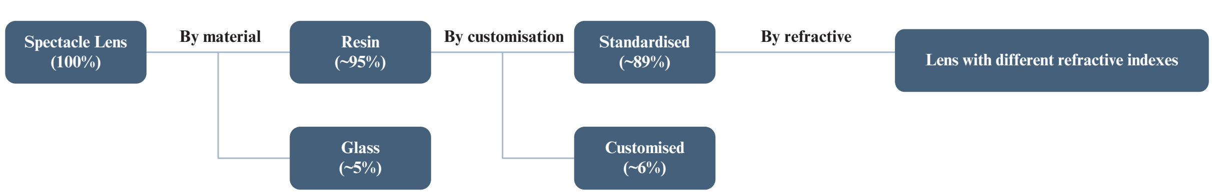
The global nominal GDP experienced a stable growth from USD74.8 trillion in 2015 to USD83.6 trillion in 2020. It is expected that the nominal GDP will reach USD100.7 trillion in 2025 at a CAGR of 3.8%, despite the depression brought by COVID-19 in 2020. The global economy is undergoing transformation from investment-driven to consumption-driven, resulting in a sound and promising market. The global nominal GDP per capita also increased progressively from USD10,185 in 2015 to USD10,873 in 2020 due to the gradual economic growth in these five years, and it is expected to reach USD11,655 in 2025. According to the World Economic Outlook dated 27 July 2021 of International Monetary Fund (IMF), global nominal GDP growth is projected at 6.0% in 2021, and the upward projection reflects constant fiscal support in a few large economies, and anticipated vaccine-powered recovery in the second half of 2021. According to IMF, emerging and developing countries in Asia such as the PRC which have controlled the outbreak of COVID-19 successfully will be the key growth engines of the global economy in 2021. Additionally, with immunization coverage in developed countries such as the United States and the United Kingdom increased via vaccination, the economic growth in these regions is also expected to rebound in 2021. Most countries are expected to on track to achieve broad vaccine availability by the end of 2022.

DEFINITION OF EYEWEAR AND SPECTACLE LENS

Eyewear is an accessory worn on or over the eyes for vision correction or protection of eyes from harmful lights (ultraviolet lights, blue ray) and dust particles. In the present scenario, eyewear is endowed with fashionable elements, as consumers not only wear eyewear for vision correction, but also for enhancing one's appearance. Additionally, eyewear can be regarded as health-care products, which is highly correlated with vision health. Contact lenses are also classified as eyewear.

A spectacle lens is a transparent optical device that focuses or disperses a light beam by means of refraction and is the core functional part of regular eyewear. Most spectacle lens is used as prosthetics for the correction of visual impairments such as myopia, hyperopia, presbyopia, and astigmatism. With the continuous development of optical technology, the spectacle lens are becoming multifunctional, for example, some myopic lens are also have the function of illumination sensing and colour changing to protect eyes.

CLASSIFICATION OF RESIN SPECTACLE LENS



Note: the percentage illustrated above is based on the production value in the PRC in 2020

Source: Frost & Sullivan

Resin lens is currently the most pervasive material for lens, which has replaced the glass lens. Polycarbonate lens is one kind of special resin lens made of polycarbonate, whose impact resistance is much better than regular resin lens and thus used in sports spectacles. As a special resin lens with limited application scenarios, polycarbonate lens took less than 1% of the total production value of lens in the PRC in 2020.

Standardised lens is the most common lens in the market, which is made with general parameters with different refractive indexes, lens designs and functionalities. The end users will buy the standardised lens other than lens roughcasts based on their eyeglasses prescription and the eyewear retailers will further process the lens to fit the spectacle frame of the end users. Eyeglasses prescription contains general parameters in the product list of standardised lens, while the actual parameters of end users are more personalized. In view of the features of the standardised lens, the product list with reference prices is normally offered to customers for selection. Some lens manufacturers would also include lens roughcasts in the product list of standardised lens to cater the needs of certain kind of customers such as spectacle lens brand owners for their further processing based on their requirements. The lens roughcasts are primitive in nature without imposing any specific corrective power and primarily used to produce customised lens while other kinds of standardised lens are normally not used for such purpose.

Customised lens may have some personalised parameters (such as size, shape, curvature and specific corrective power) which are tailor-made in nature according to the request of the customers and are not available from existing product list of standardized lens. The personalised parameters may include a combination of various parameters which are prescribed in a single lens to correct the vision deficiencies such as correcting a combination of presbyopia, myopia and astigmatism in a single lens while such combination of parameters are not commonly requested by customers and therefore may not be offered under the standardised lenses product list. Despite the unit price of customised lens is much higher than standardised lens, the customised lenses are more effective on the vision correction as compared to the standardised lenses resulting that more demanding individual end users may prefer customised lenses along with the increasing purchasing power.

Refractive index, also called index of refraction, is a measure of the bending of a ray of light when passing from one medium into another. The medium with high refractive index is able to bend light more efficiently. Refractive index for lens is measured by sin (angle of incidence)/sin (angle of refraction). Because of their ability to bend light more efficiently, lens with higher refractive index for myopia have thinner edges than lens with the same diopter of myopia that are made of material with lower refractive index. The refractive index of the lens depends on the raw materials, and refractive indexes of 1.499, 1.56, 1.60, 1.67 and 1.74 are the most common refractive indexes for resin lens. The raw material of high refractive index lens is much expensive, thus the price of lens is positively correlated with the refractive index. In the future, new raw materials with higher refractive indexes may be launched in the market, and the prices of relatively lower refractive indexes lens will decrease.

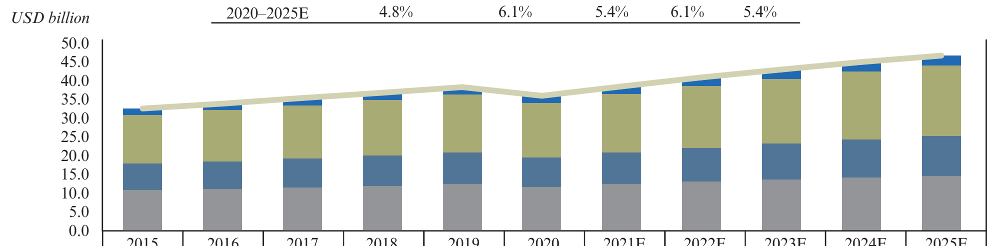
Glass is the traditional material for lens, while its impact resistance is much lower than resin lens, which makes glass lens unsafe for wearer. The glass lens is only used in specific occupations such as high temperature working environment as its melting point is much higher than resin, thus it only takes approximately 5% by production value in the PRC in 2020. The refractive index of glass is 1.9, which is higher than all the resin materials, thus it is also used for producing lens for extreme myopia.

GLOBAL RESIN SPECTACLE LENS MARKET

The resin spectacle lens are widely used for spectacle lenses and sunglasses lenses. The total retail sales value of resin spectacle lens in the world increased from USD32.4 billion in 2015 to USD35.8 billion in 2020, representing a CAGR of 2.0%. It is expected that the market size will increase to USD46.5 billion, representing a CAGR of 5.4% from 2020 to 2025.

Retail Sales Value of Resin Spectacle Lens Breakdown by Regions (2015–2025E)

CAGR	North America	Asia & Pacific	Europe	Others	Total
2015–2020	1.5%	2.2%	2.2%	3.3%	2.0%
2020–2025E	4.8%	6.1%	5.4%	6.1%	5.4%



	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Others	1.7	1.8	2.0	2.0	2.1	2.0	2.2	2.3	2.4	2.6	2.7
Europe	13.0	13.6	14.2	14.8	15.4	14.5	15.5	16.5	17.3	18.1	18.8
Asia & Pacific	7.1	7.4	7.7	8.1	8.5	7.9	8.5	9.0	9.6	10.1	10.6
North America	10.6	10.9	11.3	11.7	12.2	11.4	12.2	12.9	13.4	14.0	14.4
Total	32.4	33.7	35.2	36.6	38.2	35.8	38.3	40.7	42.8	44.8	46.5

Note: North America includes the United States, Canada and Mexico; Europe includes the United Kingdom, European Union and other non-member of European Union; Asia & Pacific includes China, Japan, India, Taiwan, Korea, and Australia.

Source: Frost & Sullivan

The retail sales value of resin spectacle lens in North America, Asia & Pacific, Europe and others had witnessed a growth of a CAGR 1.5%, 2.2%, 2.2% and 3.3% respectively during 2015 to 2020. Such increase in retail sales value was mainly attributable to a rising demands for spectacle glasses from multiple vision dysfunction patients, such as myopia, hyperopia, presbyopia, and astigmatism etc. By 2025, the growth of retail sales value of resin spectacle lens is likely to sustain in the aforementioned regions, with a CAGR of 4.8%, 6.1%, 5.4% and 6.1% respectively.

The global retail sales volume of customised lens increased from 82.2 million pieces from 2015 to 94.5 million pieces in 2020 and it will increase to 111.9 million pieces in 2023 and will further increase to 123.8 million pieces in 2025, representing a CAGR of 5.5%. It is expected that the global demand for, and the sales volume of customised lens will continue to be on increasing trend as supported by the following market drivers: (i) increasing awareness of vision health and eye examinations enable customers to identify visual impairment and enhance the possibility of seeking for the spectacle lenses with more personalised parameters; and (ii) increasing income and purchasing power of consumers across various regional markets will make the consumers to be more affordable on the purchase of customised lenses and in turn further drive relevant demand.

OVERVIEW OF SPECTACLE LENS MANUFACTURING MARKET IN THE PRC

Market Size Analysis

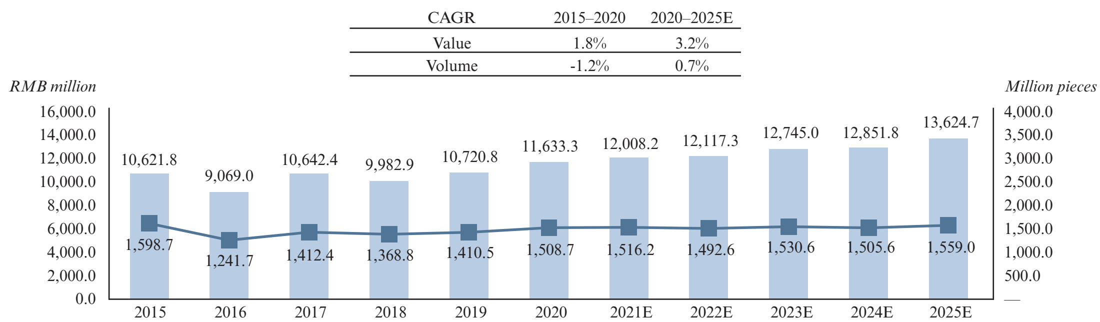
Due to the business cycle and inventory cycle of the global market, the production value of spectacle lens in the PRC fluctuated slightly in the past five years. The production value of spectacle lens in the PRC increased from RMB11,353.3 million in 2015 to RMB12,240.7 million in 2020, representing a CAGR of 1.5%. In the future, driven by the increasing population with ametropia issues caused by ageing population, and increasing population with myopia issues by overusing of prevailing digital products such as smartphones and tablets, and increasing disposable income of consumers all over the world, the production value of spectacle lens in the PRC is expected to increase to RMB14,066.7 million in 2025, representing a CAGR of 2.8% between 2020 to 2025.

The business cycle refers to the fluctuation of the macro economy. For the downstream distributors and retailers, the inventory cycle is the phase of understanding, planning, and managing their inventory levels, which involves accurate ordering of required inventory based on demand and terms. It is expected that the business cycle and inventory cycle will affect the production value in the future persistently.

Despite the refractive index of glass lens is much higher than resin lens, the impact resistance of glass lens are much lower than resin lens, which makes it unsafe for wearer. Thus most glass lens have been replaced by resin lens nowadays. Due to the high performance-to-price ratio of products and established business connections, approximately 80% of the resin lens manufactured in the PRC would be exported to overseas markets, thus the total production value and volume of resin lens in the PRC is highly correlated with the international trade policies and demand of global market.

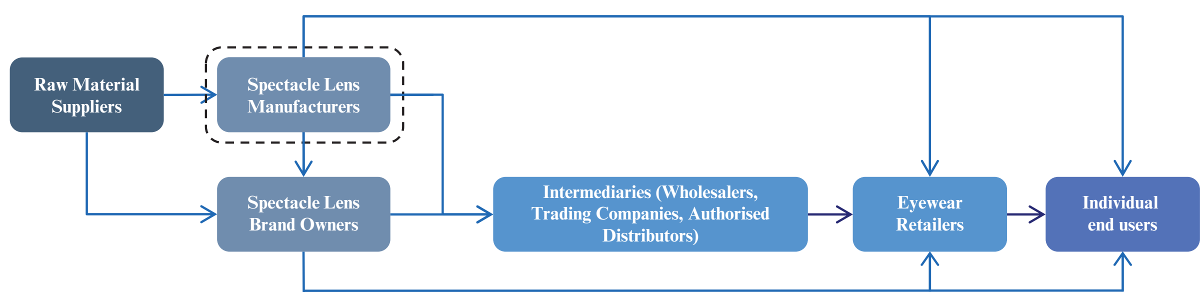
The production value (estimated based on production volume times average ex-factory price) of resin lens in the PRC recorded an overall growing trend from approximately RMB10,621.8 million in 2015 to approximately RMB11,633.3 million in 2020, representing a CAGR of 1.8%. The production value of resin lens in the PRC is expected to increase to RMB13,624.7 million in 2025, representing a CAGR of 3.2%. The resin lens manufacturing market in terms of total production volume in the PRC decreased from 1,598.7 million pieces in 2015 to 1,508.7 million pieces in 2020, and is expected to increase to 1,559.0 million pieces in 2025. The slight drop of total production volume of resin lens from 2015 to 2020 is due to the business cycle and inventory cycle of the global market.

Production Value and Volume of Resin Lens in the PRC (2015–2025E)



Source: Frost & Sullivan

Value Chain and Main Sales Channel Analysis



Source: Frost & Sullivan

Raw material suppliers: Providing raw materials such as resin, chemical additives to the spectacle lens manufacturers or the manufacturing business unit of spectacle lens brand owners.

Spectacle lens manufacturers: Manufacturing lens and distributing the lens to downstream. The manufacturers who produce and sell the standardised lens would constitute conducting ODM manufacturing services if such lens products are required by spectacle lens brand owners and produced based on their requirements given that (i) the subsequent sales of those products would normally involve the brands of spectacle lens brand owners instead of the manufacturers; and (ii) the manufacturing of standardised lens is based on the customer's requirements selected from the parameters offered and formulated by the manufacturers. Some of the manufacturers who provide ODM manufacturing services for the spectacle lens brand owners, may not be able to provide a full range of standardised lens covering all refractive indexes as the raw material suppliers may not provide full range of resin to all their downstream customers. The manufacturers with strong production capability and sales channel may provide the lens or the spectacles with their lens which are ready-to-wear to customers without the needs for further processing.

Spectacle lens brand owners: Managing own lens brand, and manufacturing lens by own manufacturing business unit or purchase lens from other spectacle lens manufacturers if they consider that (i) the purchase of lens products from other lens manufacturers is commercially beneficial to them; or (ii) sometimes they are not able to produce the lens required. The spectacle lens brand owners would distribute the lens on their brands to downstream. The major spectacle lens brand owners include Company A and Company D which have been disclosed under the paragraph headed "Competitive Landscape Analysis — Ranking of Resin Spectacle Lens Manufacturers by Production Volume in the PRC".

Intermediaries: Purchasing lens from spectacle lens manufacturers or spectacle lens brand owners, and selling the lens to the eyewear retailers. Generally the intermediaries would not further process the lens purchased.

Eyewear retailers: Purchasing the spectacle lens from intermediaries or manufacturers, helping the end users to choose lens fitting their eyesight via optometry, cutting the lens to fit the spectacle frame.

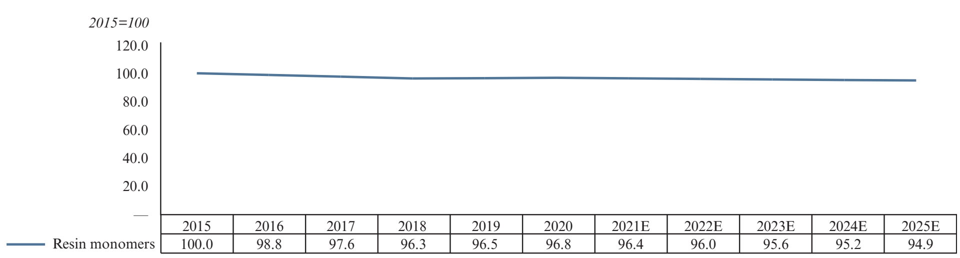
Due to the mid-stream position of the spectacle lens manufacturers in the industry value chain, the spectacle lens manufacturers normally sell their products to intermediaries such as wholesalers, trading companies and authorised distributors in the PRC and overseas. Besides, these manufacturers also sell standardised lens such as lens roughcasts which require further processing such as polishing and engraving to other branded lens manufacturers based on their specifications and requirements. The lens distributed by the intermediaries normally requires further processing by the eyewear retailers to fit the spectacle frame of end users. It is common in the industry that the spectacle lens manufacturers, spectacle lens brand owners and intermediaries may purchase standardised lens from each other to tackle with products shortage. In the past, the intermediaries controlled the connection between the eyewear stores and manufacturers, even some of them have their own optical labs to process the lens. With the development of e-commerce and logistics services, there is a market trend for the spectacle lens manufacturers to sell the lens products with its own brand name through online e-commerce platforms to shorten the reaching path to the spectacle end-users.

Additionally, spectacle lens manufacturers also attempt to eliminate the intermediaries in the distribution process to sell to eyewear stores directly. As a result of the expansion of the sales channel to online e-commerce platforms and elimination of intermediaries, the lens products can be sold to customers at higher prices. The disintermediation in the sales of spectacle lens may further enhance the revenue and profit margin of the spectacle lens manufacturers.

Raw Material Analysis

The major raw materials for manufacturers of resin lens is resin monomers. Such raw material is mainly supplied by the upstream chemical groups such as Mitsui Chemicals, Inc., a Japanese chemicals company which is the main supplier of resin monomers to leading manufacturers of resin lens. Mitsui Chemicals, Inc. is also the dominant supplier of resin monomers for the production of resin lens with refractive index of 1.74. As a global and major supplier of resin monomers for the leading lens manufacturers, Mitsui Chemicals, Inc. are less price sensitive in respect of the resin monomers they provided. The price index of resin monomers has decreased slightly in the past few years due to product upgrading, as the upstream suppliers may reduce the prices of some of their old products. The price index of resin monomers is expected to decrease in the next few years. As of 2020, the price of resin monomers with refractive index of 1.60 is approximately RMB130 per kilogramme; the price of resin monomers with refractive index of 1.67 is approximately RMB220 per kilogramme; the price of resin monomers with refractive index of 1.74 is approximately RMB550 per kilogramme. Set out below is the price index of resin monomers in the PRC from 2015 to 2025:

Price Index of Resin Monomers in the PRC (2015–2025E)*(Note)*



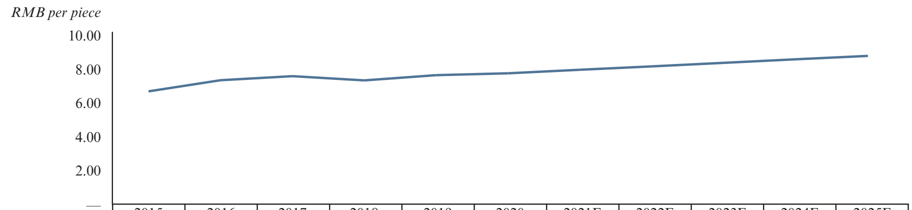
Source: Frost & Sullivan

Note: The above price index does not take into account fluctuations in exchange rates.

Average Ex-factory Price Analysis

The average ex-factory price of resin lens in the PRC is highly correlated with the market demand and increasing labor cost. The average ex-factory price of resin lens increased from RMB6.64 per piece in 2015 to RMB7.71 per piece in 2020, and it is expected to increase to RMB8.74 per piece in 2025. Relatively lower average ex-factory price as compared to the retail price was principally due to the involvement of intermediaries. As such, the spectacle lens manufacturers put efforts on shortening the reaching path to end-users to increase the selling price of the lens products.

Average Ex-factory Price of Resin Lens in the PRC (2015–2025E)



	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Average Ex-factory Price	6.64	7.30	7.54	7.29	7.60	7.71	7.92	8.12	8.33	8.54	8.74

Source: Frost & Sullivan

Market Drivers Analysis

Increasing purchasing power

Increasing purchasing power backed by rising disposable incomes amongst the consumers across various regional markets is expected to drive the demand for such high-end global resin spectacle lens across the global market. Growing income level and households in the middle class have led to increased aggregated disposable income in developing regions. This has led to a rise in spending on corrective eyewear products, which may drive demand for resin spectacle lens over the coming years. Strong economic growth especially in countries such as China, India and Brazil is expected to contribute to the market growth.

Growing visual deficiency and eye defects

Growing visual impairment and needs for vision correction have already resulted in increased demand for spectacle lens. The younger generation is spending more time on digital devices, such as mobile, laptops and video games in an early age, which have negative impacts on their visual ability. Those individuals with eyes deficiencies, especially myopia, would demand for corrective spectacles. The total number of people with ametropic issues in the world increased from 2,137.9 million in 2015 to 2,401.4 million in 2020, and it is expected to reach 2,664.3 million in 2025, representing a CAGR of 2.4% from 2015 to 2020 and 2.1% from 2020 to 2025, respectively. Hence, growing visual deficiencies and vision impairments would contribute to the growth of spectacle lens manufacturing market.

Development of e-commerce

With the rapid development of e-commerce industry as well as the significant improvements in technology bringing more options to the market, the spectacle lens manufacturers are no longer being limited to rely on the intermediaries for product distribution. Some of the spectacle lens manufacturers can take advantage of the leading e-commerce platforms in the PRC to reach the end-users all over the world more directly and easily, and achieve business growth eventually.

Increasing awareness of the vision health

Even though the people do not have eye illness, the people become more focusing on the eye healthiness resulting in the demand on the eyewear with eye protective function such as blue-ray blocking, anti-infrared, anti-ray. Additionally, the customers especially those in developed countries may do routine eye test carried out by opticians periodically to keep in vision health. They will wear spectacles based on the advices and prescriptions.

Innovative new technologies in manufacturing

In the past few years, the manufacturers in the spectacle lens industry in the PRC have developed new optical technologies enriching the auxiliary functions of lens such as color changing, blue-ray blocking, anti-dazzle, anti-infrared, anti-bacterial, myopia prevention, etc. Products with advanced technologies are more competitive and generally enjoy higher selling prices in the market. The popularity of innovative new technologies in the spectacle lens manufacturing industry will drive the increase in overall market value.

Future Trends Analysis

Brand cultivation

The spectacle lens manufacturing market in the PRC is still at the midstream of the international industrial value chain. Most spectacle lenses made in China are low value added products produced under labour intensive model. High added value brought by brand effects is usually gained by foreign players with established brands. To shorten the reaching path to end-users, spectacle lens manufacturers in the PRC will cultivate their own brands. Having own brands means having core competence and more development potential. Therefore, to achieve breakthrough, spectacle lens manufacturers are expected to continue to invest in brand promotion.

More high-end products

In the future, consumers expect more functions in their spectacle lens and manufacturers have been trying to incorporate new technologies to satisfy the customer needs. The demand for multifunctional spectacle lens are expected to grow in the future. Thus, manufacturers in the spectacle lens manufacturing industry in the PRC will invest more resources to increase the production lines for multifunctional spectacle lens. Additionally, since higher refractive index lens would result in higher optical performance, with the growth of income, more consumers will prefer lens with high refractive index in the future.

Threats Analysis

Increasing use of contact lenses

Contact lenses are more versatile and popular than ever before, as some people may consider it not fashionable to wear spectacles. Contact lenses allow individuals to maintain a natural appearance without spectacles. Coloured contact lenses can change the appearance of wearers' eyes, thus it is appreciated by young generations. In the past five years, the retail sales of contact lenses in the PRC experienced a growth with a CAGR of 5.8%. On a global scale, with benefits of convenience and aesthetic, contact lenses have become trendy in recent years. For example, according to the Vision Council of United States, the number of adult contact lens users in the U.S. has reached 42.7 million in 2018, which represented an aggregate increase of 36.4% over the past 13 years. As a substitute, the popularity of contact lenses will impose constraints on the development of spectacle lens manufacturing industry.

Advanced vision correction techniques

Owing to the constantly advancing biotech and medical technology, continuous progress in vision correction techniques has been developed in the world in recent years, which provides an alternative solution to customers who have vision issues. Vision correction techniques like LASIK (Laser Assisted In-situ Keratomi) and PRK (Photorefractive Keratectomy) is expected to introduce challenges in the growth trajectory of spectacle lens manufacturing industry. As a matter of fact, LASIK and PRK are both risky, with certain potential side effects including dry eyes and glare. Due to the side effects and risks of these eye surgeries, not all people are willing to undergo such operations.

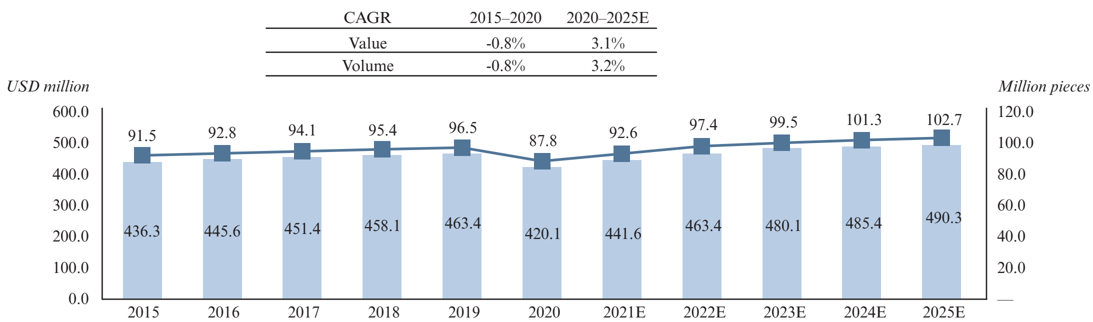
OVERVIEW OF EYEWEAR MANUFACTURING MARKET IN JAPAN

Total Production Value and Volume of Resin Lens in Japan

The production value of resin lens in Japan decreased from USD436.3 million in 2015 to USD420.1 million in 2020, representing a CAGR of –0.8%, and is expected to grow at a CAGR of 3.1% from 2020 to 2025. The resin lens market in terms of total production volume in Japan decreased from 91.5 million pieces in 2015 to 87.8 million pieces in 2020, representing a CAGR of –0.8%, and the production volume is expected to increase to 102.7 million pieces in 2025.

Due to the outbreak of COVID-19 in 2020 in Japan, the manufacturing sector including the resin lens manufacturing industry in certain regions in Japan failed to maintain regular production, which resulted in the product value and volume of resin lens in Japan decreased dramatically in Japan in 2020. In the future, the pandemic of COVID-19 is expected to fade away with the vaccination in developed regions including Japan, the resin lens manufacturing industry in Japan will rebound in the next five years.

Total Production Value and Volume of Resin Lens in Japan (2015–2025E)



Source: Frost & Sullivan

Market Driver

Industry reputation

With the expansion and exposure of many Japanese eyewear companies in the global eyewear market, increasingly users all over the world are using Japanese eyewear products. With the gradual precipitation of market, the advanced manufacturing technology and high product quality of Japanese spectacle lens are gradually favoured by more users around the world, which will gradually increase the demand for Japanese spectacle lens in the future.

Future Trend

Increasing importance of the PRC market

Japanese spectacle lenses have good reputation in the PRC owing to the good quality. It is expected that the PRC will become an important export destination of Japanese spectacle lenses in the future. Additionally, some leading manufacturers in the PRC will cooperate with Japanese manufacturers to develop the PRC market in the future.

OVERVIEW OF SPECTACLE LENS EXPORT

Total Export Value and Volume of Spectacle Lens

The PRC is one of the largest countries for spectacle lens exporting, and accounts for more than one-sixth of the total export value of spectacle lens in the world. The total export value (estimated based on export volume times average export price) of spectacle lens of the PRC increased from USD1,156.1 million in 2015 to USD1,224.1 million in 2020, representing a CAGR of 1.1%. The total export value of spectacle lens of the PRC fluctuated slightly in the past five years because of the business cycle and inventory cycle of the global market. The total export value of spectacle lens of the PRC will increase to USD1,351.0 million in 2025, representing a CAGR of 2.0%.

The total export volume of spectacle lens of the PRC decreased from 1,472.5 million pieces in 2015 to 1,362.7 million pieces in 2020. The total export volume of spectacle lens of the PRC fluctuated slightly in the past five years because of the business cycle and inventory cycle of the global market.

Set out below is the total export value and volume of spectacle lens of the PRC from 2015 to 2025:

Total Export Value and Volume of Spectacle Lens of the PRC (2015–2025E)

Item	Unit	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	CAGR: 2015–2020	CAGR: 2020–2025E
Export Value (Resin Lens)	*USD million*	1,081.6	841.9	1,017.3	924.2	1,020.2	1,150.9	1,181.6	1,182.2	1,242.9	1,233.5	1,304.2	1.2%	2.5%
Export Volume (Resin Lens)	*Million pieces*	1,339.1	1,010.7	1,203.3	1,106.9	1,144.2	1,241.6	1,243.8	1,214.9	1,247.7	1,210.3	1,251.3	–1.5%	0.2%
Export Value (Glass Lens)	*USD million*	74.5	57.4	53.4	59.9	116.0	73.2	60.4	57.6	55.3	50.1	46.8	–0.4%	–8.6%
Export Volume (Glass Lens)	*Million pieces*	133.4	100.2	90.5	99.5	191.2	121.1	100.0	95.1	90.8	81.5	75.5	–1.9%	–9.0%

Source: Trade Map; Frost & Sullivan

Threats Analysis

Outbreak of the COVID-19

The outbreak of the COVID-19 is already disrupting the global consumer market including the spectacle lens market in profound ways. Supply chains have been interrupted as workers are furloughed, leading to cascading series of delays of the spectacle lens manufacturers. Additionally, many citizens in the global market have been forced to self-quarantine at home, and the shops including optometric centres and offline eyewear shops were temporarily closed. Thus the export of spectacle lens from the PRC has been negatively affected. However, given that eyewears are considered necessities in view of its function for vision correction, the consumption demand would not be eliminated in the long run.

The unsettled trade war between the United States and the PRC

The United States has massive trade deficit of more than USD500 billion dollars with the PRC in 2018. The United States has targeted to reduce this deficit by USD100 billion and protect its domestic producers from competition from Chinese products with cost advantage. Thus the United States started a trade war with the PRC in 2018, by imposing tariffs on the imports from the PRC. The eyewear products such as spectacle lens, spectacles, sunglasses, etc., are included in the USD300 Billion Trade Action (List 4), which imposes additional duties of 10% ad valorem on products. The United States is a huge market for spectacle lens, the domestic supply of spectacle lens cannot meet the demand of the domestic market, and thus there is a lack of viable alternative suppliers of spectacle lens in United States. The spectacle lens exported from the PRC is put at risk of rising tariffs despite most manufacturers in the PRC has shifted the additional duties to the importers in the United States.

COMPETITIVE LANDSCAPE ANALYSIS

The competition among the spectacle lens manufacturing market in the PRC is very intense, and as estimated, there are approximately 1,450 manufacturers in the PRC. These manufacturers compete on various aspects such as financial strength, relationship with the suppliers and customers, research and development capability and competent staff. The growth pattern of the spectacle lens manufacturing market in the PRC is now transferring from cost-driven model to technology-driven model. Thus, the leading domestic manufacturers in the PRC are now investing in research and development actively to seize the opportunity of product upgrade.

The global resin spectacle lens manufacturing market was considered relatively concentrated and the top ten eyewear companies generated an aggregated revenue of USD12.21 billion, occupying 34.1% of the market in 2020.

Entry Barriers of Spectacle Lens Manufacturing Market

High investment

Generally, running spectacle lens manufacturing business involves a great amount of working capital for overhead expenditures across the whole process, such as raw material purchasing, production, product storage as well as damaged product depletion. If the spectacle lens manufacturer intends to build its own brand, it will have to bear additional marketing and advertising expenses. New entrants may find this challenging if they lack such funding capability to afford the operation cost.

Close and established relationship with upstream vendors

Large spectacle lens manufacturers usually have a long-term relationship with upstream vendors such as raw material suppliers, thus ensuring stable product prices for its customers. Meanwhile, large spectacle lens manufacturers have also achieved economies of scale through years' of operation and have also demonstrated stronger bargaining power over upstream vendors, thus enhancing their profitability. However, new entrants may not enjoy competitive product prices in the absence of long-term relationship with the suppliers, which may restrain their further expansion in the market.

Ranking of Resin Spectacle Lens Manufacturers by Production Volume in the PRC

The Group was the largest manufacturer of resin lens with an approximate market share of 8.5% in terms of production volume in 2020. The aggregated market share of top five manufacturers in the PRC is approximately 25.0% in 2020.

Ranking	Company name/ Listing status	Brief introduction	Production volume of resin spectacle lens, 2020 *(million pieces)*	Market share
1	**The Group**		**128.2**	**8.5%**
2	Company A/ Private	Company A is a domestic leading spectacle lens manufacturer and brand owner in the PRC.	96.5	6.4%
3	Company B/ Private	Company B is a subsidiary company of a South Korean spectacle lens manufacturer in the PRC, with its factory in Jiaxing.	91.9	6.1%
4	Company C/ Private	Company C is a subsidiary company of a South Korean spectacle lens manufacturer in the PRC, with its factory in Hangzhou.	35.8	2.4%
5	Company D/ Private	Company D is a domestic leading spectacle lens manufacturer and brand owner in the PRC.	24.6	1.6%
	Top 5		377.0	25.0%
	Total		1,508.7	100.0%

Source: Frost & Sullivan

Ranking of Resin Spectacle Lens Manufacturers by Export Value from the PRC

In 2020, there were approximately 1,600 enterprises in the PRC engaged in the resin spectacle lens export business, of which approximately 65.0% were intermediaries including trading companies, leaving the rest as manufacturers. Many international brands value the integrated supply chain for spectacle lens manufacturing and the cost-effective labour force in the PRC, and therefore set up their factories in the PRC and export the lens made in the PRC to other overseas countries.

The Group was the largest exporter in the PRC in terms of the export value in 2020, taking up a market share of around 7.3%, while the top five exporters holding an aggregated market share of about 29.5% in the total export value.

Ranking	Company name/ Listing status	Brief introduction	Revenue generated from resin spectacle lens export, 2020 (Note) (USD million)	Market share (%)
1	**The Group**		**83.7**	**7.3%**
2	Company E/ Private	Company E is a subsidiary company of a German high-tech company in the PRC, whose business includes optical instrument, semiconductor and medical instrument.	70.7	6.1%
3	Company B/ Private	Company B is a subsidiary company of a South Korean spectacle lens manufacturer in the PRC, its factory is in Jiaxing.	69.5	6.0%
4	Company F/ Private	Company F is a subsidiary company of a world's leading spectacle lens company in the PRC.	67.9	5.9%
5	Company C/ Private	Company C is a subsidiary company of a South Korean spectacle lens manufacturer in the PRC, its factory is in Hangzhou.	47.9	4.2%
	Top 5		339.7	29.5%
	Total		1,150.9	100.0%

Note: The exchange rate adopted is USD1 = RMB6.8974, the official exchange rate of 2020 by National Bureau of Statistics.

Source: Frost & Sullivan

Ranking of Resin Spectacle Lens Market by Revenue in the Global Range

The global resin spectacle lens market was considered relatively concentrated and the top ten eyewear companies generated an aggregated revenue of USD12.21 billion, occupying 34.1% of the market in 2020. The Group ranked the ninth and contributing approximately 0.4% in the total market.

Ranking	Company name/ Listing status	Brief introduction	Headquarter	Revenue generated from sales of resin spectacle lens(Note) (USD billion)	Market share, 2020
1	Company G/ Listed	Company G is a fully integrated eyewear company and a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses.	Italy	6.67	18.6%
2	Company H/ Listed	Company H is a med-tech company listed on the Tokyo Stock Exchange and is a specialty manufacturer of optical glass. It was founded in 1941 in Japan and its healthcare segment deals with eye glass lens and contact lens.	Japan	1.81	5.1%
3	Company I/ Listed	Company I is a Germany eyewear company, which is committed to providing semiconductor, industrial quality & research services, medical technology and consumer products.	Germany	1.19	3.3%
4	Company J/ Private	Company J is a German manufacturer of spectacle frames and ophthalmic lenses. It offers products including single vision and progressive lenses for the workplace and sports environments.	Germany	0.74	2.1%
5	Company K/ Private	Company K deals in manufacturing, marketing and selling of ophthalmic lenses. The company offers polarised, light responsive and progressive lenses.	U.S.	0.72	2.0%
6	Company L/ Listed	Company L is a Germany eyewear company, which is committed to providing customers lens products and free insurance services.	Germany	0.39	1.1%
7	Company N/ Listed	Company N is a leading eyewear market that designs produces and distributes lens products.	Italy	0.25	0.7%
8	Company M/ Private	Company M is a global eyewear company that provides customers eyewear products.	U.S.	0.17	0.5%
9	**The Group**		**The PRC**	**0.16**	**0.4%**
10	Company O/ Private	Company O is a leading resin spectacle lens manufacturer that provides global customers with high quality lens products.	South Korea	0.11	0.3%
				12.21	34.1%
				35.80	100.00%

Note: The exchange rate adopted is USD1 = RMB6.8974, the official exchange rate of 2020 by National Bureau of Statistics.

Source: Frost & Sullivan

Major Requirements of a Special-municipality/Provincial/State-level research and development centre

The state-level Enterprise Technology Centre is evaluated by the Ministry of Science and Technology, which is the highest level of research and development centre in the PRC. Special-municipality level Enterprise Technology Centre and Provincial level Enterprise Technology Centre are of the same level. The requirements in different provincial-level administrative regions may be slightly different.

Major requirements for all levels of Enterprise Technology Centres	Special-municipality level (Shanghai)	Provincial level (Jiangsu)	State level
Annual income of principal business	⩾RMB300 million	⩾RMB100 million	N/A
Annual actual tax paid	N/A	⩾RMB8 million	N/A
Annual research and development expenditure	⩾RMB10 million; ⩾3% of the annual income of principal business	⩾RMB8 million	⩾RMB15 million
Original value of technological development equipment	⩾RMB10 million	⩾RMB8 million	⩾RMB20 million
The number of personnel for research, testing and development	⩾60	⩾50	⩾150
The number of intellectual properties	⩾6*(note 1)*	N/A	N/A
Years of certification	N/A	N/A	More than two years of provincial-level

Note 1: The applicant obtained not less than 6 intellectual properties by way of its own research and development during three years preceding the application for the certification and had made application for the invention patent in the year preceding the application for the certification.

Source: Administrative Measures for the Accreditation of National Enterprise Technology Centres of the PRC (2016); Administrative Measures of Shanghai Municipality on the Enterprise Technology Centres (2017 Revision); Administrative Measures for Jiangsu Province on the Enterprise Technology Centre Certification (2010); Frost & Sullivan

PRC LAWS AND REGULATIONS

This section sets forth a summary of the most significant laws and regulations that affect our business in the PRC. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

Regulations on Import and Export of Goods

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 12 May 1994 and amended on 6 April 2004 and 7 November 2016 respectively, the State may restrict or prohibit the import or export of relevant goods or technologies for the prescribed reasons. Foreign trading operators who conduct import and/or export of goods and/or technologies shall file with relevant foreign trade administration.

Pursuant to the Measures for the Registration Filings of Foreign Trade Business Operators (對外貿易經營者備案登記辦法) promulgated by the Ministry of Commerce (the "**MOFCOM**") on 25 June 2004 and amended on 18 August 2016, 30 November 2019 and 10 May 2021, foreign trade business operators engaging in goods and technologies import or export shall go through registration filings at the MOFCOM or other institutions authorised by the MOFCOM, unless otherwise stipulated by the laws, administrative regulations or the regulations issued by the MOFCOM. Administration of Customs will not proceed declaration, inspection and release formalities for foreign trade business operators who fail to make the registration filings in accordance with the above measures.

Pursuant to the Regulations of the PRC on the Administration of the Import and Export of Goods (中華人民共和國貨物進出口管理條例) promulgated by the State Council on 10 December 2001, the import and export of goods are generally allowed by the PRC government, but the prohibitions or restrictions explicitly stipulated in the laws or administrative regulations shall still be complied with during the conduct of import and export of goods by individuals or entities.

Pursuant to the Imported and Exported Commodity Inspection Law of the PRC (中華人民共和國進出口商品檢驗法), promulgated by the SCNPC on 21 February 1989 and amended on 28 April 2002, 29 June 2013, 27 April 2018, 29 December 2018 and 29 April 2021 and its implementing rules, inspection and quarantine institutions will conduct mandatory inspections on the imported or exported commodities that are listed on the List of Imported and Exported Commodities for Inspection (實施檢驗的進出口商品目錄) or required by the laws and administrative regulations, and will conduct random inspections on the commodities not in the above scope.

Pursuant to the Measures for the Administration on Entry-Exit Inspection and Quarantine Declaration of Enterprises (出入境檢驗檢疫報檢企業管理辦法) issued by General Administration of Customs on 29 May 2018 and effective on 1 July 2018, the shipper or consignee of the imported or exported commodities who goes through declaration and inspection formalities for itself shall be filed with the competent Administration of Customs.

Pursuant to the Provisions of the PRC on the Administration of Registration of Customs Declaration Entities (中華人民共和國海關報關單位註冊登記管理規定), effective on 13 March 2014 and amended on 20 December 2017 and 29 May 2018 respectively, the import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

Regulations on Product Quality

On 15 October 2003, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (which was replaced by the State Administration for Market Regulation (the "**SAMR**") on March 2018) issued the Measures for Supervision and Regulation of Spectacle Lens Preparation and Measurement (眼鏡制配計量監督管理辦法), which were further amended on 23 October 2020. The measures put forward six major measurement requirements for spectacle lens manufacturers, which include, among other things, complying with measurement laws and regulations, adopting a measurement management system and a consumer rights and interests protection system, engaging professional or part-time measurement management and professional technicians and recording measuring instruments which are required for mandatory inspection, filing the records with competent SAMR local counterparts and applying for periodical inspections at measurement inspection institutes designated by SAMR local counterparts for periodical inspection.

Under current PRC law, manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. Pursuant to the PRC Civil Code (中華人民共和國民法典) effective on 1 January 2021, a victim suffered from damages caused by defective products may make a claim against either the manufacturer of the product or the vendor of the product. If the defect of the product is caused by the manufacturer, the vendor may make a claim against the manufacturer after making compensations for the losses and if the defect of the product is caused by the vendor for cause, the manufacturer may make a claim against the vendor after making compensations for the losses. The Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated on 22 February 1993, defined responsibilities for product quality to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law of the PRC was amended by the SCNPC on 8 July 2000 and was later amended on 27 August 2009 and on 29 December 2018 respectively. Pursuant to the amended Product Quality Law of the PRC, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licences revoked.

The Law of the PRC on the Protection of the Consumer's Rights and Interests (中華人民共和國消費者權益保護法) was promulgated on 31 October 1993 and was amended on 27 August 2009 and 25 October 2013 respectively to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers.

Regulations on Environmental Protection

Environmental Assessment and Acceptance of Environmental Protection Facilities

Pursuant to the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), which took effect on 1 September 2003 and were amended on 2 July 2016 and 29 December 2018 respectively, the Administrative Regulations on Environmental Protection for Construction Projects (建設項目環境保護管理條例), which took effect on 29 November 1998 and were amended on 16 July 2017, the Provisional Measures for the Environmental Protection Acceptance of Completed Construction Projects (建設項目竣工環境保護驗收暫行辦法), which took effect on 20 November 2017, where effects may be exerted on the environment after the completion of construction projects, the construction enterprise shall submit an environmental impact report (form) or environmental impact registration form to the relevant environmental protection department. The construction project that is required to prepare an environmental impact report (form) in accordance with the law shall obtain the approval from the relevant environmental protection department for its environmental impact assessment documents, otherwise it shall not start the construction. After the construction project is completed, the construction enterprise shall conduct environmental protection acceptance inspection of the construction project and make acceptance report pursuant to the standard and formality set by the environmental protection authority.

Regulations on Pollution Permit

On 24 January 2021, the State Council promulgated the Regulations on the Management of Pollutant Discharge Permit (排污許可管理條例) (the "**Pollutant Discharge Permit Regulations**"), which took effect on 1 March 2021. Pursuant to the Pollutant Discharge Permit Regulations, enterprises, institutions and other producers and operators that are required by PRC laws to adopt pollutant discharge permit management shall obtain a pollutant discharge permit before discharging any pollutants. However, the Pollutant Discharge Permit Regulations specifically stipulate that enterprises, institutions and other producers and operators that produce and discharge pollutants in small volume and affect the environment at small level shall file a pollutants discharging registration form and are exempted from being required to obtain a pollutant discharge permit.

Pursuant to the Measures for Pollutant Discharge Permit Administration (for Trial Implementation) (排污許可管理辦法(試行)), effective on 10 January 2018 and amended on 22 August 2019, enterprises, institutions and other producers and operators (the "**pollutant discharge enterprises**") that have been included in the Classification Administration List of Pollutant Discharge Permitting for Fixed Pollution Sources (固定污染源排污許可分類管理名錄) ("**Classification Administration List**") shall apply for and obtain a discharge permit in accordance with the prescribed time limit. The pollutant discharge enterprises that are not included in the Classification Administration List temporarily do not need to apply for a pollutant discharge permit. The pollutant discharge enterprise shall hold a pollutant discharge permit in accordance with the law and discharge pollutants in accordance with the discharge permit. Pursuant to the Notice of the General Office of the State Council on Issuing the Implementation Plan for the Permit System Controlling Pollutant Emission (國務院辦公廳關於印發控制污染物排放許可制實施方案的通知), effective on 10 November 2016 and the Classification Administration List of Pollutant Discharge Permitting for Fixed Pollution Sources (2019 Version) (固定污染源排污許可分類管理名錄(2019年版)), effective on 20 December 2019, the State implements a focused management, a simplification management and a registration management of emission permits based on the volume of the pollutants and emissions and the extent of environmental damages made by the pollutant discharge enterprises and other manufacturing businesses. Spectacle lens manufacturing is categorized under specialized equipment manufacturing industry and is subject to the registration management. Both Shanghai Conant and Jiangsu Conant have completed the registration.

Regulations on Urban Drainage Permit

The Administrative Measures on Licencing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on 22 January 2015 and came into effect on 1 March 2015, provides that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a Licence for Urban Drainage (《排水許可證》). Shanghai Conant holds a Licence for Urban Drainage.

Regulations on Intellectual Property

Trademark

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) which was promulgated by the SCNPC on 23 August 1982 and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 respectively, and the Regulation on the Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例), which was promulgated on 3 August 2002 and last amended on 29 April 2014, trademarks are registered with the Trademark Office of the State Administration of Industry and Commerce. The Trademark Law of the PRC adopts the principle of "first-to-file" while handling trademark registration. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or pending in application for use in the same or similar category of commodities or services, the application for registration of such trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked. Trademark license agreements must be filed with the Trademark Office. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Domain Name

In accordance with the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法), issued by the Ministry of Industry and Information Technology on 24 August 2017, and taking effect on 1 November 2017, the principle of "first to file" is applied for domain name registration services. A domain name registration agency that provides domain name registration services shall require the applicant to provide the true, accurate and complete information about the domain name holder's identity for the registration purpose. Any organization or individual who believes that the domain name registered or used by others infringes its legitimate rights and interests may apply to the domain name dispute resolution institution for arbitration or file a lawsuit with a people's court in accordance with the law.

Patent

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) which was promulgated by the SCNPC on 12 March 1984 and amended on 4 September 1992, 25 August 2000, 27 December 2008 and 1 June 2021, there are three types of patents in the PRC, namely invention patents, utility model patents and design patents and a patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. The China National Intellectual Property Administration is responsible for receiving, examining and approving patent applications. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model and design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by the law. Otherwise, the use will constitute an infringement of the patent rights.

Copyright

In accordance with the Copyright Law of the PRC (中華人民共和國著作權法), effective on 1 June 1991 and amended on 27 October 2001 and 26 February 2010, and further amended with effect from 1 June 2021, Chinese citizens, legal persons or other organisations own copyrights to their works, whether published or not. The copyright owner may licence others to exercise copyright-related rights, in return of royalties in accordance with the agreement or regulations. Unless otherwise stipulated by law, anyone who uses others' works shall enter into a licencing contract with the copyright owner.

Trade Secrets

Pursuant to the PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法) promulgated by the SCNPC on 2 September 1993 and was amended on 4 November 2017 and 23 April 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business operators are prohibited from infringing others' trade secrets by (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion or electronic intrusion; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; or (4) abetting a person, or tempting, or aiding a person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential. If a third party knows or should have known of the above-mentioned illegal conduct made by the employees or former employees of right holders or other institutions or individuals but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

Regulations on Labour and Insurance

Labour

The Labour Contract Law of the PRC (中華人民共和國勞動合同法), effective on 1 January 2008 and amended on 28 December 2012, and the Regulations on the Implementation of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例), effective on 18 September 2008, provide for the establishment of labour relationship between employers and employees, as well as the concluding, performance, dissolution and revision of the labour contracts. To establish a labour relationship, a written labour contract shall be signed. In the event that no written labour contract is signed at the time when a labour relationship is established, such contract shall be signed within one month as of the date when the employer employs the employee. When an employer recruits an employee, it shall truthfully inform him of the job description, the working conditions, the place of work, occupational hazards, conditions for work safety, labour remuneration and other matters which the employee requests to be informed of.

Social Insurance and Housing Provident Fund

Pursuant to Social Insurance Law of the PRC (中華人民共和國社會保險法), effective on 1 July 2011, and amended on 29 December 2018, Interim Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), effective on 22 January 1999 and amended on 24 March 2019, Trial Measures for Enterprise Staff Maternity Insurance (企業職工生育保險試行辦法), effective on 1 January 1995, Regulations on Work-Related Injury Insurance (工傷保險條例), effective on 1 January 2004 and amended on 20 December 2010, and Regulations on Administration of Housing Accumulation Funds (住房公積金管理條例), effective on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, respectively, employers shall pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing accumulation funds for its employees. If an employer fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If the rectification for social insurance registration is not made within the stipulated period, the employer shall be imposed a fine. If the payment for social insurance premiums is not made within the stipulated period, the relevant administration department shall impose a fine. If an employer fails to undertake registration of housing accumulation funds contribution or fails to go through the formalities of opening housing accumulation funds account for its employees by the expiration of the time limit, a fine shall be imposed. If an employer fails to make the payment and deposit of the housing accumulation funds within a prescribed time limit, an application may be made to the people's court for compulsory enforcement.

Work Safety

Pursuant to the Law on Work Safety of the PRC (中華人民共和國安全生產法), which became effective on 1 November 2002 and amended on 27 August 2009 and 31 August 2014 respectively, and to be further amended with effect from 1 September 2021, enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and rules and regulations for safety production, improve safety production conditions, promote safety production standardisation and improve the level of work safety so as to ensure work safety. The State establishes and implements a system for the accountability of work safety accidents. If the enterprise fails to comply with the provisions of the Law on Work Safety, the regulatory authority on production safety may issue a rectification order, impose a fine, order the enterprise to cease production and operation.

Regulations on Corporation and Foreign Investment

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (中華人民共和國公司法), which was promulgated by the SCNPC on 29 December 1993 and came into effect on 1 July 1994. The Company Law of the PRC was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 (the latest revision became effective on 26 October 2018). The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign-invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

On 15 March 2019, the National People's Congress ("**NPC**") approved the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**FIL**") and on 26 December 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例), both of which came into effect on 1 January 2020. The FIL sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities.

The Provisions on Guiding Foreign Investment Direction (指導外商投資方向規定), which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, categorises all foreign-invested projects into encouraged, permitted, restricted and prohibited projects. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) (the "**Negative List**"), which was promulgated by the National Development and Reform Commission of the PRC (the "**NDRC**") and the MOFCOM on 23 June 2020 and came into effect on 23 July 2020, and the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) (the "**Encouraging Catalogue**"), which were promulgated by the NDRC and the MOFCOM on 27 December 2020 and became effective on 27 January 2021, list the categories of encouraged, restricted, and prohibited foreign-invested projects. Those not listed are permitted foreign-invested projects. According to the Negative List and the Encouraging Catalogue, the manufacturing of spectacle lens does not fall into the encouraged, restricted or prohibited categories, so it shall be classified as belonging to the permitted foreign-invested projects.

On 30 December 2019, the MOFCOM and the State Administration for Market Regulation jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》). Pursuant to the Measures, foreign investors carrying out investment activities in the PRC directly or indirectly shall submit investment information to the commerce administrative authorities.

Regulations on Overseas Investment

Pursuant to the Measures for the Administration of Overseas Investment (境外投資管理辦法), which was promulgated by the MOFCOM on 6 September 2014 and effective on 6 October 2014, the MOFCOM and the provincial departments of commerce implement respectively the record-filing management or approval management on the overseas investment by enterprises, depending on the actual circumstances of such investment. Except overseas investment involving sensitive countries or regions or sensitive industries which shall be subject to approval management, overseas investment in other circumstances shall be subject to record-filing management.

Pursuant to the Measures for the Administration of Overseas Investment of Enterprise (企業境外投資管理辦法) promulgated by the National Development and Reform Commission (the "**NDRC**") on 26 December 2017 and effective on 1 March 2018, an investor shall, in overseas investment, undergo the formalities for the approval or record-filing, among others, of an overseas investment project, report the relevant information, and cooperate in supervisory inspection. An investor shall, in overseas investment, neither violate the laws and regulations of China nor threaten or jeopardise the national interests and national security of China. Sensitive projects conducted by investors directly or through overseas enterprises controlled by them are subject to approval management, while non-sensitive projects directly conducted by investors are subject to record-filing management. If the investor is a local enterprise, and the amount of Chinese investment is less than USD300 million, the recording authority is the development and reform department of the provincial government at the place of registration of such investor.

Regulations on Taxation

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "**EIT Law**") promulgated on 16 March 2007, amended on 24 February 2017 and 29 December 2018, the income tax rate for both domestic and foreign-invested enterprises is 25%.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), which were promulgated on 13 December 1993 and were amended respectively on 10 November 2008, 6 February 2016 and 19 November 2017, and its implementation rules, all entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, sale of services, intangible assets, immovables, and the importation of goods within the territory of the PRC shall pay value-added tax ("**VAT**").

Stamp Duty

In accordance with the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例), which were issued by the State Council on 6 August 1988, came into effect on 1 October 1988, and were amended on 8 January 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例施行細則), which were promulgated by the Ministry of Finance on 29 September 1988 and came into effect on the same day and revised on 5 November 2004, PRC stamp duty only applies to specific taxable document executed or received within the PRC.

Regulations on Foreign Exchange

In accordance with the Regulations of the PRC on Foreign Exchange Control (中華人民共和國外匯管理條例), issued by the State Council on 29 January 1996, taking effect on 1 April 1996 and amended on 5 August 2008 and other related regulations, no restrictions are imposed on international payments and transfers under the current account. Foreign exchange receipts and payments under the current account, such as goods and service-related foreign exchange transactions and interest and dividend payments, shall be based on true and legitimate transactions and can be processed directly at a bank against authentic and valid transaction documents. Foreign exchange receipts and payments under the capital account, such as direct equity investment and loans, shall go with registration procedures at foreign exchange administration departments, and shall also go through certain approval or record-filing procedures if the relevant laws and regulations require such approval or record-filing. The foreign exchange and settlement fund under the capital account shall be used for the purpose approved by the relevant authorities and foreign exchange administration departments.

In 13 February 2015, the State Administration for Foreign Exchange issued the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular No. 13**"), pursuant to which, foreign exchange registration and approval in respect of overseas direct investment are cancelled and relevant banks are authorised to review and handle foreign exchange registration in accordance with the SAFE Circular No. 13 and the Operational Guidance for Direct Investment Foreign Exchange Business and SAFE and its local counterparts will exert indirect supervision on direct investment foreign exchange registration via banks.

In accordance with the Circular on the Reform and Standardisation of the Management Policy of the Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), issued by SAFE on 9 June 2016, and taking effect on the same day, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas listing, etc.) entitled to discretionary settlement in accordance with relevant policies, may be conducted at a bank based on the actual operating needs of domestic entities. The discretionary settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. SAFE may adjust the above ratio in due time in accordance with receipt and payment balance and status.

Regulations on Anti-Money Laundering

According to Article 191 of the PRC Criminal Law, where, in order to cover up or conceal the proceeds of any drug-related offence, organized offence of gangland nature, offence of terrorism, offence of smuggling, offence of corruption or bribery, offence of disrupting the financial management order or offence of financial fraud, as well as the source and nature of such incomes generated therefrom, any person has committed any of the following acts, the proceeds obtained from the commission of the aforementioned offences as well as the incomes generated therefrom shall be confiscated, and the offender shall be sentenced to fixed-term imprisonment of not more than five years or criminal detention, and/or shall be fined. If the circumstances are serious, he shall be sentenced to fixed-term imprisonment of not less than five years but not more than 10 years and shall be fined:

(1) providing fund accounts;

(2) converting property into cash, financial instruments or negotiable securities;

(3) transferring funds through transfer or any other method of payment and settlement;

(4) cross-border transfer of assets; or

(5) covering up or concealing by any other means the source and nature of any offence-related proceeds and the incomes generated therefrom.

Where an entity commits the offence as provided for in the preceding paragraph, it shall be fined, and the person directly in charge and other directly liable persons shall be penalized according to the provisions of the preceding paragraph.

JAPANESE LAWS AND REGULATIONS

The legal framework for medical devices safety control in Japan

The legal framework for medical appliances safety control in Japan is set out in the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices ("**PMD Act**"). The purpose of the PMD Act is to improve health and hygiene by providing the regulations required for securing the quality, efficacy and safety of medical appliances, etc. and for preventing the occurrence or spread of health and hygiene-related hazards caused by the use of those medical appliances, etc. by taking measures against designated substances, and by taking necessary measures for the promotion of research and development of medical appliances, etc. which fulfil particularly high medical needs.

Licences required for manufacturing/selling medical appliances

The manufacture and sale of medical appliances must not be performed as business by any person or entity other than ones having obtained any of the following licences by the Ministry of Health, Labour and Welfare (Article 23-2, Paragraph 1):

- Highly managed medical appliances: Licence for manufacture and sale of Class 1 Medical Appliances;

- Managed medical appliances: Licence for manufacture and sale of Class 2 Medical Appliances;

- General medical appliances: Licence for manufacture and sale of Class 3 Medical Appliances.

The "general medical appliances" referred to above means medical appliances which the Ministry of Health, Labour and Welfare designates as medical appliances unlikely to adversely affect the human life and health even if any side-effect or functional disorder occurs, other than highly managed medical appliances and managed medical appliances (Article 2, Paragraph 7). According to the above designation by Ministry of Health, Labor and Welfare, spectacles and lenses for spectacles are classified as general medical appliances.

Each type of licence for manufacture and sale of medical appliances referred to above needs to be renewed every 5 year and, unless so renewed, loses validity (Article 23-2, Paragraph 2, and the PMD Enforcement Rules (Article 36)).

Requirement for obtaining licences

If an applicant for a licence falls under any of the following items, the Ministry of Health, Labour and Welfare may withhold granting the licence (Article 23-2-2):

(I) The applicant's systems for performance of tasks of manufacture control and quality control of the subject medical appliances do not fulfil the requirements by a relevant ordinance of the Ministry of Health, Labour and Welfare;

(II) The applicant's methods for safety control after manufacture and sale of the subject medical appliances do not fulfil the requirements by a relevant ordinance of the Ministry of Health, Labour and Welfare; or

(III) The applicant falls under any of Item 3 (i) to (vi) of Article 5, that is:

(i) A person or entity having been subjected to cancellation of license and being before elapse of 3 years after the date of the cancellation;

(ii) A person or entity having been subjected to cancellation of registration and being before elapse of 3 years after the date of the cancellation;

(iii) A person having been subjected to punishment of imprisonment without labor or severe punishment and being before elapse of 3 years after having completed the execution of such punishment or becoming no longer subject to the execution thereof;

(iv) Other than persons and entities falling under the above (i) to (iii), a person or entity having violated any provisions of or disposition under the PMD Act, the Narcotics and Psychotropics Control Act, the Poisonous and Deleterious Substances Control Act or other pharmaceutical affairs-related laws and regulations and before elapse of 2 years after the date of the violation;

(v) An addict of narcotics, cannabis, opium or stimulants; or

(vi) A person who is unable to properly carrying on the business operation of a pharmacy because of mental or physical disability.

According to Article 3 of the Ordinance on Standards for Systems of Manufacture Control and Safety Control of Medical Appliances or Pharmaceuticals for In-Vitro Diagnosis which is an ordinance of the Ministry of Health, Labour and Welfare concerning the systems for performance of tasks of manufacture control and quality control referred to above (I), each operator of the business of manufacture and sale of Class 3 Medical Appliances must have the organisational arrangements for the establishment, documentation, working and maintenance of efficacy of the system for quality control/supervision based on the provisions of a ministerial ordinance concerning the standards for manufacture control and quality control of medical appliances and pharmaceuticals for in-vitro diagnosis.

According to Article 15 of the Ordinance on Standards for Safety Management after Manufacture and Sale of Pharmaceuticals, Quasi-Pharmaceuticals, Cosmetics, Medical Appliances and Products for Regenerative Medicine, Etc. which is an ordinance of the Ministry of Health, Labour and Welfare concerning the methods for safety control after manufacture and sale of medical appliances referred to above (II), each operator of the business of manufacture and sale of Class 3 Medical Appliances owes the obligations to secure the supervision, etc. by the comprehensive manufacture and sale manager over the safety control manager appointed under Article 13 of said Ordinance, control, etc. of the safety-ensuring tasks by said safety control manager, information collection, etc. of safety management methods, planning of safety-ensuring measures and implementation of those measures.

Requirement after obtaining licence for manufacture and sale of Medical Appliances

The licence operator for manufacture and sale of medical appliances mainly owes the following legal obligations under the PMD Act:

(I) To cause each factory to be officially registered (Article 23-2-3, Paragraph 1);

(II) To appoint the comprehensive manufacture and sale manager (Article 23-2-14). Said comprehensive manager needs to have completed a relevant designated course of a university, etc. and fulfil other conditions (Article 114-49 of the PMD Enforcement Rules);

(III) To establish and keep the proper standards of quality of subject products (Article 41, Paragraph 3);

(IV) To cause subject products to be accompanied by relevant documents (Article 63-2). Such documents must include the entries of the name and address of the seller, manufacture number of products (Article 63), notes for use (Article 63-2, Paragraph 1 (1)), etc. and such entries must be written legibly, correctly and with wording easy to understand (Article 53 and Article 64);

(V) With respect to the names, manufacturing methods, efficacy or quality of products, not to advertise, state or spread any false or exaggerated content, explicitly or implicitly, and with respect to efficacy, effect or quality, not to advertise, state, or spread any content threatening to cause misunderstanding to the effect that a doctor or the like has given guarantee (Article 66); and

(VI) To perform efforts for provision of information necessary for appropriate use of products, and to recall in a case of occurrence of any risk relating to health and hygiene, etc., reporting thereof, etc. (Article 68-2 to Article 68-13).

Supervision

The Ministry of Health, Labour and Welfare or the governor of the prefecture may investigate the persons in charge, enter the factory, office, and other place where the Licence holders concerned are engaged in the business of dealing with medical appliances, books, documents and any other articles, or ask questions to employees and other persons concerned, in order to confirm whether or not each licence holders are compliant with PMD Act (Article 69, Paragraph 1).

When any licence holder violates the PMD Act, the Ministry of Health, Labor and Welfare or the governor of the prefecture may conduct each of the following actions against that licence holder:

(I) order to improve the methods of quality control or post-marketing safety control (Article 72, Paragraph 1);

(II) order to suspend all or part of the operations until such improvement is implemented (Article 72, Paragraph 1); or

(III) rescind the licence or order them to suspend all or part of the operations for a specific period the governor specifies (Article 75, Paragraph 1).

Penalty

Any person who has manufactured/sold medical devices without obtaining Licences pursuant to Article 23-2, Paragraph 1, shall be punished by imprisonment for not more than three years or a fine of not more than three million Japanese yen, or both (Article 84, Item 4).

The legal framework for export control in Japan

The legal framework for export control in Japan is set out in the Act on Foreign Exchange and Foreign Trade ("**FEFT Act**"). The purpose of the FEFT Act is, on the basis of the freedom of foreign exchange, foreign trade and other foreign transactions, to enable proper expansion of foreign transactions and the maintenance of peace and security in Japan and in the international community through the minimum necessary control or coordination of foreign transactions, and thereby to ensure equilibrium of the international balance of trade and stability of currency as well as to contribute to the sound development of the Japanese economy.

Listing Regulation and the catch-all Regulation

The export regulation by the FEFT Act consists of the listing regulation focusing on the functions and capabilities of goods and technologies exported and the catch-all regulation focusing on consumers and uses.

Goods and technologies subject to the listing regulation ("**Listing-regulated Objects**") are listed in Article 48, Paragraph 1 and Article 25, Paragraph 1 of the FEFT Act and Items 1 to 15 of Schedule 1 in the Export Trade Control Ordinance ("**ETC Ordinance**"). When exporting any Listing-regulated Objects, the Ministry of Economy, Trade and Industry's permission thereof is required on an individual basis, regardless of the destination of the export. In addition, in the case where the destination of export of Listing-regulated Objects is Iran, Iraq or North Korea, it is in particular prudentially considered whether or not to give permission on an individual basis in light of the provisions of Schedule 4 to the ETC Ordinance, as those countries are designated as a country of international concern.

Objects of Catch-all Regulation ("**Catch-all Regulated Objects**") are provided for in Item 16 of Schedule 1 in the ETC Ordinance. They include all other goods and technologies other than ones which are considered to be apparently unrelated to the development of weapons of mass destruction (such as foods) as well as Listing-regulated Objects.

Foreign User List

In addition, there is the foreign user list prepared by the Minister of Economy, Trade and Industry. It lists entities currently involved with or having ever been involved with the production, etc. of weapons of mass destruction. When exporting to any entity included in the list, the exporter must obtain an individual permission except if it is explicit that the goods or technologies exported will be used for any purpose other than the development, etc. of weapons of mass destruction.

Penalty

Any person who has exported goods or technologies prescribed by the provisions of an order pursuant to Article 25, Paragraph 1 or Article 48, Paragraph 1 without obtaining permission pursuant to the provisions of said paragraph, shall be punished by imprisonment with work for not more than seven years or a fine of not more than twenty million Japanese yen, or both; provided, however, that when five times the price of the subject matter of the violation exceeds twenty million yen, a fine shall be not more than five times of the price (Article 69-6, Paragraph 1).

The legal framework for Anti Money Laundering in Japan

The legal framework for Anti Money Laundering in Japan is set out in the Act on Punishment of Organized Crimes and Control of Crime Proceeds (組織的な犯罪の処罰及び犯罪収益の規制等に関する法律). The purpose of this Act is to strengthen punishment for organized criminal acts as well as the commission of acts using proceeds of crime with the aim of controlling the business administration of corporations, etc.

1. Definition of criminal proceeds

According to Article 2, paragraph 2 in this Act, "criminal proceeds" shall mean any property produced or obtained through, or obtained in reward for, a criminal act that constitutes certain material crimes, drug-related crimes, prostitution-related crimes, weapon-related crimes, bribery of witnesses crimes, crimes of wrongful gains to foreign public official, crimes of financing to offences of public intimidation, crimes of terrorism etc.

2. Penalty

According to Article 10 and Article 17 of this Act, a corporation or a person who disguises facts concerning the acquisition or disposition of criminal proceeds or who conceals criminal proceeds shall be punished by imprisonment for not more than five years or a fine of not more than JPY3,000,000, or both.

The legal framework for work safety and environmental protection in Japan

Labour Standards Act

Under the Labour Standards Act, employer shall cause all workers, who are granted annual paid leave of ten days or more under the law, to actually take the annual paid leave at least 5 days (Article 39, Paragraph 7).

Regardless of whether or not there is any agreement between employer and worker, overtime work must be kept within 720 hours per year, and 80 hours per month on average and less than 100 hours per month (Article 36, Paragraph 6).

Water Pollution Prevention Act

Under the Water Pollution Prevention Act, any person/entity shall adhere to "Effluent Standards" specified by Order of the Ministry of the Environment (Article 3, Paragraph 1 and 2).

The overview of "Effluent Standards" specified by Order of the Ministry of the Environment are set as follows (Article 1, Exhibit 1 and Exhibit 2):

- pH: 5.8 and more or 8.6 and less
- Suspended Solids: 200mg/ℓ and less
- Biochemical Oxygen Demand: 160mg/ℓ and less
- Chemical Oxygen Demand: 160mg/ℓ and less

SANCTIONS LAWS AND REGULATIONS

Our International Sanctions Legal Adviser has provided the following summary of the sanctions regimes imposed by the respective jurisdictions below. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Nations and Australian sanctions in their entirety.

United States

Treasury regulations

OFAC is the primary agency responsible for administering US sanctions programmes against targeted countries, entities, and individuals. "Primary" US sanctions apply to "US persons" or activities involving a US nexus (e.g., funds transfers in US currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-US persons), and "secondary" US sanctions apply extraterritorially to the activities of non-US persons even when the transaction has no US nexus. Generally, US persons are defined as entities organised under US law (such as companies and their US subsidiaries); any US entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to US companies' foreign subsidiaries or other non-US entities owned or controlled by US persons); US citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and US branches or US subsidiaries of non-US companies.

Depending on the sanctions programme and/or parties involved, US law also may require a US company or a US person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a US person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorization or licence from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (comprehensive OFAC sanctions against Sudan were terminated on October 12, 2017). OFAC also prohibits US persons from dealing with or facilitating dealings with individuals, entities and organisations identified in the SDN List or the FSE List, and prohibits certain business dealing with persons and entities identified in the SSI List (collectively hereinafter referred to as "**Identified Parties**"). Entities that an Identified Party owns (defined as a direct or indirect ownership interest of 50% or more, individually or in aggregate by one or more Identified Parties), are also subject to the same restrictions that apply to the Identified Party(ies) at issue, regardless whether that entity is expressly named on the SDN List, the FSE List, and/or the SSI List. Additionally, US persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a US person or within the United States.

During the Track Record Period, we delivered certain resin spectacle lens products to Cote d'Ivoire, Cuba, Egypt, Haiti, Iran, Lebanon, Myanmar, Russia, Turkey, Ukraine, Venezuela, and Zimbabwe, all of which are Countries subject to International Sanctions, among which Cuba and Iran are subject to comprehensive international sanctions programmes.

US sanctions against Cuba are contained principally in the Cuban Assets Control Regulations ("**CACR**"), 31 C.F.R. Part 515, and broadly effect comprehensive country sanctions against Cuba. Under these Cuban sanctions regulations, US persons, including foreign subsidiaries of U.S. corporations, are prohibited from engaging in virtually all direct and indirect commercial, financial and travel-related transactions with Cuba and Cuban nationals, wherever located. The ban on transactions includes a general prohibition against most exports to and imports from Cuba, either directly or indirectly through third countries, of goods, services and technology. These regulations also require the blocking of all property and property interests of the Cuban Government and Cuban nationals within the jurisdiction of the United States. In addition, the CACR prohibit U.S. persons from entering into an investment in or with Cuba. The extent to which the United States provides exceptions to strict enforcement of the Cuban sanctions has varied in recent years depending on the policies of the government administration then in office.

The U.S. has enacted regulations that implement both primary and secondary sanctions against Iran. U.S. primary sanctions regulations include the Iranian Assets Control Regulations, 31 C.F.R. Part 535, The Iranian Transaction and Sanctions Regulations, 31 C.F.R. Part 560, The Iranian Financial Sanctions Regulations, 31 C.F.R. Part 561, and the Iranian Human Rights Abuses Sanctions Regulations, 31 C.F.R. Part 562, which collectively implement comprehensive country sanctions against Iran. Under these regulations, U.S. persons, including foreign subsidiaries of U.S. corporations, are prohibited from engaging in any transaction involving the purchase, sale, transportation, financing or brokering of goods or services to or from Iran. In addition, multiple U.S. Executive Orders block the property of specified Iranian persons and entities identified as SDNs, including the Government of Iran, the Central Bank of Iran, the Iranian Republic Guard Corps ("**IRGC**"), the Iranian Republic Shipping Line, and Mahan Airlines, among others U.S. persons are prohibited from dealing in the property of these SDNs.

In addition to primary sanctions, the U.S. has passed legislation establishing secondary sanctions applicable to non-U.S. persons and entities who engage in certain defined economic activity with Iran. This legislation includes the Iran Sanctions Act of 1996, as amended, 50 U.S.C. § 1701; the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 ("**CISADA**"), PL 111–195; the Iran Threat Reduction and Syria Human Rights Act of 2012, H.R. 1905 (PL 112–158) ("**ITRA**"); the National Defense Authorization Act For Fiscal Year 2012 PL 112–81; and the Iran Freedom and Counter-Proliferation Act of 2012 ("**IFCA**") (PL 112–239). Secondary sanctions legislation grants broad discretion to the US President and his delegated representatives to deny access to the U.S. economic system to non-US persons who have been determined to engage in certain specified transactions involving the Iranian banking, energy, shipping and shipbuilding sectors.

The U.S. maintains certain limited sanctions programs that are list based, or target Identified Persons in a number of countries in which we do business, including Cote d'Ivoire, Egypt, Haiti, Lebanon, Myanmar, Russia, Turkey, Ukraine, Venezuela, and Zimbabwe. In general, these US sanctions prevent companies and persons subject to U.S. jurisdiction from doing business with SDNs or other Identified Persons that are named in the specific legislation or regulation. Russian sanctions programmes, while not referred to as "comprehensive", have been subject to a number of changes in recent years that expand the reach and number of persons and entities to which the Russian sanctions programmes apply. These expansions have occurred through modification of existing sanctions regulations, issuance of various Executive Orders by the U.S. president, and the introduction of new legislation, such as the U.S. "Countering America's Adversaries Through Sanctions Act", which amended some of the existing U.S. primary sanctions against Russia and added secondary sanctions targeting certain activities involving Russia. As our Group has not conducted any business with SDNs or other Identified Persons, the sanctions applicable to these non-comprehensively sanctioned countries have not impacted our business operations.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

Generally, the sanctions imposed by the UNSC are less comprehensive than those enforced by the United States, and impact less countries and jurisdictions. Further, while the UNSC has historically maintained fairly restrictive sanctions against Iran, with the signing of the Joint Comprehensive Plan of Action of 14 July 2015 ("**JCPOA**") with Iran, the UNSC removed many of the previously existing UNSC resolutions applicable to Iran. Currently, the principal UNSC sanctions applicable to Iran are contained in Security Council Resolution 2231, which establishes specific restrictions on Iran, including a requirement for Security Council approval for nuclear-related activities and transfers to or with Iran; a requirement for Security Council approval of ballistic missile related activities with and transfers to Iran; a requirement for Security Council approval of arms-related transfers to and from Iran; asset freezes on individuals and entities designated on the 2231 list; and travel bans on individuals designated on the 2231 list.

The UNSC does not maintain any sanctions programme relating to Cuba, and has a very limited sanctions programme relating to Lebanon. The UNSC does not maintain any country specific sanctions programmes in the other Countries subject to International Sanctions in which we do business. UNSC sanctions have not had any material impact on our business or operations.

United Kingdom and United Kingdom overseas territories

Although the United Kingdom departed from the European Union on January 31, 2020 and is no longer an European Union member state, European Union law including European Union sanctions measures will continue to apply to and in the United Kingdom until December 31, 2020, unless further extended. European Union sanctions measures have also been extended by the United Kingdom on a regime-by-regime basis to apply in the United Kingdom overseas territories, including the Cayman Islands.

European Union

Under European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures. As a result, European Union sanctions are not generally a restriction on our business operations.

Similarly with the United Nations sanctions, the European Union formerly maintained significant restrictions on doing business with Iran. However, following the JCPOA, the overall ban on exports to Iran has been broadly lifted. Currently, only three categories of items remain restricted: (a) listed goods, technology and software on the Nuclear Suppliers Group list; (b) any goods and technology that could contribute to activities related to reprocessing, enrichment, production of heavy water, or other activities inconsistent with the JCPOA; and (c) listed goods and technology on the Missile Technology Control Regime list. In addition, a certain number of key Iranian persons and entities, including banks and government entities remain subject to asset freezing measures.

The European Union does not maintain a sanctions programme relating to Cuba, although it does maintain limited sanctions programmes that target Egypt, Lebanon, Myanmar, Russia, Turkey, Ukraine, Venezuela and Zimbabwe. However, these programmes are quite specific in their application, generally prohibiting trading in arms or military goods, and targeting persons that have been involved in anti-democratic activities. As such, the European Sanctions programmes in these Countries subject to International Sanctions have not had any material impact on our business or operations.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

Australia generally implements United Nations sanctions regimes, and has also adopted an autonomous sanctions regime applicable to Iran, which restricts (without a sanctions permit) direct or indirect supply, sale or transfer to Iran, for use in Iran, or for the benefit of Iran, of "Export Sanctioned Goods", which include arms or related material; corrosion-resistant high grade steel (with chromium content > 12%) in the form of sheet, plate, tube or bar; raw or semi-fabricated graphite; aluminium and alloys in the form of sheet, plate, tube or bar; nickel and alloys in the form of sheet, plate, tube or bar; titanium and articles thereof, including waste and scrap; and enterprise resource planning software designed specifically for use in nuclear and military industries. Australia also has in place autonomous sanctions regimes that apply limited restrictions to business in Russia/Ukraine, Myanmar and Zimbabwe. Australia does not maintain a sanctions programme relating to Cuba. The Australian autonomous sanctions in the Countries subject to International Sanctions have not had any material impact on our business or operations.

UNITED STATES LAWS AND REGULATION

In the United States, various federal, state and local statutory laws, rules and regulations, promulgated by governmental authorities and professional self-regulatory bodies, as well as common laws, apply to our operations, our products and the environments in which we operate our businesses. Those laws, rules and regulations impose conditions and restrictions upon our marketing and sales practices, customer relationship management, as well as our product design and manufacturing activities.

Tariffs on Our Products Exported to the U.S. Market

In addition to the regular customs duties and tariffs applicable to merchandises imported to the U.S. markets, the U.S. governmental authorities, including the Trade Representative of the United States, may subject certain merchandise of Chinese origin, such as our products, to substantial amounts of additional customs duties and tariffs when imported into the U.S. There may other restrictions imposed by the U.S. governmental authorities related to the importation of our products.

Foreign Corrupt Practices Act ("FCPA")

Our company, the United States subsidiary and business counterparties are subject to the jurisdiction of Foreign Corrupt Practices Act. The FCPA and other similar anti-bribery and anti-kickback laws and regulations generally prohibit companies and their intermediaries from making improper payments or offering anything of value to non-U.S. officials for the purpose of obtaining or retaining business.

Environmental and Safety Regulation

Our subsidiaries in the United States and stores carrying our products are subject us to various federal, state and local laws, regulations and other requirements pertaining to protection of the environment, public health and employee safety, including, for example, regulations governing the management of hazardous substances, and the maintenance of safe working conditions.

Consumer Protection and Trade Practise Laws

The United States federal and state consumer protection laws and regulations can apply to our operations in the United States to protect the end users of our products in the United States. The Federal Trade Commission of the United States has authority under Section 5 of the Federal Trade Commission Act (the "**FTC Act**") to investigate and prosecute practises that are "unfair trade practises", "deceptive trade practises", or "unfair methods of competition". State attorneys general in the United States typically have comparable authorities and many states permit private plaintiffs to bring actions on the basis of these laws. In addition, state regulators or boards of optometry may challenge the marketing, sales and promotional practises related to our products as, among other things, violating applicable state laws regarding unfair competition or false advertising to consumers.

Product Liabilities Laws

Under the common law traditions of the United States, a personal injury lawsuit, whether by an individual, or a group of individuals, over dangerous or defective medical devices such as our products is typically brought under a fault theory known as "product liabilities." These kinds of claims typically come in three varieties: defectively manufactured medical devices, medical devices with a defective design, or defectively marketed medical devices. Our subsidiaries in the United States, and the sales of our products in the United States, as well as our other business activities in the United States may expose us to such claims.

USFDA regulations and the United States Federal Food, Drug & Cosmetic Act

The Food and Drug Administration of the United States (the "**USFDA**") have established rigorous requirements for clearance or approval to market medical products such as optic lens in the United States. Obtaining clearance or approval to distribute such products is uncertain, complex, costly and time-consuming.

Under the United States Federal Food, Drug & Cosmetic Act, as amended (the "**USFFDC Act**"), the USFDA has the authority to regulate, among other things, the design, development, manufacturing, preclinical and clinical testing, labelling, product safety, marketing, sales, distribution, premarket clearance and approval, recordkeeping, reporting, advertising, promotion, post-market surveillance, and import and export of medical devices such as our optic lens.

Substantially all of our products are classified as medical devices intended for human use within the meaning of the Act and, therefore, are subject to USFDA regulation.

Each medical device we seek to commercially distribute in the United States must first receive clearance to market under a notification submitted pursuant to Section 510(k) of the USFFDC Act, known as the 510(k) premarket notification, or premarket approval (PMA) from the USFDA, unless specifically exempted by the agency or subject to another form of USFDA premarket review.

After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, will require a new 510(k) clearance or could require premarket approval.

Sunglasses, spectacle frames, spectacle lens, and magnifying spectacles are medical devices currently exempt from 510(k) premarket notification. There are no assurances that such exemption will continue.

Although these devices are currently 510(k) exempt, several other FDA regulations apply:

a) U.S. manufacturers and initial U.S. distributors (importer) must register their establishment with FDA;

b) foreign manufacturers must register their establishment with FDA and name a United States Agent;

c) manufacturers must list their devices with FDA;

d) manufacturers must meet Quality System (QS) requirements set forth in 21 CFR 820. Specially, the quality system regulation includes requirements related to methods used and the facilities and controls for designing, purchasing, manufacturing, packaging, labelling, storing, installing and servicing of medical devices;

e) the lens for spectacles and/or sunglasses must be certified as impact resistant under 21 CFR Part 801.410; specially, a certificate illustrating the lens' compliance with the 21 CFR 801.410 should accompany each lot of spectacle lenses/sunglasses seeking entry into the U.S. The certificate should reflect that the eyewear products have been "sampled" and are impact resistant, using a statistically significant method. Manufacturers may conduct drop ball tests, as described in 801.410(d)(2), or use an equal or superior test method to comply with this.

The Failure to comply with the foregoing requirements may result in detention of the device at the U.S. port of entry.

Premarket Approval

Unless otherwise exempted, our products are or may become subject to the PMA approval process and 510(k) clearance. The more rigorous PMA process requires us to demonstrate that a new medical device is safe and effective for its intended use. The USFDA may require that a PMA be supported by, among other things, extensive technical, preclinical, clinical testing, manufacturing, and labelling data to demonstrate to the USFDA's satisfaction, the safety and effectiveness of the device.

After a PMA application is submitted and filed, the USFDA begins an in-depth review of the submitted information, which typically takes between one and three years, but may take significantly longer. During the review period, the USFDA may request additional information or clarification of information already provided. In addition to its own review, the USFDA may organise an independent advisory panel of experts to review the PMA whenever a device is the first of its kind or the USFDA otherwise determines panel review is warranted. The USFDA holds panels on a regular basis, but the need to schedule panel review usually adds some weeks or months to the review process. In addition, the USFDA will conduct a pre-approval inspection of the manufacturing facility to ensure compliance with Quality System Regulation (QSR) which imposes elaborate design, development, testing, control, validation, documentation, complaint handling, supplier control, and other quality assurance procedures in the design and manufacturing process. The USFDA may approve a PMA application with post-approval conditions intended to ensure the safety and effectiveness of the device including, among other things, restrictions on labelling, promotion, sale and distribution and conduct of additional post-approval clinical studies or collection of long-term follow-up from patients in the clinical study that supported approval. Failure to comply with the conditions of approval can result in materially adverse enforcement action, including the loss or withdrawal of the approval.

If a manufacturer plans to make significant modifications to the manufacturing process, labelling, or design of an approved PMA device, the manufacturer must submit an application called a "PMA Supplement" regarding the change. The USFDA generally reviews PMA Supplements on a 180-day agency timetable, which may be extended if significant questions arise in review of the supplement. A manufacturer may implement limited changes prior to the USFDA's review of a PMA Supplement. The USFDA designates some PMA Supplements as "panel-track" supplements, which means that the agency believes review by an advisory panel may be warranted. Designation as a panel-track supplement does not necessarily mean that panel review will occur.

Clinical or Market Trials

A clinical trial is typically required to support a PMA application and is sometimes required for a 510(k) premarket notification. Clinical trials conducted to support premarket clearance or approval generally require submission of an application for an Investigational Device Exemption (IDE) to the USFDA. Appropriate data must support the IDE application, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the investigational protocol is scientifically sound. The IDE application must be approved by the USFDA for a specified number of patients, unless the product is deemed eligible for more abbreviated IDE requirements. Clinical trials for a significant risk device may begin once the USFDA approves the IDE application. All USFDA-regulated clinical studies, whether significant or non-significant risk, must be approved and overseen by the appropriate institutional review boards (IRBs) at the clinical trial sites, and informed consent of the patients participating in the clinical trial must be obtained. After a trial begins, the USFDA may place it on hold or terminate it, if, among other reasons, it concludes that the clinical subjects are exposed to an unacceptable health risk. Any trials we conduct in the United States must be conducted in accordance with USFDA regulations as well as other federal regulations and state laws concerning human subject protection and privacy. Moreover, the results of a clinical trial may not be sufficient to obtain clearance or approval of the product.

Oversight of compliance with quality, medical device reporting, clinical study, and other regulations

Both before and after we receive premarket clearance or approval and release a product commercially, we have ongoing responsibilities under USFDA regulations. The USFDA reviews design and manufacturing practises, labelling and record keeping, product complaints and manufacturer's required reports of adverse experiences, product corrections and removals, and other information to identify potential problems with marketed medical devices. We are also subject to periodic inspection by the USFDA for compliance with the USFDA's QSR and other requirements, such as requirements for advertising and promotion. The Good Manufacturing Practise (GMP) regulations for medical devices embodied in the QSR govern the methods used in, and the facilities and controls used for, the design, manufacture, packaging, labelling, and servicing of all finished medical devices intended for human use.

The USFDA's Bioresearch Monitoring Programme (BIMO) reviews our activities as a sponsor of clinical research. BIMO conducts facilities inspections as part of a programme designed to ensure that data and information contained in requests for IDEs, PMA applications and 510(k) submissions are scientifically valid, reliable, and accurate. Another objective of the programme is to ensure that human subjects are protected from undue hazard or risk during scientific investigations.

If the USFDA were to conclude that we are not in compliance with applicable laws or regulations, or that any of our medical devices are ineffective or pose an unreasonable health risk, the USFDA could require us to notify health professionals and others that the devices present unreasonable risk or substantial harm to public health, order a recall, repair, replacement, or refund of the devices, detain, or seize adulterated or misbranded medical devices, or ban the medical devices. The USFDA may also issue warning letters or untitled letters, refuse our request for 510(k) clearance or PMA approval, revoke existing 510(k) clearances or PMA approvals previously granted, impose operating restrictions, enjoin, and restrain certain violations of applicable law pertaining to medical devices and assess civil or criminal penalties against our officers, employees, or us. The USFDA may also recommend prosecution to the Department of Justice. In the case of devices subject to pending premarket clearance or approval applications, USFDA has broad authority to halt the review of applications and require significant additional data analyses, audits, and other corrective actions where clinical data contained in an application are deemed to be actually or potentially unreliable, inaccurate, or not in compliance with clinical study or good clinical practise requirements.

Healthcare Fraud and Abuse Laws and Regulations

Even though we do not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payers subject to the jurisdiction of the governmental authorities of the United States, certain federal, state and international healthcare laws and regulations pertaining to fraud and abuse and patients' rights are applicable to our business. We are subject to healthcare fraud and abuse and patient privacy regulation by the federal government, the states and the international jurisdictions in which we conduct our business. The regulations that may affect our ability to operate include, without limitation:

- the federal Anti-Kickback Statute of the United States, which prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving, or providing remuneration, directly or indirectly, to induce either the referral of an individual, for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal healthcare programmes such as the Medicare and Medicaid programmes;

- the federal False Claims Act of the United States, which prohibits, among other things, individuals, or entities from knowingly presenting, or causing to be presented, false claims, or knowingly using false statements, to obtain payment from the federal government, and which may apply to entities that provide coding and billing advice to customers;

- federal criminal laws of the United States that prohibit executing a scheme to defraud any healthcare benefit programme or making false statements relating to healthcare matters;

- the federal physician sunshine requirements under the Patient Protection and Affordable Care Act of 2010 of the United States, which requires manufacturers of drugs, devices, biologics, and medical supplies to report annually to the Centers for Medicare & Medicaid Services information related to payments and other transfers of value relating to certain drugs, devices, biologics, and medical supplies to physicians, other healthcare providers, and teaching hospitals, and ownership and investment interests held by physicians and other healthcare providers and their immediate family members;

- the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information; and

- the state law equivalents in each of the states and territories of the United States of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers; state laws that require device companies to comply with the industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state and international laws that require device manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state and international laws governing the privacy and security of health information in certain circumstances, which may differ from each other and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws and the limited statutory exceptions and safe harbours available, it is possible that some of our business activities in the United States or otherwise subject to the jurisdictions of the United States could be subject to challenge under one or more of such laws.

EUROPEAN UNION LAWS AND REGULATIONS

Overview of relevant legislation

European Union ("**EU**") customs legislation is based on international rules and standards of the World Customs Organisation ("**WCO**"). The main EU customs legislation is set out in Regulation (EU) No. 952/2013 laying down the Union Customs Code ("**UCC**"), which provides for import and export requirements and procedures to and from the EU. The UCC is supplemented by Commission Delegated Regulation No. 2015/2446 ("**UCC Delegated Act**") which supplements certain non-essential elements of the UCC; and by Commission Implementing Regulation No. 2015/2447 ("**UCC Implementing Act**"), which aims to ensure the existence of uniform conditions for the implementation of the UCC and a harmonised application of procedures by all Member States.

Other EU customs legislation includes the EU Combined Nomenclature ("**CN**"), set out in Council Regulation (EEC) No. 2658/87, which is a systematic list of commodities based on the WCO's Harmonised System ("**HS**") setting out the Common External Tariff applicable to imports from countries which do not benefit from any trade preferences from the EU. Annex I to the CN is updated on an annual basis to reflect any changes in the HS. The CN is supplemented by non-legally binding Explanatory Notes which provide guidance on the classification of imports under the various headings and sub-headings of the CN. Often, the EU adopts legislation classifying certain products under the relevant CN (sub) heading, which are published in the Official Journal of the EU. The EU non-preferential rules of origin are set out in Annex 22–01 of the UCC Delegated Act and the EU list of non-preferential rules of origin.

EU Import Laws are directly applicable to and in all Member States. Consequently, they apply to entities established in the EU and nationals of the EU Member States. Member States are responsible for enforcing customs legislation in their domestic legal order. Consequently, penalties for breaching EU customs laws are set out in national legislation and differ from one Member State to the other.

As of 1 January 2021, EU law no longer applies to and in the UK. UK import procedures and requirements are set out in, *inter alia*, the Taxation (Cross-border Trade) Act 2018 and the Customs (Import Duty) (EU Exit) Regulations 2018. Customs declarations are required for all imports into the UK, including those from the EU. However, as regards to imports from the EU, although such imports have been subject to controls since 1 January 2021, it is possible to defer customs declarations on standard goods until the end of 2021 and also to defer the payment of customs duties on such imports by submitting supplementary declarations up to six months after the goods have been imported. In addition, Safety and Security Declarations for imports from the EU are not required until the end of 2021.This deferment system was in place from 1 January 2021 until 31 May 2021.

Customs classification of imported goods and the corresponding non-preferential tariff rates are based on the UK Trade Tariff, while non-preferential rules of origin for imports in the UK are set out in The Customs (Origin of Chargeable Goods) (EU Exit) Regulations 2020.

The requirements and main principles under UK legislation are broadly the same as those in the EU, given that they derive from international agreements and standards.

On 24 December 2020, the EU and the UK concluded a Trade and Cooperation agreement ("**TCA**"), which governs trade in goods between the EU and the UK as of 1 January 2021. The TCA provides for preferential treatment in the form of duty-free access to the EU and UK markets of goods that are "originating" in the EU or the UK respectively, in accordance with the rules of origin included in the TCA.

Key import requirements

EORI number

An Economic Operator Identification ("**EORI**") number is required for any importer carrying out customs activities in the EU or the UK respectively in order to trade goods with non-EU or non-UK countries. An EORI number is obtained from the Customs authorities in the country where a customs declaration is filed for the first time. As of 1 January 2021, EORI numbers obtained in the UK are no longer recognised in the EU, and vice versa. Therefore, operators lodging a customs declarations in the EU and the UK will have to hold an EORI number issued from the respective jurisdiction.

Entry Summary Declaration

An Entry Summary Declaration ("**ENS**") is a document that contains information about the number and nature of the goods, the importer and the exporter, which needs to be lodged by the carrier or their authorised operator at the first port or airport of entry into the EU or UK customs territory prior to the arrival of the goods to the EU or the UK respectively — even if the goods are not going to be imported in the EU or the UK. The purpose of the ENS is to enable national authorities to operate a risk and safety assessment prior to the arrival of the goods to the EU or the UK to reduce delays on the importation process. The deadline for lodging the ENS depends on the mode of transport carrying the goods and ranges from 24 hours to 1 hour before arrival at the point of importation. In the UK, an ENS is submitted electronically through the S&S GB service. However, an ENS is not required for goods imported into the UK from the EU between 1 January 2021 and 31 December 2021.

Customs declaration

A customs declaration is the act whereby an importer indicates the intention to import goods into the EU or the UK respectively. While the ENS is used by Customs to assess any risks before the importation takes place, the Customs declaration is used by Customs to authorise that the goods are put into circulation (or other special Customs procedures). On the basis of the customs declaration, the importer of the goods pays customs tariffs, if applicable. The main form used for customs declaration in the EU is the Single Administrative Document ("**SAD**"), also known as form C88 in the UK, which is most commonly filed electronically. On the basis of the customs declaration, the importer of the goods pays customs tariffs, if applicable.

The SAD can be used to import non-EU goods into the EU, as well as for trade between the EU and Switzerland, Norway, Iceland, Turkey, Serbia or the Former Yugoslav Republic of Macedonia. The SAD is not required for trading within the EU. The SAD simplifies and harmonises administrative customs procedures within the EU. It can be used for any customs procedure such as import, export, warehousing, temporary import, and transit. It should provide information on the imported items, their classification (at 8-digit level), origin and valuation. The date of acceptance of the SAD is relevant for the rate of duty and the trade policy measures applied to the import.

The UK has been implementing a new system for import and export declarations, the Customs Declaration Service ("**CDS**"), which will replace the existing Customs Handling of Import and Export Freight ("**CHIEF**") system. The CDS allows importers and exporters to complete customs declarations when trading outside the EU and requires additional information to be included in customs declarations (e.g., an audit trail of previous document IDs, additional party types such as the buyer and seller, possible additional commercial references or tracking numbers and labelling).

Customs classification

In the EU, spectacle lenses for the correction of vision made of materials other than glass are classified under CN 9001.50.41 for both sides finished and single focal; 9001.50.49 for both sides finished and not single focal; 9001.50.80 for lenses without both sides finished. All these types of spectacle lenses are subject to a 2.9% customs duty when imported from countries with which the EU does not have a preferential trade agreement such as China. Contact lenses are classified under CN 9001.30.00 and are also subject to a 2.9% non-preferential import duty.

Under the UK Trade Tariff, our Company's products are classified for customs purposes under the same codes as the EU ones. However, the UK import duties for all of these types of spectacle lenses and for contact lenses is 2% when imported from third countries with which the UK does not have a preferential trade agreement.

Customs tariffs and other payments

Customs duties are payable at the Customs authorities in the country where goods are released for free circulation. The payment of customs tariffs is based on the imported goods' classification under the CN or UK Trade Tariff if imported into the UK; the goods' origin; and the good's value, which is calculated in accordance with the rules set out in the UCC and the Customs (Import Duty) (EU Exit) Regulations 2018 respectively.

Further, goods imported in the EU and the UK are subject to value added tax, which applies on all goods imported for use or consumption in the EU or the UK respectively. Value added tax duties is based on the importing country's standard value added tax rate before being released from customs.

We do not act as an importer in the EU or the UK. Consequently, the requirements set out in the EU and UK Import Laws are not directly applicable to us. By contrast, our customers based in the EU and the UK and acting as importers of our products in the EU and the UK respectively are responsible for complying with EU and UK Import Laws, including paying any import duties or other charges (such as anti-dumping duties) on the imported products.

TRANSFER PRICING GUIDELINES, LAWS AND REGULATIONS

Overview of Organisation for Economic Co-operation and Development's ("OECD") Guidelines

The Organisation for Economic Co-operation and Development (the "**OECD**"), an international organisation of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Guidelines**"), which is consistent with the transfer pricing regulations in the tax jurisdictions involved in our Covered Transactions including PRC, Japan, the United States and Mexico.

The OECD Guidelines provide that the arm's length standard should be used to establish transfer prices between associated enterprises.

The arm's length standard is applied by comparing controlled transactions with transactions between independent enterprises based on "economically relevant characteristics". Comparability is achieved if: (i) no differences between the controlled and uncontrolled transactions exist; (ii) the differences that do exist do not materially affect the condition being examined; or (iii) reasonably accurate quantitative adjustments can be made to eliminate the effect of any differences.

The methods presented in the OECD Guidelines can be categorised into three groups:

- Comparable uncontrolled price/transaction methods
- Other traditional transaction methods, including resale price and cost plus
- Transaction profit methods, including profit split and transaction net margin

The OECD Guidelines state that the objective is to select the method "that is apt to provide the best estimation of an arm's length price". Notwithstanding this overall objective, the OECD Guidelines adopt the "most appropriate method to the circumstances of the case" principle for the selection of transfer pricing method.

It is also acknowledged that the OECD Guidelines establish the hierarchy between the traditional transaction methods and transactional profit methods when both can be applied in an "equally reliable manner" that the traditional transaction methods should be selected.

Transfer Pricing in China

Pursuant to the EIT Law and its implement rules and the Law of the People's Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法), related party transactions should comply with the arm's length principle. In the event that the related party transactions fail to comply with the arm's length principle resulting in the reduction of the enterprise's taxable income, the tax authority has power to make adjustments with reasonable methods within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority. Based on the Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) promulgated and became effective on 29 June 2016, enterprises which have related-party transactions shall prepare their contemporaneous documentation of related-party transactions (同期資料) per tax year and submit to the tax authority if required by the same. Contemporaneous documentation includes the master file (主體文檔), local file (本地文檔) and special issue file (特殊事項文檔), each of which is applied to different circumstances in relation to the related-party transactions of the PRC company. According to the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures (《國家稅務總局關於發佈特別納稅調查調整及相互協商程序管理辦法的公告》) which was which partially repealed the Implementation Regulations for Special Tax Adjustments (Trial) (《特別納稅調整實施辦法(試行)》), and was issued on 17 March 2017 and became effective on the same day and was amended on 15 June 2018, if an enterprise receives a special tax adjustment risk warning from tax authorities or detects in itself any special tax adjustment risk, the enterprise may carry out voluntary adjustments regarding tax payment matters and the relevant tax authority may still proceed with special tax investigation adjustment procedures according to the relevant provisions.

- ***Transfer Pricing Adjustment***

According to the EIT Law and the EIT Regulation, where a transaction between an enterprise and its affiliated enterprises fails to comply with the independent transaction principle, and reductions are made to the taxable income or the amount of income of the enterprise or its affiliated enterprises, the tax authorities have a right to make adjustments according to a reasonable method within 10 years from the tax year in which the transaction occurs. If the tax authorities have made tax adjustments and the taxpayer is required to make up outstanding tax payments, the additional tax amount shall be levied and collected with interest pursuant to the provisions of the State Council. According to the Announcement of the SAT on Promulgation of the Administrative Measures on Special Tax Investigation, Adjustment and Mutual Agreement Procedure (國家稅務總局關於發佈《特別納稅調查調整及相互協商程序管理辦法》的公告) promulgated by the SAT on 17 March 2017 and partly revised on 15 June 2018, the tax authorities shall focus on enterprises with the following risk characteristics while implementing special tax investigation: (i) enterprises with large transaction amount of affiliated transactions, or varied types of affiliated transactions; (ii) enterprises with long-term losses, low profits or non-linear profits; (iii) enterprises with profit lower than the industry's level; (iv) enterprises whose profit level does not match the functional risks they perform, or whose earnings shared do not match the costs shared; (v) enterprises which carry out affiliated transactions with affiliated parties located at low tax countries (or regions); (vi) enterprises which fail to declare affiliated transactions or prepare contemporaneous documentation pursuant to the provisions; (vii) enterprises whose ratios of debt investments and equity investments accepted from the affiliated parties exceed the stipulated standards; (viii) an enterprise controlled by a resident enterprise or by a resident enterprise and a Chinese resident which is established in a country (or region) with actual tax burden lower than 12.5% does not distribute profit or reduces profit distribution for reasons other than reasonable needs for business operation; or (ix) implements other tax planning or arrangements which do not have a reasonable business purpose.

OUR HISTORY

Overview

We are a leading resin spectacle lens manufacturer in the PRC with sales to over 80 countries during the Track Record Period. Our resin spectacle lens manufacturing business can be traced back to 1996, when Mr. Fei founded Qitian Technology on 5 December 1996. As our resin spectacle lens manufacturing business conducted through Qitian Technology and its then subsidiaries continued to grow under Mr. Fei's leadership, Qitian Technology became listed on the Shenzhen Stock Exchange (the "**SZSE**") (stock code: 300061) in March 2010.

In October 2016, in order to tap into the growing potentials in the financial services sector, Qitian Technology acquired Shanghai Qiji Intelligent Technology Co., Ltd. (上海旗計智能科技有限公司) ("**Qiji Intelligent**"), a company established in the PRC primarily engaged in the provision of value-added services for bank cards. However, the parallel development in financial services and resin spectacle lens manufacturing had resulted in competition for resources and diversion of the management's attention. Therefore, the management of Qitian Technology, led by Mr. Fei at the time, decided to strategically streamline the operation of the two businesses, and regroup their respective business entities, assets and liabilities into two separate entities.

On 30 June 2018, the directors of Qitian Technology resolved to transfer its entire resin spectacle lens manufacturing business to Mr. Fei and Mr. Fan. As at the time of the resolutions, Mr. Fei was the controlling shareholder and chairman of the board of directors of Qitian Technology, while Mr. Fan was the chairman of the board of supervisors of Qitian Technology. In anticipation of the transfer, our Company (then held by Mr. Fei and Mr. Fan as to 99% and 1%, respectively) was established as a holding vehicle of the equity interest in all subsidiaries undertaking our resin spectacle lens manufacturing business, as well as their assets and liabilities including intellectual properties and application rights. On 23 February 2021, our Company was converted into a joint stock limited company under the laws of the PRC.

Following the corporate restructuring, Mr. Fei shall continue to carry out the resin spectacle lens manufacturing business previously undertaken through Qitian Technology as our Controlling Shareholder and executive Director. For details of the background and experience of Mr. Fei, see "Directors, Supervisors and Senior Management — Directors" in this prospectus.

OUR BUSINESS MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Event
1996	• Qitian Technology, the predecessor of our Group, was established to commence the production and sales of standardised lenses
2004	• Qitian Technology was accredited ISO 9001:2000 by Quality Austria — Trainings, Zertifizierungs und Begutachtungs GmbH ("**Quality Austria**")
2006	• Jiangsu Conant, being the first Group company, was established to expand the production and sales of standardised lenses
2010	• Conant Lens was established to expand the sales of resin spectacle lens in the Americas
2011	• We commenced the production and sales of customised lenses
2013	• Qitian Technology acquired Asahi Optical to commence the production of standardised lenses in Japan
2017	• Shanghai Conant was accredited ISO 9001:2015 by Quality Austria
	• Qitian Technology was accredited ISO 13485:2016 by NSF International Strategic Registrations (a management systems certification body) for the manufacture and sales of medical resin optical lenses (export only)
2018	• The regrouping of relevant companies (including but not limited to Shanghai Conant, Jiangsu Conant and Asahi Optical) engaging in our resin spectacle lens manufacturing business into our Company was completed
2021	• We completed our joint-stock reform and became a joint stock limited company

OUR GROUP COMPANIES

Our Company

Our Company was established as a limited liability company in the PRC on 20 June 2018 under its former name Shanghai Linwu Industrial Co., Ltd.* (上海林梧實業有限公司). It had an initial registered capital of RMB1 million, held as to 99% and 1% by Mr. Fei and Mr. Fan, respectively. The establishment of our Company was in anticipation of the regrouping of our business entities as detailed in "— Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities", for the purpose of holding the equity interest in all subsidiaries of Qitian Technology undertaking our resin spectacle lens manufacturing business, as well as their assets and liabilities including intellectual properties and application rights.

On 16 October 2018, the registered capital of our Company was increased to RMB10 million by way of capital injection by Mr. Fei and Mr. Fan in proportion to their respective equity interest. On 9 August 2019, Mr. Fei and Mr. Fan further injected approximately RMB293.5 million and RMB1.5 million into our Company, respectively. Both instances of capital injection were settled by cash. The aggregate registered capital of RMB305 million was subsequently used to partially finance the regrouping of our business entities as further detailed in "— Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities".

As detailed in "— Pre-IPO Investment", on 8 January 2021, Mr. Fei transferred certain equity interest in our Company to the Pre-IPO Investors. Upon completion of the transfers and up to the Latest Practicable Date, the shareholding structure of our Company was as follows:

Shareholder	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Fei	212,740,030	69.75
Shanghai Shuyun	18,396,670	6.03
Zhourong Lianer	14,945,000	4.90
Jiaxing Huiyi	14,945,000	4.90
Mr. Fan	12,200,000	4.00
Shanghai Fengchang	11,948,300	3.92
Qian Yaoming (錢耀明) ("**Mr. Qian**")	10,980,000	3.60
Huang Anfen (黃安芬) ("**Ms. Huang**")	6,100,000	2.00
Lan Zhiping (蘭志平) ("**Mr. Lan**")	2,745,000	0.90

Our Subsidiaries

The details of our subsidiaries from the start of the Track Record Period and up to the Latest Practicable Date are set out as follows:

No.	Company name	Date of establishment	Place of establishment	Principal activity	Major shareholding changes during the Track Record Period
1.	Jiangsu Conant	25 December 2006	PRC	Manufacturing and sales of resin spectacle lenses	See "— Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities"
2.	Conant Lens	12 November 2010	Georgia, United States	Sales of resin spectacle lenses	See "— Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities"
3.	Conant Eyewear	27 January 2011	PRC	Sales of resin spectacle lenses	None
4.	Conant Mexico SA	4 April 2011	Mexico	Importation and sales of resin spectacle lenses	See "— Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities"
5.	Shanghai Conant	13 April 2011	PRC	Manufacturing and sales of resin spectacle lenses	See "— Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities"
6.	Asahi Holdings	3 July 2013	Hong Kong	Investment holding	See "— Evolution of our Group — Spin-off from Qitian Technology and Regrouping of our business entities"
7.	Asahi Optical	12 December 1980	Japan	Manufacturing of resin spectacle lenses	None
8.	Laboratorio Opticos SA	24 January 2014	Mexico	Sales of resin spectacle lenses	None
9.	Jiangsu Asahi	8 November 2019	PRC	Sales of resin spectacle lenses	None

EVOLUTION OF OUR GROUP

Establishment of Qitian Technology and listing on the SZSE

On 5 December 1996, Mr. Fei together with Shanghai Pudong Town Science and Technology Economic Development Corporation (上海浦東城鎮科技經濟開發總公司) established Qitian Technology under its former name Shanghai Conant Optics Co., Ltd. (上海康耐特光學有限公司). Principally engaged in the manufacturing of resin spectacle lens, Qitian Technology experienced steady growth under the leadership and management of Mr. Fei, and evolved to become a leading domestic resin lens manufacturer in China. On 19 March 2010, Qitian Technology was listed on the ChiNext Market of the SZSE (stock code: 300061). Save as the public criticism disclosed in "Directors, Supervisors and Senior Management — Directors — Executive Directors", since the listing of Qitian Technology on the SZSE until completion of the regrouping of our business entities as detailed in "— Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities", our Directors confirm that to the best of their knowledge:

1. Qitian Technology had been operating in compliance in all material respects with all applicable rules of the SZSE; and

2. Qitian Technology had not been imposed any administrative penalty by the CSRC.

Since 1 January 2018, being the commencement date of the Track Record Period, up to the regrouping of our business entities detailed in "— Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities", Mr. Fei remained the controlling shareholder of Qitian Technology.

Establishment of our PRC subsidiaries

Jiangsu Conant was established as a limited liability company on 25 December 2006. As at the start of the Track Record Period, Jiangsu Conant was wholly owned by Qitian Technology with a registered capital of RMB300 million.

Conant Eyewear was established as a limited liability company on 27 January 2011 under its former name Jiangsu Conant Kaiyue Optical Glasses Co., Ltd. (江蘇康耐特凱越光學眼鏡有限公司). As at the start of the Track Record Period, Conant Eyewear was wholly owned by Jiangsu Conant with a registered capital of RMB10 million.

Shanghai Conant was established by Qitian Technology as a limited liability company on 13 April 2011 under its former name Shanghai Conant Optics Sales Co., Ltd. (上海康耐特光學銷售有限公司) with an initial registered capital of RMB2 million. As at the start of the Track Record Period, it had a registered capital of RMB222 million wholly owned by Qitian Technology. On 18 January 2018, the share capital of Shanghai Conant was increased to RMB237 million by Qitian Technology in cash. On 21 May 2018, Qitian Technology further increased the share capital of Shanghai Conant to RMB307 million, which was settled by the transfer of the land use right in respect of the Shanghai Owned Land the value of which was determined by an independent valuation on 31 May 2018.

Until the regrouping of our business entities detailed in "— Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities", Jiangsu Conant and Shanghai Conant were direct wholly-owned subsidiaries of Qitian Technology, and Conant Eyewear was an indirect wholly-owned subsidiary of Qitian Technology.

Jiangsu Asahi was established as a limited liability company on 8 November 2019 by Jiangsu Conant with an initial registered capital of RMB10 million. Since its establishment to the Latest Practicable Date, Jiangsu Asahi had been an indirectly wholly-owned subsidiary of our Company.

Expansion to the Americas

In order to expand our sales network in the United States, Conant Lens was incorporated as a domestic profit corporation in the State of Georgia on 12 November 2010 with 800,000 paid-up ordinary shares wholly owned by Qitian Technology. As at the Latest Practicable Date, Conant Lens is principally engaged in the sales of resin spectacle lenses in the United States.

On 4 April 2011, Conant Mexico SA was established as a commercial stock corporation with variable capital in Mexico. It has a capital stock of MXN31,546,000 wholly owned by Qitian Technology. As at the Latest Practicable Date, Conant Mexico SA is principally engaged in the importation into Mexico and sales of resin spectacle lenses. On 24 January 2014, Laboratorio Opticos SA was incorporated in Mexico as a commercial stock corporation with variable capital in Mexico. It has a capital stock of MXN2,549,000 wholly owned by Conant Mexico SA and is principally engaged in the sales of resin spectacle lenses.

Acquisition of Asahi Optical

Asahi Optical is a stock company established in Japan on 12 December 1980 as an indirect wholly-owned subsidiary of Ono Holdings Co., Ltd. (小野ホールディングス株式会社) ("**Ono**") with an initial registered capital of JPY100 million. It is principally engaged in the manufacturing of resin lenses with a refractive index of 1.67 and 1.74.

Following the liquidation of Ono, on 16 November 2012, the Tokyo District Court ordered the commencement of corporate rehabilitation of Asahi Optical and appointed a rehabilitation trustee to take over its operation. In contemplation of the potential acquisition of Asahi Optical, Asahi Holdings was incorporated in Hong Kong on 3 July 2013, with its registered capital contributable as to US$2.75 million (or 55%) and US$2.25 million (or 45%) by Qitian Technology and MCSabae Holdings Limited ("**MCSabae**"), respectively. MCSabae is a special purpose vehicle incorporated in the BVI indirectly held as to 50% by each of Creat Group Co., Ltd (科瑞集團有限公司) and Mitsubishi Corporation (三菱商事株式會社), both Independent Third Parties. On 30 September 2013, the rehabilitation plan of Asahi Optical was sanctioned by the Tokyo District Court. Pursuant to the rehabilitation plan, Qitian Technology and MCSabae shall inject an aggregate amount of JPY400 million into Asahi Optical as consideration of the acquisition, which was determined after a tender process by the rehabilitation trustee with reference to the operating results and prospects of Asahi Optical. The consideration was fully settled on 1 November 2013, and was partly utilised to repay the outstanding debts of Asahi Optical and partly retained as its working capital. The corporate rehabilitation proceedings of Asahi Optical were closed on 29 November 2013, and therefore as advised by Japan Legal Advisers, all outstanding liabilities, debts or claims, if any, listed on the rehabilitation plan, against Asahi Optical would be compromised on the terms of the rehabilitation plan as sanctioned by the court and discharged accordingly. As advised by our Japan Legal Advisers, all applicable approvals under Japanese laws regarding the acquisition of Asahi Optical through the rehabilitation proceedings have been obtained, and the acquisition has been properly and legally completed.

On 29 May 2017, Qitian Technology acquired all of MCSabae's 45% equity interest in Asahi Holdings for a consideration of US$10,726,846, which was determined after arm's length negotiations with reference to the operating results and prospects of Asahi Optical. Following the transfer, Asahi Holdings became a direct wholly-owned subsidiary of Qitian Technology.

Spin-off from Qitian Technology and regrouping of our business entities

In October 2016, in order to tap into the growing potentials in the financial services sector and enhance the profitability of Qitian Technology, Qitian Technology acquired Qiji Intelligent, a company established in the PRC primarily engaged in the provision of value-added services for bank cards. After the acquisition, the revenue of Qitian Technology generated from Qiji Intelligent and its related big data technology business (the "**Financial Service and Other Businesses**") increased by 325.0% from RMB274.0 million in 2016 to RMB1,164.6 million in 2017. At this rate, the Financial Service and Other Business had outpaced resin spectacle lens manufacturing in terms of growth in revenue for Qitian Technology and become its main source of revenue and profit. For the years ended 31 December 2015, 2016 and 2017, the contribution of resin spectacle lens manufacturing business to Qitian Technology's total revenue decreased from 96.4% to 69.9% and further to 40.1%, respectively.

While the acquisition of Qiji Intelligent brought about a significant boost to the operating results and financial performance of Qitian Technology, the board of Qitian Technology (which at the time consisted of our executive Directors, among others, with Mr. Fei as chairman) considered that the parallel development in the Financial Service and Other Business and resin spectacle lens manufacturing had failed to cultivate sufficient synergy effects, and resulted in competition for resources and diversion of the management's attention. Rather, in light of the prospects of the Financial Service and Other Business, Qitian Technology should accelerate its transformation into the financial services sector and concentrate its resources on it to optimise its asset structure and hence value and profitability. Therefore, Mr. Fei and his management team considered that it would be more beneficial to spin off and carry on our resin spectacle lens manufacturing business under a separate entity outside of the listed group of Qitian Technology.

On 30 June 2018 and 23 August 2018, the directors and shareholders of Qitian Technology respectively resolved to strategically streamline the operation of its businesses, and regroup the business entities, assets and liabilities relating to resin spectacle lens manufacturing into a separate entity owned by Mr. Fei and Mr. Fan. As at the time of the resolutions, Mr. Fei was the controlling shareholder and chairman of the board of directors of Qitian Technology, while Mr. Fan was the chairman of the board of supervisors of Qitian Technology. Pursuant to the resolutions, the entire equity interests of Jiangsu Conant, Conant Lens, Conant Mexico SA, Shanghai Conant and Asahi Holdings were transferred to our Company for a consideration of approximately RMB760.7 million, which was determined with reference to an independent valuation of the equity interest and assets and liabilities being transferred, including intellectual properties and application rights. On 29 June 2018, Mr. Fei provided a non-competition undertaking (避免同業競爭的承諾) to

Qitian Technology. The undertaking was given by Mr. Fei for the purpose of ensuring the regulatory compliance of Qitian Technology's business operations and eliminating the potential business competition between Qitian Technology and our Company. It was the intention of Qitian Technology to focus on the financial services sector and eventually dispose of all spectacles-related businesses. Under the said undertaking, Mr. Fei would either himself, or procure any third parties to, acquire any spectacles-related business (including Jiangsu Blue and Shanghai Blue) held by Qitian Technology if Qitian Technology could not dispose of its spectacles-related business within three years after the shareholders meeting of Qitian Technology approving the spin-off such that Qitian Technology would be able to withdraw from spectacle lens industry completely. The spin-off was completed on 31 December 2018 while the consideration was fully settled by cash on 31 October 2019. Such consideration was funded partially by our Company's internal working capital which consisted of, among others, the paid-up capital from Mr. Fei and Mr. Fan, and partially by the bank loans detailed in "Financial Information — Indebtedness and Contingent Liabilities — Interest-bearing bank and other borrowings". As advised by our PRC Legal Advisers, the transfer of business entities under the spin-off is in compliance with all applicable PRC laws and regulations and listing rules of the SZSE in all material respects.

Jiangsu Blue and Shanghai Blue were not included in the spin-off primarily because (i) at the relevant times, Jiangsu Blue was principally engaged in manufacturing and sales of spectacle cases and cleaning cloths in the PRC and Shanghai Blue was principally engaged in the trading of spectacle lens, spectacle cases, cleaning cloths and pets products. As such, the businesses of Jiangsu Blue and Shanghai Blue were not in line with the businesses of our Company, being the manufacturing of resin spectacle lens; and (ii) Qitian Technology did not hold 100% interest in Jiangsu Blue or Shanghai Blue, the businesses of Jiangsu Blue and Shanghai Blue had been largely led by Zhang Aiguo (張愛國), who is an Independent Third Party. As advised by our PRC Legal Advisers, in the event that Jiangsu Blue and Shanghai Blue were included in the spin-off, independent valuation of the equity interests in, and assets and liabilities of, Jiangsu Blue and Shanghai Blue would be required pursuant to the applicable PRC laws and regulations. In fact, independent valuation was prepared for the sale of Jiangsu Blue and Shanghai Blue to Linxi Packaging in June 2020. See "— Evolution of Our Group — Acquisition of minority interest in Jiangsu Blue" for details.

Immediately after completion of the spin-off, both Mr. Fei and Mr. Fan remained as the chairmen of the board of directors and board of supervisors of Qitian Technology, respectively. See "Directors, Supervisors and Senior Management — Directors — Executive Directors" and "— Pre-IPO Investments — Information about the Pre-IPO Investors" for details.

To the best knowledge of the Directors, there was no change to the shareholding structure of Qitian Technology immediately after the completion of the spin-off. The following table sets out the shareholding structure of Qitian Technology immediately prior to and after completion of the spin-off on 31 December 2018:

Shareholder	**Registered capital** *(RMB)*	**Shareholding** *(%)*
Mr. Fei	178,897,306	26.12
Zhangshu Heshun Investment Management Center (Limited Partnership) (樟樹市和順投資管理中心(有限合夥))	126,145,194	18.42
Bosera Capital-Bank of Ningbo-Bosera Capital Kangnet No. 2 Special Asset Management Plan (博時資本 — 寧波銀行 — 博時資本康耐特2號專項資產管理計劃)	53,169,734	7.77
Bosera Capital-Bank of Ningbo-Bosera Capital Kangnet No. 1 Special Asset Management Plan (博時資本 — 寧波銀行 — 博時資本康耐特1號專項資產管理計劃)	47,188,138	6.89
Shanghai Angyun Enterprise Management Center (Limited Partnership) (上海昂贇企業管理中心(有限合夥)) ("**Shanghai Angyun**")(1)	46,523,517	6.79
Liu Tao (劉濤)	31,104,294	4.54
Shanghai Xiangle Enterprise Management Consulting Center (Limited Partnership) (上海翔樂企業管理諮詢中心(有限合夥)) ("**Shanghai Xiangle**")(2)	10,169,250	1.48
Other shareholders(3)	191,658,220	27.99
Total	684,855,653	100.0

Notes:

1. Immediately prior to and after completion of the spin-off, Mr. Fei and Mr. Fan were the managing partner and a limited partner of Shanghai Angyun (formerly known as Shanghai Zhengxiang Enterprise Management Center (Limited Partnership) (上海錚翔企業管理中心(有限合夥)) and Zhangshu City Zhengxiang Investment Management Center (Limited Partnership) (樟樹市錚翔投資管理中心(有限合夥))), holding approximately 25.7% and 1.4286% of its equity interest, respectively. The voting power in Qitian Technology held by Shanghai Angyun had been controlled by Mr. Fei through acting-in-concert arrangements. On 7 February 2021, Mr. Fei exited as managing partner of Shanghai Angyun pursuant to the partnership agreement. Since he no longer had any equity interest in Shanghai Angyun or relationship with the successor managing partner, the acting-in-concert arrangements were terminated.

2. Immediately prior to and after completion of the spin-off, Mr. Fan and Mr. Fei were the managing partner and a limited partner of Shanghai Xiangle (then known as Tibet Xiang Shi Venture Capital Management Partnership (Limited Partnership) (西藏翔實創業投資管理合夥企業(有限合夥))), holding approximately 27.646% and 50.5416% of its equity interest, respectively.

3. Other shareholders represent the remaining shareholders of Qitian Technology whose shareholding did not exceed 5%.

To the best knowledge of the Directors, the following table sets out the shareholding structure of Qitian Technology as at 19 November 2021, being the latest date where such information was publicly available to the Directors as at the Latest Practicable Date:

Shareholder	**Registered capital** *(RMB)*	**Shareholding** *(%)*
Mr. Fei(1)	100,727,911	15.24
Shanghai Zhenyuan Enterprise Management Partnership (Limited Partnership) (上海圳遠企業管理合夥企業(有限合夥)) ("**Shanghai Zhenyuan**")(2)	93,195,588	14.10
Bosera Capital-Bank of Ningbo-Bosera Capital Kangnet No. 2 Special Asset Management Plan (博時資本 — 寧波銀行 — 博時資本康耐特2號專項資產管理計劃)	46,579,834	7.05
Nanping Yingjie Enterprise Management Partnership (Limited Partnership) (南平盈捷企業管理合夥企業(有限合夥)) ("**Nanping Yingjie**")(3)	33,261,165	5.03
Minsheng Securities-Bank of Ningbo-Minsheng Securities Qitian Technology No. 1 Collective Asset Management Plan (民生證券 — 寧波銀行 — 民生證券旗天科技1號集合資產管理計劃)	22,240,596	3.36
Liu Tao (劉濤)(2)	22,808,946	3.45
Yancheng Chengnan New District Big Data Industry Venture Capital Fund (Limited Partnership)(鹽城市城南新區大數據產業創投基金(有限合夥)) ("**Yangcheng Chengnan**")(4)	22,731,000	3.44
Shanghai Angyun(5)	9,939,225	1.50
Yancheng Yannanxing Road Industry Investment Fund (L.P.) (鹽城市鹽南興路產業投資基金(有限合夥)) ("**Yancheng Yannanxing**")(1)(3)(4)	6,000,000	0.91
Other shareholders(6)	303,459,960	45.91
Total	660,944,225	100.0

Notes:

1. With a view to reducing his shareholding in Qitian Technology and stepping down from the management of Qitian Technology, on 23 June 2021, Mr. Fei entered into a voting proxy arrangement with Yancheng Yannanxing, a private equity fund independent from Mr. Fei. Pursuant to the voting proxy arrangement, Mr. Fei entrusted Yancheng Yannanxing to exercise the voting rights attached to 69,465,238 shares in Qitian Technology held by him (representing 10.51% of its total equity interest), and surrendered the voting rights attached to his remaining shares in Qitian Technology.

2. As of the Latest Practicable Date, Liu Tao was the chairman of the board of directors and chief executive officer of Qitian Technology. He also controls the voting rights attached to the shares in Qitian Technology held by Shanghai Zhenyuan, which was held as to 70% by him and 30% by Jiang Shuna (姜書娜).

3. Subject to and upon completion of a voting proxy arrangement entered into on 27 September 2021, Yancheng Yannanxing will have effective control over the voting rights attached to Nanping Yingjie's shareholding in Qitian Technology.

4. Subject to and upon completion of a voting arrangement entered into on 27 September 2021, Yancheng Yannanxing will have effective control over the voting rights attached to Yangcheng Chengnan's shareholding in Qitian Technology.

5. As of the Latest Practicable Date, Mr. Fan was a limited partner of Shanghai Angyun, holding approximately 3.1278% of its equity interest.

6. Other shareholders represent the remaining shareholders of Qitian Technology whose shareholding did not exceed 5%.

Following the regrouping, Jiangsu Conant, Conant Lens, Conant Mexico SA, Shanghai Conant and Asahi Holdings became direct wholly-owned subsidiary of our Company, while Conant Eyewear, Asahi Optical and Laboratorio Opticos SA became indirect wholly-owned subsidiaries of our Company. Mr. Fei shall continue to carry out the resin spectacle lens manufacturing business of Qitian Technology through our Group as our Controlling Shareholder and executive Director.

Acquisition of minority interest in Jiangsu Blue

Jiangsu Blue is a limited liability company established in the PRC on 21 December 2006 with a registered capital of RMB31.8 million and is principally engaged in the sale of spectacle cases and cleaning cloths in the PRC. The following table sets out the operational and financial performance of Jiangsu Blue for the periods and as at the dates indicated:

	For the year ended 31 December	
	2018	2019
	RMB'000	*RMB'000*
Revenue	7,949	12,252
Operating profit/(loss)	(1,917)	(1,455)
Profit/(loss) before tax	(1,921)	(1,425)
Net profit/(loss)	(1,607)	(1,069)

	As at 31 December	
	2018	2019
	RMB'000	*RMB'000*
Non-current assets	19,633	18,989
Current assets	10,618	9,823
Current liabilities	1,527	1,154
Net current assets	9,091	8,669
Total equity/Net assets	28,723	27,658

Note: The above financial information of Jiangsu Blue for the periods and as at the dates indicated is extracted from the management accounts of Jiangsu Blue. For the audited financial information of Jiangsu Blue for the year ended and as at 31 December 2020 and the five months ended and as at 31 May 2021, see note 18 to the Accountants' Report in Appendix I to this prospectus.

On 11 January 2007, Jiangsu Blue acquired a piece of land of approximately 27,420 sq.m. which is adjacent to the Jiangsu Production Base. At the commencement of the Track Record Period, there were four buildings on the land held by Jiangsu Blue. Except for the building that was leased to the Group, Jiangsu Blue used the remaining three of the said buildings for its own business operations, in particular, one for manufacturing sites, one as a composite building, and one for office and storage uses, until Linxi Packaging acquired Jiangsu Blue from Qitian Technology and Zhang Aiguo and started to develop the land. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, Jiangsu Blue recorded net loss of approximately RMB1.6 million, RMB1.1 million, RMB3.4 million and RMB1.5 million respectively and such net loss was resulted from (i) for the years 2018 and 2019 and the eight months period ended 30 August 2020, its business operations as Jiangsu Blue served primarily as a production base for Shanghai Blue which carried out the trading operations for both entities and therefore revenue would be mostly recognized by Shanghai Blue and (ii) for the period after it being acquired by Linxi Packaging, the gradual cessation of its business operations and the non-recurring cost.

On 30 June 2020, Linxi Packaging entered into an agreement to acquire 51% of the equity interest in Jiangsu Blue from Qitian Technology for a consideration of RMB12.1 million, which was determined based on (i) an independent valuation that assessed the appraised value of Jiangsu Blue and Shanghai Blue as at 31 December 2019 (being approximately RMB27.7 million in aggregate) based on the asset-based approach; and (ii) the proportion of the net asset value of Jiangsu Blue out of the total net asset value of Jiangsu Blue and Shanghai Blue as at 31 December 2019. Linxi Packaging completed the acquisition of the 51% interest in Jiangsu Blue from Qitian Technology and settled the consideration in July 2020. Linxi Packaging is one of our suppliers and is held as to 90% by Mr. Qian, a Pre-IPO Investor, and 10% by Xi Xiuhua (奚秀華), his spouse. For details about Mr. Qian and Xi Xiuhua, see "— Pre-IPO Investments — Information about the Pre-IPO Investors".

In addition to the 51% equity interest in Jiangsu Blue, Linxi Packaging also held 51% equity interest in Shanghai Blue, where Zhang Aiguo (張愛國), an Independent Third Party, held the remaining 49% equity interests in each of Jiangsu Blue and Shanghai Blue. Upon negotiations and discussions on the future business prospects and development of Jiangsu Blue and Shanghai Blue, the parties reached an agreement, under which, on one hand, Linxi Packaging would acquire the remaining 49% of the equity interest in Jiangsu Blue and thereby obtained the 100% control of the land held by Jiangsu Blue; and, on the other hand, Zhang Aiguo, who intended to continue Jiangsu Blue's spectacle cases and cleaning cloths business but had no intention to develop the land held by Jiangsu Blue, would by himself or through his spouse obtain the remaining businesses of both Jiangsu Blue (other than the land) and Shanghai Blue. The parties agreed that the consideration for the 49% equity interest in Jiangsu Blue would be RMB14.5 million after arm's length negotiations by reference to the net assets value of Jiangsu Blue as of 30 June 2020 (being approximately RMB26.67 million), which was slightly higher than that when Linxi Packaging acquired the 51% equity interest in Jiangsu Blue from Qitian Technology, in order to reflect the control premium of the land held by Jiangsu Blue and after taking into account the fact that the then existing businesses carried out by both Jiangsu Blue and Shanghai Blue would be acquired by Zhang Aiguo or his spouse as a whole which Linxi Packaging has no intention to take part in. In August 2020, Linxi Packaging completed the acquisition of the 49% interest in Jiangsu Blue from Zhang Aiguo and settled the consideration.

Linxi Packaging acquired 51% and 49% of the equity interest in Jiangsu Blue through financial resources of its own, which were mainly contributed by Mr. Qian and his spouse, Xi Xiuhua (奚秀華), whose capital was accumulated from operating packaging materials manufacturing business through Shanghai Yongchuang Printing Co., Ltd (上海永創印務有限公司) (i.e. Supplier C, held as to 90% by Mr. Qian and 10% by Xi Xiuhua) and their personal investment.

Mr. Qian intended to develop the land held by Jiangsu Blue through construction of properties, including production site for Linxi Packaging and other investment properties. The Directors believe that Mr. Qian had the intention to develop the land held by Jiangsu Blue as, to the best knowledge of the Directors, Shanghai Yongchuang Printing Co., Ltd has been leasing a factory for its production thus having the need to build its own manufacturing facilities, and before his acquisition of Jiangsu Blue, Mr. Qian was searching for suitable land for building his own manufacturing facilities in Jiangsu. As of the Latest Practicable Date, the construction of properties on the land held by Jiangsu Blue had already been in progress where certain foundation works for construction of new buildings had commenced.

Considering that property development is a long term investment, it has been the intention of Linxi Packaging to develop the land held by Jiangsu Blue together with a business partner. After Zhang Aiguo had withdrawn his investment in Jiangsu Blue, Linxi Packaging kept looking for a new investor to invest in Jiangsu Blue. In view of the appreciation potential of the land held by Jiangsu Blue and in anticipation of the enhanced value of the land with property construction in the future, Xia Guoping (夏國平), one of our executive Directors who is a long-term acquaintance of Mr. Qian due to Qitian Technology's business relationship with Linxi Packaging, offered to invest in Jiangsu Blue. Due to his cash flow concern at the time, Xia Guoping applied for an employees' loan from Shanghai Conant.

In consideration of Xia Guoping being our valuable employee and on the condition that the loan would be short-term and secured in nature (which in turn is supported by the value of the land), on 9 October 2020 Shanghai Conant provided an employees' loan of RMB10,421,800, i.e. the consideration for the acquisition, to Shanghai Zhengsenjian Enterprise Management Co., Ltd. (上海錚森健企業管理有限公司) ("**Shanghai Zhengsenjian**"), a wholly-owned company of Xia Guoping, to finance its acquisition of 49% equity interest in Jiangsu Blue from Linxi Packaging on 29 September 2020. The employees' loan was repayable by 31 December 2020 at an annual interest rate of 4.35%, and was secured by a share pledge over the equity interest in Jiangsu Blue being acquired. The consideration for the acquisition was determined after arm's length negotiations between the parties with reference to the net asset value of Jiangsu Blue at the time and the original acquisition cost of Jiangsu Blue by Linxi Packaging, and minus the outstanding amount of advances obtained by Linxi Packaging from Jiangsu Blue at the time. The consideration for the acquisition roughly equals to 49% of the difference between the original acquisition cost of Jiangsu Blue by Linxi Packaging and the outstanding amount of advances obtained by Linxi Packaging from Jiangsu Blue at the time and such consideration was settled in October 2020. After the transfer, Jiangsu Blue was held as to 51% and 49% by Linxi Packaging and Shanghai Zhengsenjian, respectively.

In late-October 2020, Mr. Fei discussed with the members of senior management of the Company, including Xia Guoping, about the opportunity to participate in the Pre-IPO Investments. Xia Guoping considered and balanced the two investment opportunities, namely the investment in Jiangsu Blue and the Pre-IPO Investments, with reference to his financial resources which could only support either one of the investment opportunities at one time. After due consideration, Xia Guoping was of the view that investment in our Company through the Pre-IPO Investments represents a better investment opportunity considering the business development of the Company is more mature comparing to Jiangsu Blue and shares in a listed company generally have more liquidity as opposed to equity interests in a private joint venture. Therefore, Xia Guoping informed us that he would not be able to repay the employees' loan if the terms of the Pre-IPO Investments would be concluded and he took part in such investments, and offered to transfer Jiangsu Blue to us for the discharge of the same by setting off from the purchase consideration. The Group had due assessment of the operations and financial performance of Jiangsu Blue and noted that though Jiangsu Blue only has limited business operations, the piece of land it holds that is adjacent to the Jiangsu Production Base could bring about much growth potential from future collaboration with Linxi Packaging, such as expanding our Jiangsu Production Base by building manufacturing facilities to be leased for our own use or for lease at an appropriate time. As such potential collaboration with Linxi Packaging is still at a preliminary stage and its terms have yet to be confirmed, the expansion plan set out in "Business — Business Strategies" does not involve the expansion on this piece of land. As the Company had agreed in principle to acquire the 49% equity interest in Jiangsu Blue held by Shanghai Zhengsenjian, on 17 December 2020, Xia Guoping entered into a partnership agreement to invest in Shanghai Fengchang, one of the Pre-IPO Investors, as its general partner and agreed to contribute the sum of RMB4,998,966 to Shanghai Fengchang. On 21 December 2020, Jiangsu Conant acquired the 49% equity interest in Jiangsu Blue held by Shanghai Zhengsenjian for a consideration of RMB10,421,800, which was determined after arm's length negotiations and represented the amount of the aforesaid employees' loan. No additional valuation was conducted as the valuation previously conducted in respect of the acquisition of 51% equity interest in Jiangsu Blue by Linxi Packaging in mid-2020 was considered as sufficient given the short time lag. The consideration was fully settled on 22 December 2020 and was subsequently used to discharge the employees' loan to Shanghai Zhengsenjian. As advised by our PRC Legal Advisers, all applicable governmental approvals under PRC laws regarding the acquisition of Jiangsu Blue have been obtained, and the acquisition has been registered with the competent administration for market regulation. Immediately following the transfer and up to the Latest Practicable Date, the remaining 51% of the equity interest in Jiangsu Blue was held by Linxi Packaging. The Company and Mr. Fei confirm that they had not planned to acquire Jiangsu Blue or the land held by Jiangsu Blue indirectly through Xia Guoping. The Company and Mr. Fei further confirm that they had no intention to circumvent any applicable approval requirements or procedures that could have been required if the Company or Mr. Fei were to acquire Jiangsu Blue or the land held by Jiangsu Blue directly from Qitian Technology as neither the Company nor Mr. Fei has any intention to acquire Jiangsu Blue at the time when Linxi Packaging made the acquisition from Qitian Technology or Xia Guoping made the investment. As advised by our PRC Legal Advisers, even if the Group or Mr. Fei were to (i) usurp Xia Guoping's opportunity to acquire Jiangsu Blue or the land held by Jiangsu Blue directly from Linxi Packaging or (ii) acquire Jiangsu Blue directly from Qitian Technology or Zhang Aiguo, such acquisition would not be prohibited by any PRC laws or regulations at the relevant time.

As advised by our PRC Legal Advisers, the provision of loan by Shanghai Conant to Shanghai Zhengsenjian, a wholly-owned company of Xia Guoping, involved the lending of funds that might not be in compliance with the General Lending Provisions (《貸款通則》), a regulation promulgated by the People's Bank of China (the "**PBOC**") in 1996. According to the General Lending Provisions, only financial institutions may legally engage in the business of extending loans, and loans as between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender that is not a financial institution in the amount equivalent to one to five times of the income generated (being interests charged) from the provision of the loan. The loan bears an annual interest rate of 4.35%. The principal has been repaid and the interests of RMB93,188.26 accrued have been paid by 31 December 2020. Therefore, the maximum amount of potential penalty is RMB465,941.3.

However, based on the following reasons, our PRC Legal Advisers are of the view that such loan is legally binding on the relevant parties and there will be no material adverse legal consequences based on the following: (i) under circumstances where the loan between the non-financial institutions is not for the purposes of conduct lending business, the PBOC seldom imposes administrative penalties pursuant to the General Lending Provisions in practice and the possibility that the PBOC would impose a fine in respect of the provision of the loan pursuant to the General Lending Provision is very low; (ii) according to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Second Revision in 2020) (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020第二次修正)》) (the "**Provisions**") promulgated on 6 August 2015 and effective on 1 September 2015, and revised on 18 August 2020 and 23 December 2020 and effective on 1 January 2021, except under the circumstances as set forth in the Civil Code (《民法典》) and the Provisions, the people's court shall support a claim for the validity of a private lending contract entered into by legal persons and other organizations for the purpose of production or business operation; and (iii) as confirmed by the Directors, (a) such loan did not involve any such circumstances as set forth in the Civil Code or the Provisions, (b) the above-mentioned loan was for the purposes of business operations, and Shanghai Zhengsenjian repaid the loan in full by setting off from the purchase consideration of Jiangsu Blue, and any interests accrued have been paid up, (c) the funds provided under the loan is the self-owned funds of Shanghai Conant, and (d) Shanghai Conant had not received any notice of claim or penalty relating to such provision of loan from any relevant authority.

In commercial setting, it is not uncommon for non-financial institutions to extend loans to each other for the purpose of business operations or other private purposes. As set out above, where the loan between non-financial institutions is not for the purposes of conducting lending business, the PBOC seldom imposes administrative penalties pursuant to the General Lending Provisions in practice. Under these premises, Mr. Fei has confirmed that he was not aware of the General Lending Provision when he approved the shareholders' loan to Shanghai Zhengsenjian.

Conversion into a joint stock company with limited liability

Pursuant to the shareholders' resolution and the promoters' agreement dated 19 February 2021, the then shareholders of our Company agreed to convert our Company into a joint stock company with limited liability with a registered capital of RMB305,000,000 (305,000,000 shares with a nominal value of RMB1.00 each).

Upon completion of the registration with the Shanghai Municipal Administration for Market Regulation (上海市市場監督管理局) on 23 February 2021, our Company was renamed as Shanghai Conant Optical Co., Ltd. (上海康耐特光學科技集團股份有限公司). The then shareholders and their respective equity interest in our Company remained unchanged immediately before and after the conversion of our Company into a joint stock company with limited liability.

PRE-IPO INVESTMENTS

Overview of the Pre-IPO Investments

On 8 January 2021, Mr. Fei entered into a series of equity transfer agreements with our Pre-IPO Investors for the transfer of an aggregate registered capital of RMB90,709,670, representing 29.74% of the total registered capital in our Company to the Pre-IPO Investors. The aggregate consideration of the Pre-IPO Investments was RMB184,140,630, determined after arm's length negotiations between Mr. Fei and each of the Pre-IPO Investors.

Transferee	Registered capital *(RMB)*	Equity interest *(%)*	Consideration *(RMB)*	Settlement date
Shanghai Shuyun	18,396,670	6.03	37,345,240	7 February 2021
Zhourong Lianer	14,945,000	4.90	30,338,350	4 February 2021
Jiaxing Huiyi	14,945,000	4.90	30,338,350	8 March 2021
Shanghai Fengchang	11,948,300	3.92	24,255,049	7 February 2021
Mr. Qian	10,980,000	3.60	22,289,400	7 February 2021
Mr. Fan	10,649,700	3.49	21,618,891	1 February 2021
Ms. Huang	6,100,000	2.00	12,383,000	14 March 2021
Mr. Lan	2,745,000	0.90	5,572,350	10 February 2021

Principal terms of the Pre-IPO Investments are set out below:

Cost per Share and discount to the Offer Price	RMB2.03 per Share (equivalent to HK$2.48), representing a discount of 53.0% to the Offer Price of HK$5.28 per Offer Share (being the mid-point of the proposed Offer Price range). The cost per Share was determined based on the independent valuation of the Company as at 31 July 2020.
Funds raised by our Group and use of proceeds	No proceed was received by our Company in relation to the transfer of existing shares by Mr. Fei to the Pre-IPO Investors.
Lock-up period	Pursuant to the laws of the PRC, the shares which have been issued before we publicly issue H Shares are prohibited from being transferred within one year from the Listing Date.
Strategic benefits	At the time of each Pre-IPO Investment, our Directors were of the view that the Pre-IPO Investors' investments in our Company was an endorsement of our Company's strength and prospects, and that our Company would benefit from the strengthened and diversified shareholder base of our Company.
Public float	Subject to the approvals by the CSRC and the Stock Exchange, the Domestic Shares held by the Pre-IPO Investors will be converted into Converted H Shares and listed on the Stock Exchange immediately upon Listing. Save for the Shares held by (i) Shanghai Fengchang, which is controlled by Xia Guoping (夏國平), an executive Director; (ii) Shanghai Shuyun, which is controlled by Zhang Huixiang (張惠祥), the chairman of our Supervisory Committee, and Zheng Yuhong (鄭育紅), an executive Director; and (iii) Mr. Fan, a supervisor of Jiangsu Conant and Shanghai Conant, the Shares held by the Pre-IPO Investors will be considered as part of the public float for the purposes of Rule 8.08(1) of the Listing Rules.
Special rights	No special rights were granted to the Pre-IPO Investors.

Information about the Pre-IPO Investors

Shanghai Fengchang is a special purpose vehicle established in the PRC by certain of our employees for the purpose of investing in our Company. The managing partner of Shanghai Fengchang is Xia Guoping (夏國平), an executive Director, who also held approximately 20.61% of the equity interest in Shanghai Fengchang. The other partners of Shanghai Fengchang are Zhu Liyan (朱麗燕), the supervisor of Jiangsu Asahi (5.98%), Wen Chunhong (文春紅), the director of Conant Eyewear (5.77%) and 12 employees of our Group who are not our Directors, Supervisors or members of our senior management. Each of these employees holds no more than 10% of the equity interest in Shanghai Fengchang. As Shanghai Fengchang is controlled by Xia Guoping (夏國平), an executive Director, Shanghai Fengchang will be a connected person of our Company upon Listing.

Shanghai Shuyun is a special purpose vehicle established in the PRC by certain of our employees for the purpose of investing in our Company. The managing partners of Shanghai Shuyun are Zhang Huixiang (張惠祥), the chairman of our Supervisory Committee, and Zheng Yuhong (鄭育紅), an executive Director and a director and general manager of Conant Eyewear. Each of them also held approximately 15.73% and 13.39% of the equity interest in Shanghai Shuyun, respectively. The other partners of Shanghai Shuyun are Xu Jingming (徐敬明), our Supervisor (12.59%), Fei Junfen (費君芬), Mr. Fei's sister and the supervisor of Conant Eyewear (5.76%), Xu Huyin (許胡寅), our financial controller and a member of our senior management (3.61%) and ten employees of our Group who are not our Directors, Supervisors or members of our senior management. Save and except Huang Binhu (黄彬虎) who holds 10.71% of the equity interest in Shanghai Shuyun, each of these employees holds no more than 10% of the equity interest in Shanghai Shuyun. As Shanghai Shuyun is controlled by Zhang Huixiang (張惠祥), the chairman of our Supervisory Committee, and Zheng Yuhong (鄭育紅), an executive Director, Shanghai Shuyun will be a connected person of our Company upon Listing.

Jiaxing Huiyi is a venture capital funds established in the PRC with a registered capital of RMB10 million and is engaged in investment consultancy and investment in the technology sector. The general partner of Jiaxing Huiyi is Jiaxing Huiyue Investment Management Partnership (Limited Partnership) (嘉興慧悦投資管理合夥企業(有限合夥)) ("**Jiaxing Management**"). Jiaxing Management is held as to 90% by Ma Fei (馬飛) and 10% by Shanghai Qingxi Health Technology Co., Ltd. (上海清兮健康科技有限公司), which is held as to 99% by Ma Fei and 1% by Ma Kaiyue (馬愷悦). Ma Fei is engaged in the investment industry and acquainted with Mr. Fei in around 2007 when he worked for the sponsor to the listing of Qitian Technology on the SZSE. As at the Latest Practicable Date, Jiaxing Huiyi was held as to approximately 60% and 40% by Jiaxing Management and Le Cuidi (樂翠娣), respectively. Each of Jiaxing Huiyi, its ultimate beneficial owners and their partners is an Independent Third Party.

Zhourong Lianer is a venture capital funds established in the PRC with a registered capital of approximately RMB32.8 million and is engaged in asset management and investment in the manufacturing sector and real estate. The managing partner of Zhourong Lianer is Shanghai Zhoumao Asset Management Co., Ltd. (上海舟茂資產管理有限公司) ("**Shanghai Zhoumao**"), which in turn is owned as to 51% and 49% by Xia Jianpei (夏劍佩) and Liang Lei (梁磊). Xia Jianpei is engaged in the investment industry and is a long-time acquaintance of Mr. Fei from their hometown and a chamber of commerce. As at the Latest Practicable Date, Zhourong Lianer was held as to approximately 77.14%, 15.22%, 7.61% and 0.03% by Zhou Weizhong (周偉忠), Xia Jianpei, Xiao Guangwei (肖光偉) and Shanghai Zhoumao, respectively. Each of Zhourong Lianer, its ultimate beneficial owners and their partners is an Independent Third Party.

Mr. Qian is the shareholder of two of our suppliers, namely Shanghai Yongchuang Printing Co., Ltd (上海永創印務有限公司) (i.e. Supplier C) and Linxi Packaging (i.e. Supplier H) both of which are our five largest suppliers during the Track Record Period, where he and Xi Xiuhua (奚秀華), his spouse, hold 90% and 10% of their equity interest, respectively. In addition, Xi Xiuhua is the sole shareholder of Shanghai Linxi Industrial Co., Ltd. (上海霖錫實業有限公司) and the supervisor of Shanghai Zhenchuang Enterprise Development Co., Ltd. (上海振創企業發展有限公司), which is wholly owned by Qian Liang (錢亮), Mr. Qian's son. Each of Shanghai Linxi Industrial Co., Ltd. and Shanghai Zhenchuang Enterprise Development Co., Ltd. is our supplier. Mr. Qian had approximately 14 years of business relationship with our Group as at the Latest Practicable Date. Mr. Qian's companies have also been long-term suppliers of Qitian Technology, from which he acquainted with Mr. Fei and our Directors and senior management. In around December 2020, Mr. Fei started inviting potential investors such as his acquaintances and business partners including Mr. Qian to invest in our Group. In view of our long-term relationship and the prospects of the resin spectacle lens manufacturing industry, Mr. Qian made his investment in our Group as described above through financial resources of his own, which were accumulated from operating packaging materials manufacturing business and his personal investment. As such, the suppliers that are related to Mr. Qian and/or his associates are Shanghai Yongchuang Printing Co., Ltd (i.e. Supplier C), Linxi Packaging (i.e. Supplier H), Shanghai Linxi Industrial Co., Ltd. and Shanghai Zhenchuang Enterprise Development Co., Ltd.. During the Track Record Period, the amount of purchases of the said four suppliers of our Group in aggregate amounted to approximately RMB26.2 million, RMB33.0 million, RMB30.8 million and RMB14.3 million respectively, representing approximately 6.3%, 6.3%, 5.7% and 5.8% of our total purchases respectively for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021. The transactions with these four suppliers were conducted on arm's length basis and on normal commercial terms.

Mr. Fan is the supervisor of Jiangsu Conant and Shanghai Conant. He was a supervisor of Qitian Technology until he served out his three-year term of office in November 2019, and did not seek re-election at the time as he intended to direct his focus on his position in our Group. He also co-founded our Company in June 2018 with Mr. Fei, holding 1% of our Company's equity interest at the time and was our Supervisor until 22 February 2021, with a view to gradually stepping down from his position in our Group due to retirement. In view of the prospects of the resin spectacle lens manufacturing industry, Mr. Fan made his investment in our Group as described above through financial resources of his family and/or his own.

Ms. Huang acquainted with Mr. Fei in an investment conference and is an Independent Third Party. She is a retired nurse and was looking for investment opportunities in the PRC at the time of her investment in our Company. In view of the prospects of the resin spectacle lens manufacturing industry, Ms. Huang made her investment in our Group as described above through financial resources of her family and/or her own.

Mr. Lan has been a personal acquaintance of Mr. Fei from their hometown for more than 20 years and is an Independent Third Party. He works in the road maintenance industry and was looking for investment opportunities in the PRC at the time of his investment in our Company. Mr. Lan made his investment in our Group as described above through financial resources of his family and/or his own.

Other than their respective investments in our Group, each of the Pre-IPO Investors and their respective substantial shareholders as publicly disclosed by the relevant investor (except Shanghai Fengchang, Shanghai Shuyun and Mr. Fan) (as the case may be) is an Independent Third Party.

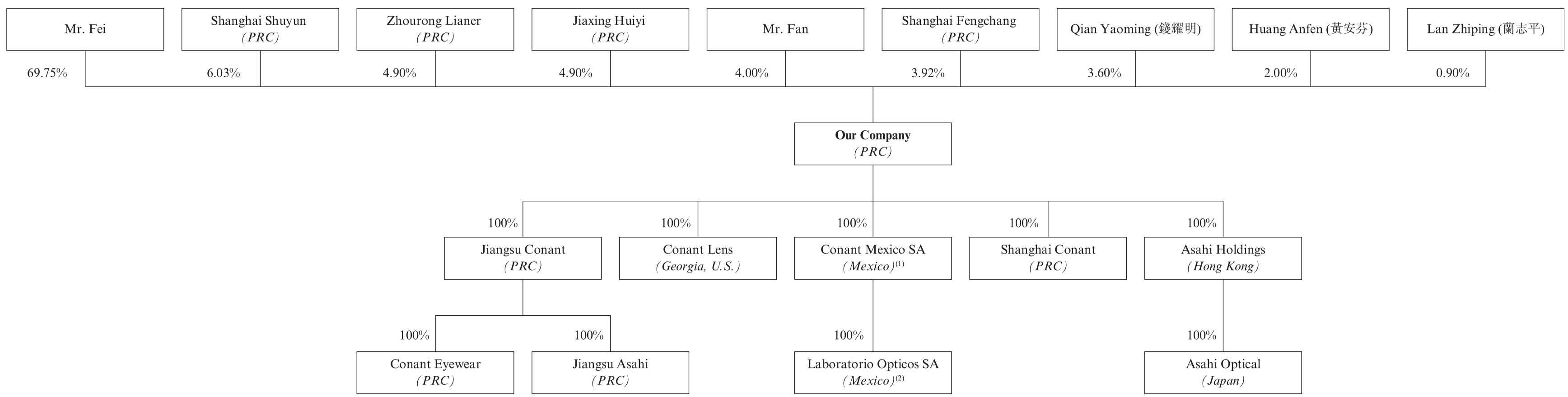
Compliance with Interim Guidance and Guidance Letters

Based on the documents provided by our Company relating to the Pre-lPO Investments, the Sole Sponsor confirms that the Pre-IPO Investments are in compliance with (i) the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on 13 October 2010 and the Guidance Letter HKEX-GL29–12 reproducing the same issued by the Stock Exchange in January 2012 and updated in March 2017; and (ii) the Guidance Letter HKEX-GL43–12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017. The Guidance Letter HKEX-GL44–12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017 is not applicable.

CORPORATE STRUCTURE

Corporate structure as at the Latest Practicable Date

The following chart sets forth our corporate structure as at the Latest Practicable Date:



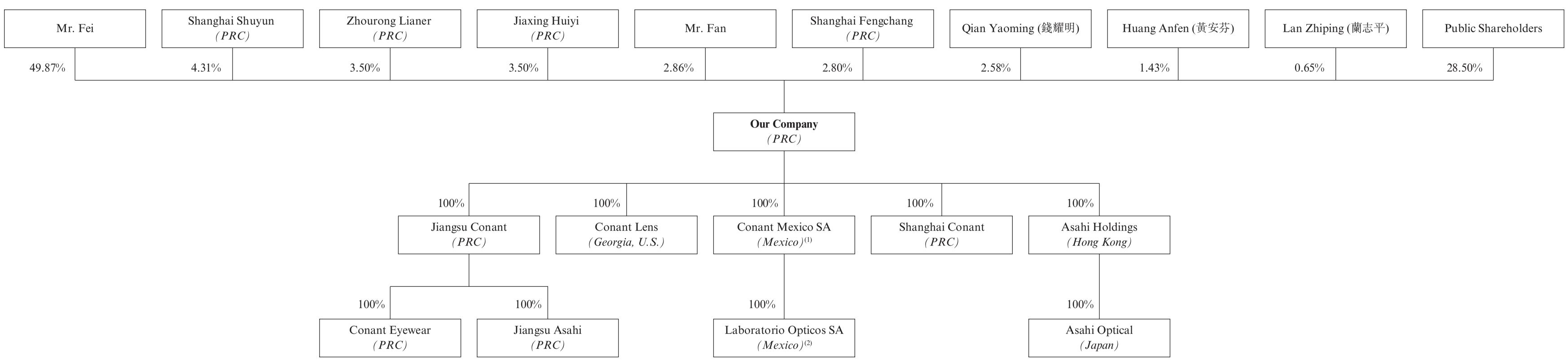
Notes:

(1) Under Mexican law, all stock corporations with variable capital such as Conant Mexico SA must have at least two shareholders. Hence, one share in Conant Mexico SA (or 0.00017% of its capital stock) was held by Jiang Jianfeng, our employee, as nominee of our Company.

(2) Under Mexican law, all stock corporations with variable capital such as Laboratorio Opticos SA must have at least two shareholders. Hence, one share in Laboratorio Opticos SA (or 0.039231% of its capital stock) was held by Jiang Jianfeng, our employee, as nominee of Conant Mexico SA.

Corporate structure immediately following the Global Offering

The following chart sets forth our corporate structure immediately after the completion of the Global Offering, assuming the Over-allocation Option is not exercised:



Note: See notes under "— Corporate Structure — Corporate structure as at the Latest Practicable Date". The shareholding figures of the Shareholders have been subject to rounding adjustments such that the arithmetic aggregation of the shareholding figures is 100%.

OVERVIEW

We are a leading resin spectacle lens manufacturer in the PRC with sales to over 80 countries during the Track Record Period, including but not limited to the PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil. According to the Frost & Sullivan Report, whilst glass is the traditional material for lens, in view of the much higher impact resistance of resin lens which makes it safe for wearer, resin lens accounted for approximately 95% by production value of spectacle lens in the PRC in 2020. Further, according to the Frost & Sullivan Report, the market size of resin spectacle lens in terms of production value in the PRC spectacle lens industry in 2020 was RMB11,633.3 million. In 2020, we ranked the first among resin lens manufacturers in the PRC in terms of production volume of resin spectacle lens manufacturing, with a market share of around 8.5% while the production volume of resin spectacle lens in the PRC was 1,508.7 million pieces in 2020. According to the Frost & Sullivan Report, due to the business cycle and inventory cycle of the global market, the resin lens manufacturing market in terms of total production volume in the PRC decreased from 1,598.7 million pieces in 2015 to 1,508.7 million pieces in 2020, with an overall growing trend of the total production volume of resin lens in the PRC from 2016 to 2020. We recorded an increase in our production volume for the year ended 31 December 2019 as compared with that for the year ended 31 December 2018, mainly attributable to the increase in our overall sales volume for the relevant period, while we recorded a decrease in our production volume for the year ended 31 December 2020 as compared with that for the year ended 31 December 2019, due to the decrease in our overall sales volume for the relevant period, which was mainly attributable to the decrease in our overseas sales volume of standardised lenses in 2020 which was caused by the COVID-19 pandemic. Driven by the recovery of global economy after the pandemic of COVID-19 and the increasing number of individuals with ametropia, it is expected the total production volume in the PRC to increase to 1,559.0 million pieces in 2025. The proportion of resin lens in the production volume of spectacle lens in the PRC increased from 92.3% in 2015 to 94.0% in 2020, and it is expected to increase to 95.8% in 2025. We are the largest exporter in the PRC in terms of resin spectacle lens export value in 2020, with a market share of around 7.3%. On a global scale, we ranked the ninth in terms of revenue from resin spectacle lens in 2020, with a market share of around 0.4%, and is the only group with its headquarter based in the PRC among the top ten global market players.

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 optics companies. Leveraging on our extensive experience in the spectacle lens industry, we have produced and sold quality products to over 80 countries during the Track Record Period, including but not limited to the PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil.

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 as required by our customers. We offer our customers a range of standardised lens that are developed by ourselves based on our own product development initiatives, which are formulated based on market research and our understanding of the market trend. We believe that with our strong product development capabilities as well as the market intelligence and insights acquired through our prolonged business relationships with our major customers around the globe, we are able to adjust our product development efforts in a timely manner to cope with the market trend and satisfy customers' needs. Furthermore, we also offer customised lens to customers who request tailor-made products that are not available from our existing product list.

The following table sets out a breakdown of our revenue by product category and its percentage in terms of our total revenue during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Resin spectacle lenses										
Standardised lenses	702,997	82.3	879,459	83.1	887,851	81.2	294,591	80.9	418,685	77.8
Customised lenses	139,978	16.4	168,656	15.9	197,837	18.1	66,713	18.3	116,403	21.6
Others *(Note)*	10,785	1.3	10,731	1.0	7,476	0.7	2,838	0.8	2,835	0.6
Total	853,760	100.0	1,058,846	100.0	1,093,164	100.0	364,142	100.0	537,923	100.0

Note: Revenue from others mainly comprised revenue from (i) sales of spectacle frames and spare parts; (ii) sales of packaging materials and lens moulds sold together with our lens products; and (iii) sales of spectacle lenses which we do not produce but source from third party suppliers.

The following table sets out information about our revenue by our customer's geographical location during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
• Asia (except the PRC) *(Note 1)*	314,528	36.9	397,903	37.5	291,541	26.7	115,604	31.7	135,763	25.2
• PRC	125,649	14.7	168,917	16.0	260,376	23.8	84,933	23.3	135,151	25.1
• United States	153,173	17.9	159,035	15.0	203,758	18.6	67,225	18.5	101,790	18.9
• Europe *(Note 2)*	129,981	15.2	148,212	14.0	144,886	13.3	38,669	10.6	69,060	12.8
• Americas *(Note 3)* (except the United States)	76,797	9.0	99,152	9.4	101,800	9.3	27,130	7.5	50,445	9.4
• Africa *(Note 4)*	34,670	4.1	49,393	4.7	52,986	4.8	18,500	5.1	24,967	4.6
• Oceania *(Note 5)*	18,962	2.2	36,234	3.4	37,817	3.5	12,081	3.3	20,747	3.9
Total	853,760	100.0	1,058,846	100.0	1,093,164	100.0	364,142	100.0	537,923	100.0

Notes:

1. Our sales to the Asia include, among others, sales to India, Thailand, Japan, South Korea and Philippines but exclude the PRC.

2. Our sales to Europe include, among others, sales to Spain, Russia, Netherlands, Germany and Italy.

3. Our sales to the Americas include, among others, sales to Mexico, Argentina and Brazil but exclude the United States.

4. Our sales to Africa, include, among others, sales to South Africa.

5. Our sales to Oceania include, among others, sales to Australia.

COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

We are a leading resin spectacle lens manufacturer in the PRC

We are a leading resin spectacle lens manufacturer in the PRC with sales to over 80 countries during the Track Record Period, including but not limited to PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil. According to Frost & Sullivan Report, we ranked the first among resin lens manufacturers in the PRC in 2020 in terms of production volume of resin spectacle lens manufacturing, with a market share of around 8.5%. We are the largest exporter in the PRC in terms of resin spectacle lens export value in 2020, with a market share of around 7.3%. On a global scale, we ranked the ninth in terms of revenue from resin spectacle lens in 2020, and is the only group with its headquarter based in the PRC among the top ten global market players. Our leading position on one hand demonstrates the wide acceptance of our products by the customers and on the other hand, it may enhance the customers' confidence on the quality of our products and allow us to attract new customers who are seeking for sizeable and reputable suppliers of resin spectacle lens in various countries, resulting in more business opportunities and further consolidating our leading market position in the PRC.

With 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 specification as required by our customers. For the year ended 31 December 2020, our actual production volume of standardised lenses was approximately 126.6 million pieces and our actual production volume of customised lenses was approximately 3.6 million pieces, which ranked us first among resin lens manufacturers in the PRC in terms of production volume of resin spectacle lens in 2020. We plan to further expand our production capacity by implementing our expansion plan as further described in the paragraph headed "Business Strategies" in this section. Upon completion of the two phases of our expansion plan of Shanghai Production Base and Jiangsu Production Base, our production capacity is estimated to increase by approximately 19,200,000 pieces per annum for standardised lens and approximately 4,400,000 pieces per annum for customised lens.

Further, we have a capability to offer comprehensive product offerings of resin spectacle lens of different combination of refractive indices, lens designs and functionalities by way of offering standardised lenses and customised lenses. For example, we are one of the few spectacle lenses manufacturers in the PRC offering resin lenses with refractive index of 1.74 based on Frost & Sullivan Report. Further, we are able to provide comprehensive and customised services comprising product development, raw materials procurement, production, quality control, packaging and delivery to our customers, which start with a good understanding of the industry development trend supported by strong product development capabilities, which we believe to be fundamental for us to consolidate our leading market position as the spectacle lens manufacturing market in the PRC is under the transformation from cost-driven model to technology-driven model. We believe our ability to provide such comprehensive product offerings and comprehensive and customised services differentiates us from those industry players who merely offer spectacle lens products with limited refractive index range or functions and/or with less product research and development capabilities. Leveraging on our strong product development capabilities as well as the market intelligence and insights acquired through our prolonged business relationships with our major customers around the globe, we are able to consolidate our leading position in the industry by adjusting our product development efforts in timely manner if there is any change in market trend and customers' need.

We believe our above attributes will allow us to attract new customers who are seeking for sizeable and reputable suppliers of resin spectacle lens around the world, resulting in more business opportunities and further consolidating our leading market position in the PRC.

We possess strong product development capabilities

As we consider the results of our research and development as our valuable assets, we have registered (i) 19 patents in the PRC; and (ii) one patent in the United States and European Union respectively in relation to our resin spectacle lens which are material to our business as at the Latest Practicable Date. We are also in the process of application of seven patents in relation to our resin spectacle lens and their production methods which are material to our business to protect our research and development results as at Latest Practicable Date. Further, as at the Latest Practicable Date, we had research and development centres located in Shanghai and Jiangsu Province with the aggregate floor area of approximately 550 sq.m.. We plan to upgrade our existing provincial-level research and development centre in Jiangsu Province to a state-level one and establish an one-stop research and development system comprising of elementary study, first trial, mid-trial and testing. For details, please refer to the paragraph headed "Business Strategies — Strengthening our Product Development Capability" in this section.

We consider that our continuous product research and development is crucial to our success in the resin spectacle lens industry and as such, we have devoted abundant resources in this area over years. Up to the Latest Practicable Date, we have successfully developed coating mixtures which can equip several value-added functions (such as polarised and blue-ray blocking) concurrently to our resin spectacle lens to suit the need of the end users. Such development enhances our competitive strength to compete with other resin spectacle lens manufacturers in various countries and to maintain our market position. We believe our capability to optimise the functions of the resin spectacle lens would be helpful for us to market our products.

As we place particular importance on the research and development, our research and development cost was approximately RMB35.3 million, RMB37.1 million, RMB39.6 million and RMB17.1 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 respectively. As at 31 May 2021, our research and development team comprised 48 staff (comprising of 44 based in the PRC and 4 based in Japan), some of whom possess the relevant doctor degree of engineering, master degree of optical engineering, postgraduate of atomic, molecular and optical physics and chemistry, and bachelor degrees of materials engineering, materials chemistry, fibre engineering and applied physical chemistry. Besides, as part of our research and development initiatives, during the Track Record Period we also collaborated with university in the PRC on product research and development with a view to enhance our product functionality. One of such collaborations is resin spectacle lens with refractive index of 1.50UV++ with blue-ray blocking and impact resistance.

In return to our continuous efforts on research and development, Jiangsu Conant was first granted the qualification of High and New Technology Enterprises on 17 November 2017 and further granted on 2 December 2020 and Shanghai Conant was granted the same on 27 November 2018 and are entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2020 (for Jiangsu Conant) and the year ended 31 December 2018 (for Shanghai Conant). Shanghai Conant has applied for the renewal of the qualification for a period of three years from 2021 to 2023 in August 2021 and is expected to be granted with the renewed qualification by the end of 2021. In addition to the aforesaid recognition from the local governmental authorities in the PRC, we believe possessing strong development capability as signified by the substantive number of registered patents will strengthen our customers' confidence on our products and differentiate us from other industry players who merely offer spectacle lens products with limited functions.

We have a stable and established customer base that span across multiple countries with diversified sales channels

Over the years, we have built an established customer base that span multiple countries. Apart from the PRC, we sold our resin spectacle lenses to over 80 countries (including the United States, Japan, India, Australia, Thailand, Germany and Brazil) during Track Record Period. Our sales spectrum in various countries demonstrates our capability to offer widely accepted resin spectacle lenses that can cater the needs and standards of various countries and our worldwide customer base allows us to mitigate the concentration risk arising from the sales in any particular country.

We treat our top five customers during the Track Record Period as our major customers, which include the subsidiary companies of international ophthalmic optics companies, one of which ranked second in terms of revenue in the global resin spectacle lens market in 2020 according to the Frost & Sullivan Report. We have successfully maintained business relationships with our top five customers during the Track Record Period ranging from four to ten years. Our Directors believe that our long-standing and stable relationship with our major customers are attributable to (i) our industry experience and technical expertise; (ii) our ability to provide products with stable and high quality in a timely manner to accommodate their requests; and (iii) our capabilities in product development, procurement, quality control and logistics management. Our Directors believe that having international and established enterprises as our major customers would enhance our market recognition and reduce our operational risks due to market volatility.

Moreover, among our existing customers base, we have also developed business relationships with retailers principally including but not limited to eyewear stores and ophthalmology clinics located in the PRC. These kinds of customers enable us to shorten the reaching path to end users, resulting in enhancing the gross profit margin of our products. It is also helpful to our brand building in the market through such sales channels and beneficial to the development of our products by getting direct feedback from the front line end users.

In addition, we have also established direct distribution channels by offering eyewear with our resin spectacle lens under our own brand directly to end users at the retail shopfronts since 2012, as well as through major e-commerce platforms in the PRC since 2011. As at the Latest Practicable Date, we had three retail shopfronts at our Shanghai Production Base, Jiangsu Production Base and in Nantong City, Jiangsu Province respectively and an ophthalmology clinic at a hospital in Qidong City, Jiangsu Province. Such direct distribution channels allow us to gain direct contact with front line end users and further enhance our brand recognition.

We are able to offer a comprehensive range of resin spectacle lens with high quality

We are able to offer a wide variety of spectacle lenses to our customers. As at the Latest Practicable Date, we managed to offer a diversified product portfolio of resin spectacle lenses, including single vision lenses, bifocal lenses, trifocal lenses and progressive lenses, each of various refractivity (with refractive index of 1.499, 1.56, 1.60, 1.67, 1.74) and with different functional features (such as polarised, photochromic, blue-ray blocking and anti-scratch, anti-reflection, anti-smudge, or a combination of any of these features). In particular, we are also one of the few resin spectacle lenses suppliers in the PRC which offer resin spectacles lenses with 1.74 refractive index according to the Frost & Sullivan Report. For a given corrective power, the higher the refractive index, the thinner and lighter is the lens in general. Our comprehensive range of resin spectacle lens can be utilised in rectifying various ophthalmic problems such as short sight and long sight, where appropriate. As such, we believe we will be able to capture the growing demand on eyewear arising from the increasing global trend of eye illness due to the fast development of electronic products, as well as the increasing consumer awareness of health care and personal wellness. Besides, we note from the Frost & Sullivan Report that more people would purchase eyewear for fashion and luxury purpose (such as sunglass) along with the increase in disposable income, our capability to offer non-ophthalmic resin spectacle lens would help us expand our sales to a wider market including the general public who do not have ophthalmic problems, and in turn enhance our revenue and business growth.

In order to cope with quality control standards required by various accreditation and certifications, stringent quality control procedures have been established throughout our entire manufacturing process, ranging from quality control of raw materials, in-line inspection of work-in-progress, to inspection on finished products and warehouse inventories. For details of our awards and accreditation, please refer to the paragraph headed "Awards and Accreditations" in this section.

As the quality of raw materials is crucial to the quality of our products, we have purchased resin monomers, which are the key raw materials to resin spectacle lens, from Supplier A, an international and reputable manufacturer of ophthalmic lens monomers and ophthalmic lens coatings and engineering materials, since as early as 2010. By maintaining stable business relationship with such supplier, our Directors consider that we are able to secure stable supply of high quality resin monomers.

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the total product return rate (including that of defective product returned) amounted approximately 0.7%, 0.2%, 0.3% and 0.1% of the total sales volume. Our Directors consider that such minimal product defect rate and return rate demonstrates our commitment to producing high quality products through the implementation of comprehensive quality control measures, which help establish and strengthen our customers' trust in us.

We have a competent management team with experience and knowledge in the eyewear industry

Our Directors believe that our competent management team has been and will continue to be crucial to the management and success of our business. The management of our Group is led by Mr. Fei, the founder of our Group and an executive Director. Mr. Fei was a post-doctoral fellow at Emory University in Georgia, the United States from 1989 to 1991 and was awarded as one of the 2010 Shanghai Leading Talents (2010年上海領軍人才) in December 2010 by the Organisational Department of the CPC Shanghai Municipal Committee and Shanghai Human Resources and Social Insurance Bureau. Mr. Fei has accumulated over 24 years of experience in the eyewear industry.

Mr. Zheng Yuhong, our executive Director, obtained a bachelor's degree majoring in lifting transportation and construction machinery from Wuhan University (武漢大學, formerly known as Wuhan University of Hydraulic and Electrical Engineering (武漢水利電力大學)) in Hubei province, the PRC, in June 1990. Mr. Zheng has accumulated over 20 years of managing experience in the eyewear industry.

Mr. Chen Junhua, our executive Director, obtained a college degree majoring in public relations form Shanghai Open University (上海開放大學, formerly known as Shanghai Television University (上海電視大學)) in Shanghai, the PRC, in July 1991. Mr. Chen has served in our Group since October 2009 and has accumulated over 14 years of managing experience in the eyewear industry.

The experience and industry knowledge of our management team would allow us to have a comprehensive understanding of the market conditions of the spectacle lenses industry and to operate our business. Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for details of the biographies of our Directors and senior management.

BUSINESS STRATEGIES

We intend to strengthen our market position and increase our market share by pursuing the following strategies:

Enhancing our production capacity

In view of (i) the utilisation rate exceeding 85% for each of the production facilities of standardised lenses and customised lenses in our production bases during the Track Record Period; (ii) the expected growth of the demand for the resin spectacle lens with the principal reasons set out in the section headed "Industry Overview" in this prospectus; and (iii) our intention to put more focuses on the sales and marketing activities, we therefore plan to enhance the production capacity of our Shanghai Production Base and Jiangsu Production Base to capture our possible business growth.

The following table sets forth the estimated annual production capacity, actual annual production volume and approximate utilisation rate: (a) in terms of our three production bases; and (b) in terms of our products during the Track Record Period and the expected increase in the annual production capacity pursuant to the expansion plan:

(a) In terms of our three production bases:

	For the year ended 31 December *(Note 1)*			For the five months ended 31 May	Expected increase in the annual production capacity pursuant to the expansion plan after 30 November *(Note 2)*		Percentage increase in the annual production capacity pursuant to the expansion plan *(%)* after 30 November	
	2018	2019	2020	2021	2022	2023	2022 *(Note 3)*	2023 *(Note 4)*
Shanghai Production Base								
— Standardised lenses								
Annual production capacity *(pieces)*	18,057,194	17,977,374	20,126,304	8,814,052	—	—	—	—
Actual annual production volume *(pieces)*	16,040,267	15,524,656	17,204,243	8,153,067				
Approximate utilisation rate *(%)*	88.8	86.4	85.5	92.5				
— Customised lenses								
Annual production capacity *(pieces)*	2,823,836	2,979,629	4,263,022	1,981,728	2,200,000	4,400,000	34.0	50.8
Actual annual production volume *(pieces)*	2,537,617	2,668,100	3,632,069	1,929,521				
Approximate utilisation rate *(%)*	89.9	89.5	85.2	97.4				
Jiangsu Production Base								
— Standardised lenses								
Annual production capacity *(pieces)*	96,852,845	117,092,748	118,953,077	49,204,780	9,600,000	19,200,000	7.5	13.9
Actual annual production volume *(pieces)*	86,951,872	113,100,438	107,368,182	44,926,576				
Approximate utilisation rate *(%)*	89.8	96.6	90.3	91.3				
Sabae Production Base								
— Standardised lenses								
Annual production capacity *(pieces)*	2,533,186	3,103,893	2,361,000	1,154,003	—	—	—	—
Actual annual production volume *(pieces)*	2,560,010	2,841,798	2,065,574	1,132,888				
Approximate utilisation rate *(%)*	101.1	91.6	87.5	98.2				

Notes:

1. For further details of the calculation basis of the annual production capacity and the utilisation rate of our production bases, please refer to the paragraph headed "Our Production Bases" in this section.

2. The expected increase in the annual production capacity is based on the expansion plans in Shanghai Production Base and Jiangsu Production Base. For details, please refer to the paragraphs headed "(i) Shanghai Production Base — Expansion of production capacity of customised lenses" and "(ii) Jiangsu Production Base — Expansion of production capacity of standardised lenses" in this section.

3. The percentage of increase in annual production capacity after 30 November 2022 is calculated by the expected increase in annual production capacity of 2,200,000 pieces for customised lens (9,600,000 pieces for standardised lens) over the enlarged annual production capacity of 6,463,022 pieces for customised lens (128,553,077 pieces for standardised lens) after 30 November 2022.

4. The percentage of increase in annual production capacity after 30 November 2023 is calculated by the total expected increase in annual production capacity of 4,400,000 pieces for customised lens (19,200,000 pieces for standardised lens) over the enlarged annual production capacity of 8,663,022 pieces for customised lens (138,153,077 pieces for standardised lens, after 30 November 2023).

(b) In terms of our products:

	For the year ended 31 December *(Note 1)* 2018	2019	2020	For the five months ended 31 May 2021	Expected increase in the annual production capacity pursuant to the expansion plan after 30 November *(Note 2)* 2022	2023	Percentage of increase in the annual production capacity pursuant to the expansion plan *(%)* after 30 November 2022 *(Note 3)*	2023 *(Note 4)*
— Standardised lenses								
Annual production capacity *(pieces)*	117,443,225	138,174,015	141,440,381	59,172,835	9,600,000	19,200,000	6.4	12.0
Actual annual production volume *(pieces)*	105,552,149	131,466,892	126,637,999	54,212,531				
Approximate utilisation rate *(%)*	89.9	95.1	89.5	91.6				
— Customised lenses								
Annual production capacity *(pieces)*	2,823,836	2,979,629	4,263,022	1,981,728	2,200,000	4,400,000	34.0	50.8
Actual annual production volume *(pieces)*	2,537,617	2,668,100	3,632,069	1,929,521				
Approximate utilisation rate *(%)*	89.9	89.5	85.2	97.4				

Notes:

1. For further details of the calculation basis of the annual production capacity and the utilisation rate in terms of our products, please refer to the paragraph headed "Our Production Bases" in this section.

2. The expected increase in the annual production capacity is based on the expansion plans in Shanghai Production Base and Jiangsu Production Base. For details, please refer to the paragraphs headed "(i) Shanghai Production Base — Expansion of production capacity of customised lenses" and "(ii) Jiangsu Production Base — Expansion of production capacity of standardised lenses" in this section.

3. The percentage of increase in annual production capacity after 30 November 2022 is calculated by the expected increase in annual production capacity of 2,200,000 pieces for customised lens (9,600,000 pieces for standardised lens) over the enlarged annual production capacity of 6,463,022 pieces customised lens (151,040,381 pieces for standardised lens) after 30 November 2022.

4. The percentage of increase in annual production capacity after 30 November 2023 is calculated by the total expected increase in annual production capacity of 4,400,000 pieces for customised lens (19,200,000 pieces for standardised lens) over the enlarged annual production capacity of 8,663,022 pieces for customised lens (160,640,381 pieces for standardised lens, after 30 November 2023).

(i) Shanghai Production Base — Expansion of production capacity of customised lenses

Purchase of equipment and machineries

By making reference to our existing production facilities of customised lenses, we plan to purchase various equipment and machineries principally from overseas suppliers with the total amount of approximately RMB124.3 million. The purchase of equipment and machineries is principally divided in two phases. The first phase of purchase of equipment and machineries will involve the total amount of approximately RMB70.0 million during the 12 months from 1 December 2021 to 30 November 2022 (the "**First Phase Customised Lenses Expansion**") while the second phase of purchase of equipment and machineries will involve the total amount of approximately RMB54.3 million during the 12 months from 1 December 2022 to 30 November 2023 ("**Second Phase Customised Lenses Expansion**"). These additional equipment and machineries will be installed in the unused space in our Shanghai Production Base.

The following table sets forth the type, quantity and intended usage of the major equipment and machineries we intend to purchase:

Type of major production equipment and machinery	Intended usage	Total expected purchase amount *(RMB'000)*	First Phase Customised Lenses Expansion: Quantity to be purchased	First Phase Customised Lenses Expansion: Expected purchase amount *(RMB'000)*	Second Phase Customised Lenses Expansion: Quantity to be purchased	Second Phase Customised Lenses Expansion: Expected purchase amount *(RMB'000)*
Pre-blocking coating machine	For applying protective coatings on the lens roughcasts	1,600	2	800	2	800
Lens blocking machine	For fixing the lens roughcasts onto the fixture	8,000	2	4,000	2	4,000
Lens surface milling machine	For milling the lens surface	23,200	6	12,600	5	10,600
Lens polishing machine	For polishing lenses	28,000	7	14,000	7	14,000
Laser engraving machine	For engraving	4,000	2	2,000	2	2,000
Protective film remover *(Note 1)*	For removing the protective film	3,200	2	1,600	2	1,600
Lens hard coating machine	For applying the hard coating onto lenses	2,400	3	2,100	1	300
Lens trimmer	For trimming lenses	28,000	5	14,000	5	14,000
Brush lens cleansing machine *(Note 1)*	For cleansing lenses	8,000	2	4,000	2	4,000
Lens coating machine *(Note 2)*	For coating lenses	7,500	3	4,500	2	3,000
Total		113,900	34	59,600	30	54,300

Notes:

1. As at the Latest Practicable Date, lens cleansing were conducted manually whereas the removal of protective film were conducted both manually and by protective film remover.

2. As at the Latest Practicable Date, we do not have separate lens coating machine for our customised lenses production and we conduct the lens coating by utilising the lens coating machines of the standardised lens in our Shanghai Production Base. We intend to purchase coating machine specifically for our customised lenses production as we increase our production capacity for customised lenses.

In order to cope with our expansion plan on the production capacity, we also plan to purchase other equipment and machineries to enhance the automated production of customised lenses. We plan to purchase the aforesaid equipment and machineries with the total amount of approximately RMB10.4 million under the First Phase Customised Lenses Expansion.

Purchase of software

Moreover, in order to better monitor the production procedures for the customised lenses in view of the gradual increase in our production capacity, we intend to purchase a production management software during the First Phase Customised Lenses Expansion to assist us to optimise our quality control. We plan to purchase such software with the amount of approximately RMB1.9 million.

Production capacity

It is estimated that the annual production capacity of 2,200,000 pieces and 2,200,000 pieces of customised lenses can be additionally increased upon the completion of the First Phase Customised Lenses Expansion and the Second Phase Customised Lenses Expansion. Such production capacity was principally estimated based on (i) the existing production capacity after taking into account of the nature and number of existing production facilities; and (ii) the normal working hours and days of operation for the year after considering the public holidays.

Given that it is our intention to put efforts on shortening the reaching path to individual end-users which may demand on our customised lenses, our Directors believe that by progressively enhancing the production capacity of our customised lens, we are able to capture future business opportunity for such products as a result of the implementation of our sales and marketing plan. Please refer to the paragraph headed "Expansion of Customer Base in the PRC Market and Promotion of Our Brands" for details of our sales and marketing plan in this section.

We consider that it is appropriate to increase production capacity of customised lens by 4,400,000 pieces upon the completion of the whole expansion plan of customised lens in Shanghai Production Base after considering the following principal factors:

— the revenue and sales volume growth of our customised lenses were strong during the Track Record Period. The revenue of our customised lenses was approximately RMB140.0 million, RMB168.7 million, RMB197.8 million for the three years ended 31 December 2018, 2019 and 2020 respectively while the CAGR of the revenue is approximately 18.9%. The revenue of our customised lenses further increased by 74.5% from approximately RMB66.7 million for the five months ended 31 May 2020 to RMB116.4 million for the five months ended 31 May 2021. Meanwhile, the sales volume of our customised lenses increased from approximately 2,451,000 pieces in 2018 to approximately 3,900,000 pieces in 2020 with the CAGR of approximately 26.1%. Based on the CAGR of the sales volume of customised lenses of 26.1% for the three years ended 31 December 2018, 2019 and 2020, it is estimated that the sales volume of our customised lenses is expected to reach approximately 7.8 million pieces in 2023 representing approximately 90.4% of production capacity of customised lenses upon the completion of the whole expansion plan as mentioned herein. Furthermore, the sales volume of customised lenses further increased by 75.8% from 1,232,000 pieces for the five months ended 31 May 2020 to 2,166,000 pieces for the five months ended 31 May 2021 and the utilisation rate of the production facilities for customised lenses reached to approximately 97.4% for the five months ended 31 May 2021.

— Based on the Frost & Sullivan Report, the sales volume of the customised lens in the world is expected to reach to 111.9 million pieces in 2023. Our market share in terms of sales volume increased during the three years ended 31 December 2018, 2019 and 2020 and the growth rate of our market share in terms of sales volume of customised lenses attained a CAGR of 28.1% from 2.5% in 2018 to 4.1% in 2020. Based on such growth rate of our market share, our market share in terms of sales volume is expected to reach to 8.6% in 2023 and our sales volume of customised lenses is expected to reach to 9.6 million pieces in 2023 in this regard, representing approximately 110.8% of production capacity of customised lenses upon the completion of the whole expansion plan as mentioned herein. Furthermore, according to the aforesaid calculation, our sales volume of customised lens is expected to reach approximately 5.1 million pieces for the year ending 31 December 2021 which are supported by (i) the sales volume of customised lens of approximately 3.5 million pieces for the eight months ended 31 August 2021 (representing 68.6% of the forecasted sales volume in 2021); and (ii) the orders on hand of approximately 20,000 pieces (representing approximately 0.4% of the forecasted sales volume in 2021) as at 31 August 2021.

— our efforts on the sales and marketing plan under our business strategies. As we intend to conduct various online and offline sales and marketing activities, we expect those activities will be helpful to enhance our corporate image and more importantly, attract the products demands from the potential customers. In particular, it is our plan to set up physical eyewear stores in the prime locations in Shanghai to widen our footprint to the individual end-users through relying on our existing operating experience on the retail shopfronts. We expect that being situated in the prime locations in Shanghai, the new physical eyewear stores would have more customer flow and achieve higher sales volume than our existing retail shopfronts located at our production bases which are situated in industrial areas. As such, the new physical stores are expected to allow us to have more chances to reach out to the individual end-users who may have preference to customise the lenses of their spectacles depending on their personal needs and latest trend, the demand on our customised lenses which are tailor-made with various personalized parameters may be consequently increased.

— in view of the market drivers as mentioned in the paragraph headed "Industry Overview — Overview of spectacle lens manufacturing market in the PRC — Market Drivers Analysis" in this prospectus, the spectacle lens industry is expected to remain on a positive trend in the foreseeable future. As such, the customised lenses, being one of the category of the resin spectacle lens, is expected to enjoy the benefits caused by the market drivers as well. Besides, as mentioned in the Frost & Sullivan Report, the customised lenses are more effective on the vision correction as compared to the standardised lenses resulting that more demanding individual end-users may prefer customised lenses along with the increasing purchasing power.

Source of funding

We estimate the relevant capital expenditure on the purchase of equipment and machineries and software for enhancing the production capacity of our Shanghai Production Base to be approximately RMB126.2 million which will be financed by the proceeds from the Global Offering.

Payback period

Our Directors consider that the estimated payback period for the planned capital expenditure for our Shanghai Production Base as illustrated above is approximately 22 months after the completion of the First Phase Customised Lenses Expansion, which was calculated based on the following assumptions and factors:

- total capital expenditures of approximately RMB126.2 million;

- the estimated increase in the production capacity as a result of the planned expansion;
- the estimated selling price of customised lens by making reference to relevant selling price for the year ended 31 December 2020; and
- estimated costs by making reference to our existing cost structure of our Shanghai Production Base.

Human Resource

In order to fulfil our expansion plan of the production capacity of the customised lens, we plan to gradually recruit around 90 additional staff (First Phase Customised Lenses Expansion and Second Phase Customised Lenses Expansion will recruit around 50 and 40 staff respectively) to satisfy the manpower needs. We will adjust necessary manpower depending on the actual progress of the expansion.

The number of additional staff to be recruited for our expansion plan of the production capacity of the customised lens was principally determined taking into account the following factors:

(a) the number of existing production staff for production of customised lenses at our Shanghai Production Base as at 31 December 2020, being 164;

(b) the estimated annual production capacity of customised lenses at our Shanghai Production Base as at 31 December 2020, being 4,263,022 pieces;

(c) the estimated increase in annual production capacity of 4,400,000 pieces upon completion of our expansion plan; and

(d) the level of automation of our machinery and equipment currently in our Shanghai Production Base and the machineries and equipment to be acquired as part of our strategies.

We estimate the total expenditure for staff recruitment for our First Phase Customised Lenses Expansion and Second Phase Customised Lenses Expansion to be approximately RMB15.0 million. Approximately RMB3.2 million will be financed by the proceeds from the Global Offering, representing approximately 0.7% of the total net proceeds of approximately HK$569.2 million (assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK$5.28 per Share) and the remaining will be funded by the cash generated from our operations. The expenditure for staff recruitment to be incurred by us upon completion of the aforesaid expansion plan on 30 November 2023 in Shanghai Production Base will be fully funded by the cash generated from our operations.

(ii) Jiangsu Production Base — Expansion of production capacity of standardised lenses

Purchase of equipment and machineries

By making reference to the existing equipment and machineries used in the production of standardised lenses, we will principally purchase new equipment and machineries from the PRC suppliers with the total amount of approximately RMB67.0 million.

The purchase of equipment and machineries is principally divided in two phases. The first phase of purchase of equipment and machineries will involve the total amount of approximately RMB33.5 million during the 12 months from 1 December 2021 to 30 November 2022 (the "**First Phase Standardised Lenses Expansion**") while the second phase of purchase of equipment and machineries will involve the total amount of approximately RMB33.5 million during the 12 months from 1 December 2022 to 30 November 2023 ("**Second Phase Standardised Lenses Expansion**").

The following table sets forth the type, quantity and intended usage of the major equipment and machineries we intend to purchase:

Type of major production equipment and machinery	Intended usage	Total expected purchase amount *(RMB'000)*	First Phase Standardised Lenses Expansion: Quantity to be purchased	First Phase Standardised Lenses Expansion: Expected purchase amount *(RMB'000)*	Second Phase Standardised Lenses Expansion: Quantity to be purchased	Second Phase Standardised Lenses Expansion: Expected purchase amount *(RMB'000)*
Front and back moulds combiners	For combining the front and back moulds	10,000	19	4,750	21	5,250
Resin casting ovens	For casting the lenses	5,000	38	2,375	42	2,625
Mould cleaners	For cleansing the mould	3,000	1	1,500	1	1,500
Lens edges milling machines	For milling the lens edges	1,000	6	500	6	500
Lens cleaners	For cleansing the lenses	1,500	1	750	1	750
Lens hardeners	For hardening the lenses	500	5	250	5	250
Lens hard coating machines	For hard coating the lenses	6,000	3	3,600	2	2,400
Lens coating machines	For coating the lenses	36,000	9	18,000	9	18,000
Lens packaging machines	For packaging the lenses	4,000	9	1,800	11	2,200
Total:		67,000	91	33,525	98	33,475

Production capacity

It is estimated that the annual production capacity of approximately 9,600,000 pieces and approximately 9,600,000 pieces of standardised lenses can be additionally increased upon the completion of the First Phase Standardised Lens Expansion and Second Phase Standardised Lens Expansion. Such production capacity was principally estimated based on (i) the existing production capacity after taking into account of the nature and number of existing production facilities; and (ii) the normal working hours and days of operation for the year after considering the public holidays.

As a result of (i) the continuous increase on the demand on the resin spectacle lens with the refractive index of 1.67 and 1.74 with CAGR of approximately 19.2% in terms of the total sales volume of lens with aforesaid refractive indices during the three years ended 31 December 2018, 2019 and 2020; (ii) demand on such products is expected to continue to grow since more consumers will prefer lens with higher refractive index in the future with the growth of income due to such kinds of lens with higher optical performance based on the Frost & Sullivan Report; and (iii) the implementation of our sales and marketing plan as mentioned in the paragraph headed "Expansion of customer base in the PRC market and promotion of our brands" under this section, we intend to utilise the new production facilities for the production of the resin spectacle lens with refractive index of 1.67 and 1.74.

Our Directors believe that by progressively enhancing the production capacity of our standardised lens, we are able to capture future business opportunity for such products. We will keep monitoring the demand on the aforesaid lens products and may adjust the product types to be manufactured under the new production facilities if necessary given that we may adjust our production facilities for the standardised lenses to produce the products with other refractive index principally by way of (i) adjusting the mixtures; (ii) using other suitable lens moulds; and (iii) adjusting the processing time such as the baking time for solidification and hardening, depending on the types and specification of the products required.

Source of funding

We estimate the relevant capital expenditure on the purchase of equipment and machineries for enhancing the production capacity of our Jiangsu Production Base to be approximately RMB67.0 million which will be financed by the proceeds from the Global Offering.

Payback period

Our Directors consider that the estimated payback period for the planned capital expenditure for our Jiangsu Production Base as illustrated above is approximately 15 months after the completion of the First Phase Standardised Lenses Expansion, which was calculated based on the following assumptions and factors:

- total capital expenditures of approximately RMB67.0 million;
- the estimated increase in the production capacity as a result of the planned expansion;
- the estimated selling prices of the standardised lens with refractive index of 1.67 and 1.74 by making reference to relevant selling prices for the year of 2020; and
- estimated costs by making reference to our existing cost structure of our Jiangsu Production Base.

Human Resource

In order to fulfil our expansion plan of the production capacity of the standardised lens, we plan to gradually recruit around 300 additional staff (First Phase Standardised Lenses Expansion and Second Phase Standardised Lenses Expansion plan to recruit around 30 and 120 staff respectively. After the completion of the aforesaid expansion plan, we plan to recruit around 150 staff) to satisfy the manpower needs. We will adjust necessary manpower depending on the actual progress of the expansion.

The number of additional staff to be recruited for our expansion plan of the production capacity of the standardised lens was principally determined taking into account the following factors:

(a) the number of existing production staff for standardised lenses at our Shanghai Production Base as at 31 December 2020, being 276;

(b) the expanded Jiangsu Production Base will require more staff than the Shanghai Production Base and we round up such number of staff to around 300 for the purpose of estimating the manpower needed in the expansion plan of Jiangsu Production Base after mainly considering (i) our intention to conduct 10 research projects in the 12-months period commencing from the fourth quarter of 2021; and (ii) speeding up the progress of the research projects without affecting the normal production need;

(c) the estimated annual production capacity of standardised lenses at our Shanghai Production Base as at 31 December 2020, being 20,126,304 pieces;

(d) the estimated increase in annual production capacity of 19,200,000 pieces upon completion of our expansion plan;

(e) the level of automation of our machineries and equipment currently in our Jiangsu Production Base and the machineries and equipment to be acquired as part of our strategies; and

(f) the number of additional production staff required for product testing and development and to support our research and development given our existing collaboration between our production department in our Jiangsu Production Base and our research personnels in our Jiangsu research and development centre in our research and development initiatives as part of our business strategies.

We estimate the total expenditure for staff recruitment for our First Phase Standardised Lenses Expansion and Second Phase Standardised Lenses Expansion to be approximately RMB31.4 million. Approximately RMB20.0 million will be financed by the proceeds from the Global Offering, representing approximately 4.3% of the total net proceeds of approximately HK$569.2 million (assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK$5.28 per Share) and the remaining will be funded by the cash generated from our operations. The expenditure for staff recruitment to be incurred by us upon completion of our expansion plan on 30 November 2023 in our Jiangsu Production Base will be fully funded by the cash generated from our operations.

Strengthening our product development capability

Given that we consider our research and development capacity is 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 and strengthen this aspect with an aim to (i) enhance the ability on research and development, which in turn would improve the functionalities of our existing lens products and develop products with new functionalities to enrich our product portfolio; (ii) enhance our market reputation and increase our customers' confidence on our research and development capabilities; (iii) apply for governmental supports which are specifically available for the entities having the state-level research and development centre such as one-off reward for state-level research and development centre from the local government and tax benefits; and (iv) attract experienced and skilled personnel.

With the purchase of more advanced equipment, machineries and software of approximately RMB42.0 million, including (i) experimental equipment related to photochromic spin coating, lens coating and optical processing; (ii) testing and measuring equipment related to lens quality, expected life span of lens, mechanical strength and impact, functionality of photochromic lens and deformation temperature of glass materials; and (iii) software related to analysing of chemical composition and structure of the substance, it is expected that our efficiency on research and development and frequency on testing could be enhanced as we shall have more equipment to assist our research and development and no longer be required to resort to external third parties on some of the testings such as colour changing and testing on the strength of the lens.

Further, as we intend to shorten the time for product upgrade and development to keep pace with rapid technology advancement of the industry, we plan to gradually increase the number of research personnel to satisfy the manpower needs. As such, we expect to expand our existing research and development centre to a total floor size of 1,350 sq.m. to accommodate the additional equipment, machineries and personnel.

Based on the aforesaid benefits through scale up of our research and development centre in terms of equipment, manpower and area, we expect our research and development capability can be enhanced and our market competitiveness can be maintained. Details of the plan to strengthen our research capabilities are set out below:

(i) Our current research capabilities

As at the Latest Practicable Date, we had research and development centres located in Shanghai and Jiangsu Province with the aggregate total floor area of approximately 550 sq.m. The research and development centres in Shanghai and Jiangsu Province were certified as special municipality-level (直轄市級) and provincial-level (省級) centres respectively by the relevant government authorities in 2020 and 2018 respectively. As confirmed by the PRC Legal Advisers, the special municipality-level certification is of the same level as the provincial-level certification and a special municipality-level certification or a provincial-level certification is a prerequisite to the application of the state-level certification. We have registered (i) 19 patents in the PRC; and (ii) one patent in the United States and European Union respectively in relation to our resin spectacle lens which are material to our business as at the Latest Practicable Date. We are also in the process of application of seven patents in relation to our resin spectacle lens and their production methods to protect our research and development results, which we consider material to our business as at the Latest Practicable Date. For further details, please refer to the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights" in Appendix VII to this prospectus. As we place particular importance on the research and development, our research and development cost was approximately RMB35.3 million, RMB37.1 million, RMB39.6 million and RMB17.1 million, representing approximately 4.1%, 3.5%, 3.6% and 3.2% of the revenue for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 respectively. As at 31 May 2021, our research and development team comprised 48 staff (comprising of 44 based in the PRC and 4 based in Japan), some of whom possess the relevant doctor degree of engineering, master degree of optical engineering, postgraduate of atomic, molecular and optical physics and chemistry, and bachelor degrees of materials engineering, materials chemistry, fibre engineering and applied physical chemistry. Our research and development team also works together with our other departments such as our production department to collaborate in product testing and development as well as our sales department to understand the market trend and customers' preference. Please refer to the paragraphs titled "Competitive Strengths — We Possess Strong Product Development Capabilities" and "Research and Development" for further details of our research capabilities.

(ii) Municipality-level certification

According to the Administrative Measures of Shanghai Municipality on the Enterprise Technology Centres (上海市企業技術中心管理辦法) (2017 Revision) which is the latest measures for our current certification of the research and development in Shanghai municipality, an enterprise technology centre at Shanghai municipality level shall satisfy, among others, the following major quantitative criteria (which are applicable to us and are assessed at the time of application with reference to the preceding year when the application for certification was made): (i) the annual income of principal business shall not be less than RMB300 million; (ii) the annual research and development expenditure shall not be less than RMB10 million, and such expenditure accounted for not less than 3% of the annual income of principal business; (iii) the original value of equipment and facilities for technological research and development shall not be less than RMB10 million; (iv) the number of personnel for research and testing and development shall not be less than 60; as we have also assigned some of our staff in our production department to collaborate with our research and development team to conduct product testing and we also involve staff in our production department to participate in product development projects jointly with our research and development team, therefore we are able to fulfil the requirement on the number of personnel for research, testing and development in the certification; and (v) the applicant obtained not less than 6 intellectual properties by way of its own research and development during the three years preceding the application for the certification and had made application for the invention patent in the year preceding the application for the certification.

(iii) Provincial-level certification

According to the Administrative Measures for Jiangsu Province on the Enterprise Technology Centre Certification (江蘇省認定企業技術中心管理辦法) (2010), an enterprise technology centre at Jiangsu provincial level shall satisfy, among others, the following major quantitative criteria (which are applicable to us and are assessed at the time of application with reference to the preceding financial year when the application for certification was made): (i) the annual income of principal business shall not be lower than RMB100 million for high and new technology enterprise and the actual tax paid by the enterprise shall not be less than RMB8 million; (ii) the annual research and development expenditure shall not be less than RMB8 million; (iii) the original value of technological development equipment shall not be less than RMB8 million; and (iv) the number of personnel for research, testing and development shall not be less than 50. As we have also assigned some of our staff in our production department to collaborate with our research and development team to conduct product testing and we also involve staff in our production department to participate in product development projects jointly with our research and development team, therefore we are able to fulfil the requirement on the number of personnel for research and product testing and development in the certification.

(iv) State-level certification

According to the Administrative Measures for the Accreditation of National Enterprise Technology Centres of the PRC (國家企業技術中心認定管理辦法) (2016), a state-level enterprise technology centre shall satisfy, among others, the following major quantitative criteria: (i) the annual research and development expenditure of the enterprise shall not be less than RMB15 million; (ii) the original value of technological development equipment owned by the enterprise shall not be less than RMB20 million; (iii) the number of personnel for research, testing and development shall not be less than 150; and (iv) more than two years of provincial-level certification.

Since we believe that having a state-level research and development centre would enhance our market reputation and increase our customers' confidence on our research and development capabilities, we plan to upgrade our existing provincial-level research and development centre in Jiangsu Province with the target to become a state-level centre in the future, principally by recruitment of additional personnel for research, testing and development, purchase of new equipment, machineries and software for upgrading our research and development centre and conducting our research and development initiatives. We plan to allocate approximately 19.9% of our total estimated net proceeds, or HK$113.5 million for strengthening our research and development capability, in which (i) approximately 9.7% of our total estimated net proceeds, or HK$55.5 million will be used for upgrade of the existing research and development centres; and (ii) approximately 10.2% of our total estimated net proceeds, or HK$58.0 million will be used for conducting our research and development initiatives. Please also refer to the section titled "Future Plans and Use of Proceeds" in this prospectus for the timeframe of how the net proceeds will be applied, all of which in a gradual manner with an aim to ultimately satisfy the requirements for state-level technology centre. After the completion of the upgrade of our research and development centre and obtaining the state-level certification on the same, we believe that we are able to apply for more governmental supports which are specifically available for the entities having the state-level research and development centre such as one-off reward for state-level research and development centre from the local government and tax benefits. Those supports would allow us to keep pace with rapid technology advancement of the industry and upgrade our products to cater for the needs of our customers.

In preparation of its establishment, we intend to procure new equipment and hardware. Our existing research and development centre will be (i) expanded to a total floor size of 1,350 sq.m. utilising the unused floor area in our Jiangsu Production Base; (ii) renovated in stages to improve our pilot test environment while minimising disruption to our on-going research and development assignments; and (iii) equipped with more advanced equipment, machineries and software.

Purchase of equipment and machineries

The following table sets forth the type, quantity and intended usage of the new major equipment, machineries and software we intend to purchase for upgrading our research & development centre:

Type of major equipment, machinery and software	Total expected purchase price *(RMB'000)*	Quantity to be purchased
Experimental equipment *(Note 1)*	17,200	14
Testing and measuring equipment *(Note 2)*	11,960	30
Software *(Note 3)*	4,640	3
Total	33,800	47

Notes:

1. Experimental equipment principally related to photochromic spin coating, lens coating and optical processing.

2. Testing and measuring equipment principally related to lens quality, expected life span of lens, mechanical strength and impact, functionality of photochromic lens and deformation temperature of glass materials.

3. Software principally related to analysing the chemical composition and structure of the substance.

In additions, we also plan to purchase other ancillary equipment and machineries to support our research capabilities in the total amount of approximately RMB8.2 million. These ancillary equipment and machineries mainly comprise of equipment used for trial production, cleansing and treatment of mid-trial lenses in the total amount of approximately RMB5.9 million and miscellaneous items such as air conditioners, computers and nitrogen generator in the total amount of approximately RMB2.3 million. Our Directors expect that the aforesaid equipment and machineries will enable us to conduct in-house product development within a shorter timeframe, and enhance our capability in trial and testing.

We expect to incur capital expenditure of approximately RMB45.5 million for the upgrading and expansion of our research and development centre, of which (i) approximately RMB42.0 million will be used for the purchases of new equipment, machineries and software; and (ii) approximately RMB3.5 million will be used for premises renovation.

Human Resource

In order to fulfil our plan to upgrade the research and development centre, we plan to gradually recruit around 50 to 60 additional engineer and technician to satisfy the manpower needs and we may adjust the number of additional engineer and technician from time to time as our research and development projects progress.

The number of additional research personnel to be recruited for our plan to upgrade the research and development centre was principally determined based on:

(a) we generally allocated between 4 to 6 research personnels together with other staff from production department for each research project during the Track Record Period;

(b) we intend to conduct around 10 research projects with the target to optimise the functionalities of our existing lens products and to develop products with new functionalities, such as anti-glare and infrared-blocking ability, anti-bacteria function as well as specific functions such as myopia prevention and anti-fogging in the 12-month period commencing from the fourth quarter of 2021;

(c) we intend to increase the number of research personnels allocated for each research project by 2 to 3 staff in order to shorten the time for product upgrade and development to keep pace with rapid technology advancement of the industry; and

(d) as we historically assigned some of our research personnels to work jointly with our production staff in our production department to resolve the technical issues encountered in our production process, we expect to increase the number of research personnels to cater for the potential product demands in the future as a result of the implementation of our business strategies coupled with the expected increase in our production capacity of both standardised lenses and customised lenses due to our expansion plan.

Research and development initiatives

We intend to focus our research and development initiative on two aspects, namely (i) to optimise the functionalities and production efficiency of our existing lens products; and (ii) to develop products with new functionalities. In relation to optimisation of existing lens products, we plan to undertake research and development to improve, among others, the anti-glare and infrared-blocking ability and anti-bacteria function of our lenses and to enhance the sensitivity of our photochromic lenses. In relation to development of new products, we plan to develop new varieties of double aspherical lenses and lenses with refractive index of 1.74 as well as products with specific functions such as myopia prevention and anti-fogging.

Expansion of customer base in the PRC market and promotion of our brands

In view of (i) the expected market growth on the demand on the resin spectacle lenses in the foreseeable future; (ii) our intention to put more focuses on the expansion of our customers bases; and (iii) the importance of brand building, we plan to allocate more resources on the sales and marketing with the strategies set out below:

- ***Offline marketing***

We have formulated our offline marketing strategies with respect to different types of customers. In relation to sales to individual end-users, we plan to establish our physical eyewear stores. On the other hand, for sales to spectacle lens brand owners, wholesalers, retailers and authorised distributors, our strategies include the followings: (i) participation in industry exhibitions; (ii) event organisation and customer visits; and (iii) collaboration with ophthalmology service providers and retailers.

(i) Establishing our own physical eyewear stores

Given that our Shanghai Production Base enables us to produce standardised lenses and customised lenses, it is beneficial for us to establish physical eyewear stores in Shanghai in view of (i) minimising the logistic cost of the stores in close proximity to our production base; and (ii) our expectation on relatively higher purchasing power in the first-tier cities in the PRC allowing us to enjoy more pricing flexibility. We plan to set up a total of 10 physical eyewear stores in Shanghai in 12 months from 1 December 2021 to 30 November 2022 so as to reach more end-users for the purpose of marketing our products while we can generate revenue from these stores. We target to set up stores in the prime locations in Shanghai which we believe those locations would have more customer flow. As at the Latest Practicable Date, we are still in the process of identifying suitable location and in order to enrich our experience to better manage the physical eyewear stores to be established in Shanghai, we established one physical eyewear store located in the prime location in Nantong City, Jiangsu Province in April 2021. The net profit of our retail shopfronts was approximately RMB1.2 million, RMB1.2 million, RMB1.1 million and RMB0.7 million for the three years ended 31

December 2018, 2019 and 2020 and five months ended 31 May 2021 respectively. We have confidence to manage the operation of new physical stores to be established in Shanghai with the following measures:

(a) we will identify suitable candidates possessing relevant experience on managing chain eyewear stores to assist our management of the same;

(b) we will arrange relevant employees to join the industry training to improve their sales skills and technical knowledge of eyewear products and the management of eyewear stores in order to facilitate our employees to operate eyewear stores;

(c) we will connect the IT system of the new eyewear stores to our operating system in Shanghai such that the new eyewear stores can place the purchase order of our lens products to us through our system and we can monitor the sales volume of the same of the new eyewear stores;

(d) we will leverage on our experience in managing our existing stores (namely three retail shopfronts at our production bases and in Nantong City, Jiangsu Province) to manage the new eyewear stores; and

(e) we will keep monitoring the business performance of the stores and adjust our business plan on the establishment of the stores if necessary.

We plan to offer spectacles, spectacle frames and spare parts for sale at our physical stores and offer optometry service and simple processing services such as cutting and assembling to form ready-to-wear spectacles in our physical stores. Other than the resin spectacle lenses which are manufactured by us under our own brands, all the other products such as spectacle frames and spare parts will be sourced from other suppliers, which will be selected taking into account the quality of products and the price for these supplies.

We believe that our physical stores possess the following competitive strengths compared to other eyewear stores in Shanghai:

1. we are able to offer a diversified product portfolio of resin spectacle lenses and with different functional features to our customers at our physical stores supported by our production capability of standardised and customised lens in Shanghai Production Base;

2. we are able to control the price of our resin spectacle lenses supplies and have greater pricing flexibility of our spectacle lenses products whereas other retail eyewear stores we compete with, which do not manufacture spectacle lenses are subject to mark-up on the price of their spectacle lenses from their suppliers. On this basis, we are able to enhance the price competitiveness of our eyewear products;

3. as we have our own research and development centres, we are able to showcase our research results in our physical stores directly to our customers for marketing purpose and enhance our brand recognition. We are also able to incorporate the results of our research and development results into our products as opposed to other eyewear stores which do not have its own research and development centres and only participate in the eyewear industry as a retailer only; and

4. the close proximity of our physical stores with our production base enables us to shorten the delivery time of spectacle lenses products to our customers.

Feasibility Study

We conducted a feasibility study in connection with our plan to establish new physical stores (the "**Feasibility Study**"), which included analysis on the following major aspects:

(a) reviewing the consumer purchasing power in Shanghai and the size of Shanghai eyewear market in terms of retails sales value according to the market study conducted in the Frost and Sullivan Report;

(b) identifying the area within the prime locations in Shanghai, such as Jingan region, Huangpu region and Pudong new region suitable for opening of eyewear store by considering, among others, the competitive landscape in these prime locations as a result of potential competition from other eyewear stores and our eyewear stores to be established in Shanghai;

(c) reviewing the range of monthly sales of an eyewear store in prime locations of Shanghai as stated in the Frost and Sullivan Report;

(d) studying the typical size of eyewear stores in the prime locations of Shanghai as stated in the Frost and Sullivan Report and conducting market research on the average rental cost of these premises; and

(e) conducting the breakeven analysis in estimating the payback period for one physical eyewear store after considering the principal factors as mentioned in the paragraph headed "Payback Period" below.

According to Frost & Sullivan Report, the market size of eyewear market in terms of retails sales value in Shanghai of approximately RMB2 billion in 2020 and it is reasonable for one eyewear store located in the prime location of Shanghai with store area ranging from approximately 100 sq.m. to 200 sq.m. to realise monthly sales between RMB270,000 to RMB720,000. Based on (i) the information provided by Frost & Sullivan set out above; (ii) our competitive strengths of our physical stores over other eyewear stores in Shanghai; (iii) the Feasibility Study we conducted as particularised above; (iv) the average monthly sales of approximately RMB203,000 in the year of 2020 despite the effect the pandemic of COVID-19 had on the existing retail shopfront in Shanghai (which is not located in prime location of Shanghai but in an industrial zone instead). In addition, for the five months ended 31 May 2021, the average monthly sales of our existing retail shopfront in Shanghai was approximately RMB248,000; and (v) our marketing efforts on promotion and advertisement of our new eyewear stores and products to be made through the online channel, the Directors believe that there will be sufficient demand for our Group to set up 10 eyewear stores in Shanghai.

Payback period

It is expected that the planned capital expenditure on the renovation of the store and purchase of necessary equipment is approximately RMB2.1 million for one physical eyewear store. Our Directors consider that the estimated payback period for the aforesaid planned capital expenditure is approximately 21 months after the commencement of business, which was principally calculated based on the following assumptions and factors:

- the revenue and the cost structure of our retail shopfront in Shanghai; and
- the historical growth rate of our revenue in the PRC *(Note)*.

Note: The historical growth rate of our revenue in the PRC was adopted as assumption in the payback analysis after considering the following major factors:

(1) the retail shopfronts of our Shanghai Production Base and Jiangsu Production Base serve mainly the nearby residents due to their locations whereas the new retail stores will be set up in the prime location in Shanghai, which is expected to be benefited from (a) the increased customer flow of both national tourists in the PRC and local citizens in Shanghai; and (b) relatively higher purchasing power of customers in the prime location, which in turn procure an increase in sales volume and a flexibility to set a higher selling price of our Group's products, stimulating a higher growth rate of the sales of the new physical eyewear stores (as compared to that located in our Group's production bases);

(2) based on the Frost & Sullivan Report, it is reasonable for one eyewear store located in the prime locations of Shanghai to realise a monthly sales between RMB270,000 to RMB720,000; and

(3) in view of the implementation of the sales and marketing activities (such as online marketing advertising and promotion on search engines, social media and social mobile apps) of our Group as a whole and promotion of the establishment of new stores and products through online channel, it is expected that the implementation of such would be helpful to promote our Group's products, enhance our corporate image and stimulate the sales of the eyewear stores.

(ii) Participation in industry exhibitions

While we historically participated in a number of resin spectacle lenses industry exhibitions, the industry exhibitions that we participated are generally limited to the international-level exhibitions held in first-tier cities such as Beijing and Shanghai. In order to broaden our customer base, we plan to participate in regional-level exhibitions to be held in other cities such as Guangzhou, Wenzhou, Chongqing and Xiamen in which we may build business connection with the local ophthalmology service providers and retailers with an aim to increase the regional sales. In addition, other than the industry exhibitions, we plan to participate in academic conferences, which are targeted at specialised ophthalmology service providers such as eye hospitals and ophthalmology practitioners throughout the PRC and introduce our lenses products to the participants. We believe that by increasing the number and variety of the industry events we participate, we are able to broaden our customer base.

(iii) Event organisation and customer visits

We plan to organise training events which we would invite experts to share the industry insight and latest market trend of the lens products to the participants including our existing and potential customers such as eyewear store owners, ophthalmology practitioners and our staff. We would also promote our new lenses products during these training events. We believe that by increasing the scale or frequency of our training events, we are able to enhance our reputation and to reinforce our professional image.

We also plan to engage more sales and marketing staff to have one-on-one visit on our new or potential customers to demonstrate our new lenses products and to receive feedbacks and suggestions on product improvement.

(iv) Collaboration with ophthalmology service providers and retailers

We also plan to enhance our collaboration with sizeable hospitals, ophthalmology clinics and other retailers such as eyewear chain stores and convenience stores chain to increase the number of our sales and distribution channels. For instance, we have entered into cooperation arrangement with convenience store chain for the purpose of displaying our polarised sun-glasses at the convenience stores located inside the gas stations, through which we may seize the business opportunity of the drivers visiting the gas stations. By collaborating with the aforesaid types of third parties, we may make use of their existing sales network to increase our points of sales in rather short period of time.

- ***Online marketing***

Currently, our online sales are mostly made via our shops on the e-commerce platforms and we have limited online marketing promotion. We plan to enhance our online marketing strategies by increasing our online advertising and promotion on search engines, social media and social mobile apps such as short-video application for boosting the reaches of our digital content and popularity of our shops on e-commerce platforms. We also plan to adopt new sales channel such as live streaming e-commerce so as to increase the number of sales and distribution channels for sales to individual end-users. We believe that by building brand recognition among individual end-users, it would drive the demand of our lenses products as our brand becomes more popular.

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. As such, we evaluate on the technological advancement of our existing equipment and machinery from time to time and purchase new equipment if we consider that those new equipment can bring benefits to us including but not limited to following the market trend and reducing our cost. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the amount of machines and equipment purchased for advancing our technology and craftsmanship was approximately RMB20.2 million, RMB14.4 million, RMB25.6 million and RMB9.7 million respectively. 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.

a. Photochromic spin coating machine in our Shanghai Production Base

Resin spectacle lenses will become photochromic, i.e. darken in colour on exposure to light of sufficiently high frequency, after being applied the photochromic coating. It is believed that photochromic spectacle lenses can enhance wearing experience of end-users given that the end-users may not be required to change to wear sun-glass under the exposure to light. Based on the Frost & Sullivan Report, the photochromic spin coating technology is a relatively advanced technology which allows the lens to change the colour more instantly than the lens adopting traditional colour changing technologies. As a result, it is expected a positive trend on the demand on the lens with photochromic spin coating technology will be established in view of better functions.

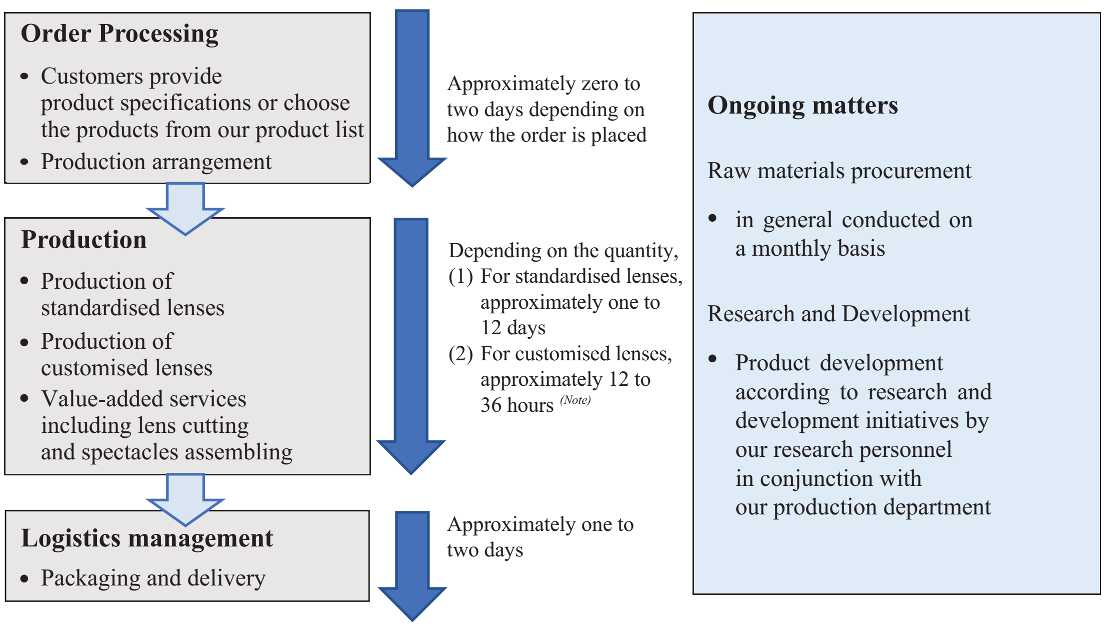
We plan to purchase photochromic spin coating machines as well as other ancillary machines for treatment and testing of photochromic lenses, with the total capital expenditures of approximately RMB14.4 million, which will be financed by the proceeds from the Global Offering. The aforesaid capital expenditures are estimated principally based on the historical purchase price of the relevant major machineries. We expect the additional machinery and equipment would be installed and commence operations in phases from 2021 to 2023.

b. Upgrading lens mould processing technology in our Jiangsu Production Base

Currently, some of our lens products such as lens for severe astigmatism can only be produced in the form of customised lenses. In order to achieve standardised production of such lenses, we would have to upgrade our lens mould processing technology to manufacture the specific lens moulds. As such, we plan to upgrade our lens mould processing technology by replacing our existing thermoform machines with the cold processing machines. As cold processing technology uses milling to manufacture lens moulds and does not require heating, it is expected that the energy consumption and the production cost can be reduced. We plan to purchase and install major machines for cold processing technology such as milling machine for milling lens moulds as well as other ancillary machines for grinding and polishing lens moulds roughcasts to gradually replace all of our existing thermoform machines in our Jiangsu Production Base with a total capital expenditures of approximately RMB17.3 million which will be financed by the proceeds from the Global Offering. The aforesaid capital expenditures are estimated principally based on the historical purchase price of the relevant major machineries. We expect the additional machinery and equipment would be installed and commence operations in phases from 2021 to 2023.

OUR BUSINESS MODEL

We principally engage in the production and sales of the standardised and customised lenses. In respect of the standardised lens, we have a product list with reference prices for the standardised lenses we offered to the customers who can choose products from the aforesaid list based on their needs. On the other hand, in respect of the customised lens, given that the products are manufactured based on the specifications and requirements of the customers, their prices vary in each case depending on product complexity. The following diagram illustrates the general flow of operations of our business process:



Note: The production time of customised lenses of approximately 12 to 36 hours is the additional production time we require to produce customised lenses from resin spectacle lens roughcasts, which we usually maintain a minimum inventory level of one to three months.

Order Processing

We normally receive the purchase orders through (i) sales department, which is regarded as non-e-commerce platform; and (ii) the e-commerce platforms which include some of the most established online shopping platforms in the PRC.

(i) Non-e-commerce platform

Our sales department has been served as the principal channel to receive the purchase orders from the customers which are normally not spectacle end-users.

For standardised lenses, our customers would normally choose from our existing product list with reference prices and place orders with us through email specifying the quantity and delivery time. Upon receiving our customers' orders, our production coordination department will formulate a production schedule taking into account (i) capacity of our production bases; (ii) availability of raw materials; (iii) level of our product inventories; (iv) quantity required; and (v) the level of technological complexity involved in production. Our production coordination department will then inform our sales department the expected delivery time and settlement method where our sales department will relay the same to our customers for order confirmation. Once an order is confirmed, our production coordination department will coordinate with our production department on the volume of goods to be produced and/or retrieved directly from our existing inventories (if appropriate). For the new customers or the customers who do not purchase our products frequently, in the PRC, we may also enter into one-off sales agreements with them on an order-by-order basis.

With respect to customised lenses that are not available from our existing product list, our customers generally place orders with us through our online ordering portal specifically for customised lens ordering. Before our customers place the purchase orders to us, they may send us the request through email to initiate discussion with us on the rough quotes and the production schedule on the lens required. They may then proceed to place purchase order through the said online ordering portal which enables customers to choose among our preset designs and specifications including (i) lens designs (e.g. single-vision, multi-focal or progressive), (ii) lens refractivity and (iii) lens treatment required (e.g. photochromic, polarised, anti-reflection coating, anti-scratch coating and blue-ray blocking coating), thus reducing our time and resources needed for processing their orders. Our customers will also provide their instructions on quantity and delivery time through this online ordering portal and the orders for customised lenses are usually characterised by the minimal quantity (e.g. one pair of spectacle lenses per order) and short production lead time (e.g. one to two days) required. Once an order is placed through our online ordering portal, our production department will commence production unless further clarification with customers is necessary.

Occasionally, we may receive some orders demanding for resin spectacle lens with features which we do not produce. In such circumstances, we will source those lenses from the third parties suppliers and give relevant quotes to our customers if we successfully source the products required. Once we obtain the confirmation from the customers, we will make relevant purchase from the third parties suppliers.

We also provide value-added services to our customers upon request by (i) cutting the lenses into required shape in accordance with the specifications provided by our customers; and/or (ii) assembling the cut lenses with spectacle frames provided by our customers or sourced by us. We consider the aforesaid value-added services would enable us to enhance our quality of services which in turn the customers' loyalty.

(ii) E-commerce platform

We also utilise e-commerce platforms which include some of the most established online shopping platforms in the PRC to extend our reach to spectacle end-users. Through such platforms, we will offer our standardised lenses with the option for the customers to purchase the spectacle frames we sourced from third party suppliers such that spectacles assembling services will be provided to the customers if demanded. Once confirmed orders are received from such platforms, we will arrange the production and/or retrieval of the inventories of the spectacle lens required and deliver the products (spectacle lens or eyewear) to customers accordingly. We would also provide spectacle frames if we receive such purchase orders from customers through the e-commerce platforms.

Production

Depending on the customers' requirements on our products, we will plan the production schedule and arrange suitable production facilities to produce the same. As at the Latest Practicable Date, we have three production bases located in Shanghai and Jiangsu, the PRC and Sabae, Japan. Each of the production bases is principally characterised to manufacture the lens with specific refractive index. For details of the production facilities in each production bases, please refer to the paragraph headed "Production — our production bases" in this section of the prospectus. If value-added services such as lens cutting and spectacle assembling are additionally required, we will provide such services upon the completion of the manufacturing of the products.

Logistics management

Once the products required have been packed and are ready for delivery, we will arrange the logistics for the delivery of the products to the locations as agreed under the purchase orders. Please refer to the paragraph headed "Logistics Management" in this section for details.

Market positioning

We operate mainly through ODM (original design manufacturer) business model. For our ODM business, we undertake the product development of spectacle lenses ourselves, where we develop the spectacle lenses based on our own product development initiatives and the specifications or requirements requested by our customers, and then manufacture the spectacle lenses under the brand names designated by our customers pursuant to the purchase orders received. For instance, all of our sales to spectacle lens brand owners are operated through ODM business model, the customer type of which attributed a significant portion of our revenue of approximately 52.5%, 53.9%, 51.4% and 48.2% of our total revenue during the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. When we sell the products to the intermediaries, other than the authorised distributors, the intermediaries may resell our products on their own brands or our brands. To the best knowledge of the Directors, these intermediaries may also sell our products to other spectacle lens brand owners. For all the lens products we sold to our customers (including spectacle lens brand owners, wholesalers, authorised distributors and retailers), there is no engraving of brand name on our lens products, whether it be our brand or that of our customers. Once the lens products are sold, it shall be at the discretion of our customers to determine whether such engraving is required depending on their respective marketing needs, especially the spectacle lens brand owners. In view of the business nature of other customer types (i.e. wholesalers, authorised distributors and retailers), to the best knowledge of the Directors, they normally would not engrave their brand name before reselling. We believe that with our strong product development capabilities as well as the market intelligence and insights acquired through our cooperations with our customers around the globe, we are able to adjust our product development efforts in a timely manner to satisfy customers' needs.

With our strong experience in the spectacle lens industry and our extensive sales network worldwide, our Directors are of the view that the development and sales of our own branded products would be conducive to our long-term development and growth as these may enhance our brand visibility and awareness and market position. As such, on top of offering our products under our ODM business, we also offer our products under the brands of "CONANT" and "康耐特" since as early as 2007, and the brand of "ASAHI" since as early as 2013 where we develop the spectacle lenses and then manufacture the spectacle lenses and our own brand names. We believe that with the development and expansion of our business and product portfolio involving our brands, we will be able to diversify our revenue streams, enlarge our customer base and solidify our competitive position.

OUR PRODUCTS

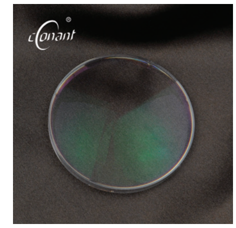
Our products are mainly resin spectacle lenses with the refractive index of 1.499, 1.56, 1.60, 1.67 and 1.74. For a given corrective power, the higher the refractive index, the thinner and lighter is the lens, and the more advanced production technique and craftsmanship is required based on Frost & Sullivan Report. In addition to refractivity, our spectacle lenses are also differentiated by the following lens designs: (i) flat lens, which does not have any corrective power; (ii) single-vision lens, which has a constant corrective power at all points and is commonly used to correct single refractive vision problems including short sight and long sight; (iii) multifocal lens, which has more than one corrective power and distinct optical zones to correct refractive vision deficiencies such as presbyopia. Multifocal lens includes bifocal lens and trifocal lens, and can be further categorised according to the size and location of optical zones on the lens; and (iv) progressive lens, which is similar to a multifocal lens but without distinct optical zones. Instead, progressive lens provides gradual transition from one optical zone to another in a more seamless way for users. Our spectacle lenses may also be tinted or coated or cast with various films or coatings for added functionality, such as polarised, photochromic, blue-ray blocking, anti-scratch, anti-reflection and anti-smudge, etc.

Pictures of some of our standard resin spectacle lens and resin spectacle lens with different functional features are set out below:

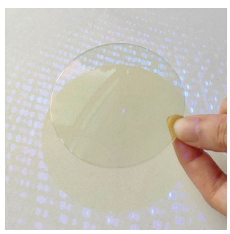
Clear lens

Polarised lens

Anti-scratch lens



Blue-ray blocking lens



Photochromic lens

Pictures of our standardised resin spectacle lenses are set out below:

Lens roughcasts

Standardised lenses (other than lens roughcasts)

Our spectacle lenses can be categorised into two major categories, namely, standardised lenses and customised lenses. The following table sets out the breakdown of our revenue by product type during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Resin spectacle lenses										
Standardised lenses	702,997	82.3	879,459	83.1	887,851	81.2	294,591	80.9	418,685	77.8
Customised lenses	139,978	16.4	168,656	15.9	197,837	18.1	66,713	18.3	116,403	21.6
Others *(Note)*	10,785	1.3	10,731	1.0	7,476	0.7	2,838	0.8	2,835	0.6
Total	853,760	100.0	1,058,846	100.0	1,093,164	100.0	364,142	100.0	537,923	100.0

Note: Revenue from others mainly comprised revenue from (i) sales of spectacle frames and spare parts; (ii) sales of packaging materials and lens moulds sold together with our lens products; and (iii) sales of spectacle lenses which we do not produce but source from independent third party suppliers.

Standardised lenses

Our customers may readily choose from the existing product list with reference prices we offer and place orders with us. Our product list consists of resin spectacle lenses combining different refractive index of 1.499, 1.56, 1.60, 1.67 and 1.74, lens designs and functionalities. We normally commence our production process accordingly upon acceptance of our customers' orders, and the finished products we offer are standardised lenses. Although we have the capability to provide the standardised lenses which can be readily assembled to the eyewear after simple processing such as cutting based on the shape of spectacle frames, we may provide resin spectacle lens roughcasts for our customers' further processing according to their needs and the aforesaid lenses also appear in our existing product list. The following table sets out the breakdown of our revenue by product type in terms of refractive index during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
Refractive Index	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
– 1.499	273,664	38.9	290,691	33.1	297,021	33.5	98,325	33.4	137,115	32.7
– 1.56	108,775	15.5	141,782	16.1	122,743	13.8	36,666	12.4	53,814	12.9
– 1.60	129,304	18.4	185,536	21.1	198,727	22.4	67,785	23.0	84,036	20.1
– 1.67	79,030	11.2	98,539	11.2	111,202	12.5	39,122	13.3	58,364	13.9
– 1.74	112,224	16.0	162,911	18.5	158,158	17.8	52,693	17.9	85,356	20.4
Total	702,997	100.0	879,459	100.0	887,851	100.0	294,591	100.0	418,685	100.0

In terms of refractivity, resin spectacle lenses with refractive index of 1.499 are our major standardised lenses products and the revenue generated therefrom for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 represented approximately 38.9%, 33.1%, 33.5% and 32.7% of our total revenue generated from standardised lenses for the same periods, respectively. We also take pride in our offering of resin spectacle lenses with refractive index of 1.74, as we are one of the few spectacle lenses manufacturers in the PRC offering resin lenses with this refractivity based on Frost & Sullivan Report. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the revenue from our resin spectacle lenses with refractive index of 1.74 represented approximately 16.0%, 18.5%, 17.8% and 20.4% of our total revenue generated from standardised lenses for the same periods, respectively.

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, (i) the sales volume of the standardised lens was approximately 98,732,000 pieces, 109,325,000 pieces, 105,235,000 pieces and 51,159,000 pieces; and (ii) average selling price of the standardised lens was approximately RMB7.12, RMB8.04, RMB8.44 and RMB8.14, respectively.

Customised lenses

Our customers may also require our spectacle lenses to come with personalised parameters (such as size, shape, curvature and specific corrective power) which are tailor-made in nature according to the request of our customers and are not available from our existing standardised lens product list. These customers will request customised services from us and their orders are usually placed through our online ordering portal as discussed above. Resin spectacle lens roughcasts (which we offer as standardised lens on our product list) will be processed in accordance with the required specifications and parameters. If our customers require certain spectacle lenses which are out of our product list, we will source the required lenses from third parties suppliers and further process the same to customised lens based on the customers' requirement.

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, (i) the sales volume of the customised lens was approximately 2,451,000 pieces, 3,084,000 pieces, 3,900,000 pieces and 2,166,000 pieces; and (ii) the average selling price of the customised lens was approximately RMB57.11, RMB54.68, RMB50.72 and RMB53.72, respectively.

The production volume of our standardised lenses and customised lenses was higher than the respective sales volume as a portion of our products were used for product development and testing.

Difference between standardised lenses and customised lenses

Our standardised lens and customised lens principally share the same range of the refractive index (i.e. 1.499, 1.56, 1.60, 1.67 and 1.74) and lens design (e.g. bifocal lens, progressive lens and photochromic lens) which can be equipped with various functions. Coatings on the spectacle lens as well as the functions brought by the coatings (such as anti-scratch and blue-ray protection) would not constitute the difference between the standardised lens and customised lens as there is no type of coating only applicable to the standardised lens or customised lens. Differ from the standardised lenses, customised lens includes personalised parameters which are tailor-made in nature and are not offered in the existing product list of standardised lens. The following table sets out the principal differences between standardised lenses and customised lenses:

	Standardised lenses	**Customised lenses**
Existing product list with reference price	Available	Not available. Prices quoted on a case-by-case basis depending on the customer's requirement

	Standardised lenses	**Customised lenses**
Nature and function	Lens would be manufactured based on a variety of general parameters such as size, shape, curvature and a range of corrective power in the existing product list.	Lens would be manufactured based on customers' requirements which may be absent in the existing product list. If the customers require personalised parameters (including a specific corrective power) which does not exist in the product list of standardised lens, the customised lens will be produced and offered to such customers. These personalised parameters may include: 1. a combination of various parameters which are prescribed in a single lens to correct the vision deficiencies such as correcting a combination of presbyopia, myopia and astigmatism in a single lens while such combination of parameters are not commonly requested by customers and therefore not offered under the standardised lenses product list; or 2. corrective power exceeding the range offered under the standardised lenses product list;

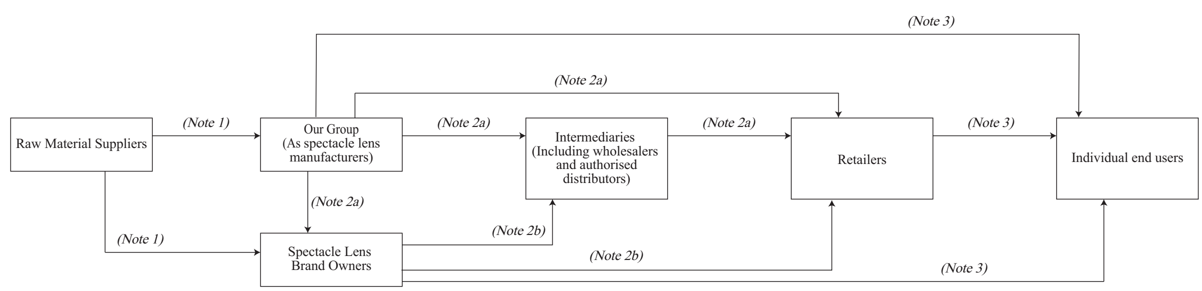
	Standardised lenses	Customised lenses
		3. specific request from the customers such as trimming of the thickness of the edge of the lenses to make the lenses thinner when fitted onto frameless spectacles or adjusting the specific curvature of the lenses for fitting onto spectacles.
Lens roughcasts	Available. The lens roughcasts would be used for the purpose of producing customised lens and as such, the customers can process the lens roughcasts to fit end users' specific parameters required. Moreover, the lens roughcasts are relatively primitive without imposing any specific corrective power in the sense that they would not be used to assemble to spectacle frame by simple processing such as cutting while the standardised lens other than the lens roughcasts are not produced and processed from the same.	Not available
Raw materials	Mixture of resin monomers, resin hardening chemicals and other relevant chemicals in specific proportion (the "**Resin Mixture**") is used for processing into standardised lenses.	We generally manufacture lens roughcasts in-house. We will purchase from other suppliers if our customers (1) require the lens with refractive index other than the existing range of refractive index of our lens (i.e. 1.499, 1.56, 1.60, 1.67 and 1.74), such as 1.59; and (2) require us to purchase specific lens roughcasts from other suppliers.

	Standardised lenses	**Customised lenses**
Manufacturing technique	Without involving fine-processing steps as required under the customised lens.	Involving fine-processing steps such as blocking, generating, polishing, engraving and protective film removal for transforming lens roughcasts into customised lenses which are tailor-made in nature.
Further processing requirement	Depending on the types of standardised lens chosen by the customers. For the lens roughcast, as these lens would be used for production of customised lens, fine-processing steps under the customised lens will be involved. For standardised lenses other than lens roughcast, they can be assembled to spectacle frames after simple processing such as cutting. Further, as these lens may be coated or not depending on the customer's requirement, further processing like coating may be taken by our customers in case they purchase the lens without coating from us. As such, it is expected that the customers will treat those lenses which require further processing as mentioned above as the semi-finished products. Based on our understanding, our customers cannot process these standardised lenses to fit end users' prescription.	Simple further processing such as cutting into required shape and assembling the cut lens with the spectacle frames.

Given that the customised lens sold by us basically can fulfill the customers' need in view of its tailor-made nature, such kind of spectacle lens would involve simple further processing such as cutting the lens and assembling the same to the spectacle frame to form spectacles which are ready to be used by the end-users. As whether our standardised lens (other than lens roughcasts) would be further processed depends on the requirement of our customers, we have limited information on the proportion of standardised lens which require further processing except simple further processing. Given that lens roughcasts are primitive in nature, our customers would have to conduct further processing. On this basis, the following table sets out the proportion of the revenue and sales volume of lens roughcast to our standardised lens during the Track Record Period for the purpose of showing the proportion of standardised lens that requires further processing (except simple processing) by our customers.

	For the year ended 31 December			For the five months ended 31 May	
	2018	2019	2020	2020	2021
	(%)	(%)	(%)	(%)	(%)
Proportion of sales of lens roughcast					
— In terms of revenue of standardised lenses	41.6	43.9	45.0	40.7	44.0
— In terms of sales volume of standardised lenses	28.5	31.2	34.0	29.7	31.1

The supply chain of our Group in the resin spectacle lens industry



Notes:

1. Supply of raw materials.

2a. Sales of resin spectacle lens without engraving of brand name on the lens products.

2b. Sales of resin spectacle lens with or without engraving of brand name on the lens products depending on their respective marketing needs.

3. Sales of spectacles.

Given that we are the spectacle lens manufacturer in the supply chain and generally have no control over the sale channel of our customers, we may not have full understanding on their sales arrangement including the downstream customers type, processing capability, settlement method and services provided. As such, the supply chain set out above principally illustrate the general understanding of the supply chain in the resin spectacle lens industry from our perspective based on (i) the Frost & Sullivan Report; and (ii) the best knowledge and belief of our Directors according to their understanding on the resin spectacle lens industry in the PRC.

According to the Frost & Sullivan Report, it is common for the spectacle lens brand owners possessing the manufacturing facilities to produce the lens products on their own. To the best knowledge of the Directors, the spectacle lens brand owners may purchase the lens products from other lens manufacturers (including us) if they consider that (i) the purchase of lens products from other lens manufacturers is commercially beneficial to them; or (ii) sometimes they are not able to produce the lens required. The spectacle lens we sell to the customers may be the standardised lens and/or customised lens depending on the customer's requirement. The spectacles lens brand owners or intermediaries may receive demands on the spectacle lens with the required parameters not available under the standardised lens from their customers. In such situation, we may sell the customised lens to them. Simple processing such as cutting and assembling to form spectacles may be conducted by us depending on the customers requirement while we would not sell the spectacle frame to the retailers. Given that we may receive purchase orders from our spectacle lens brand owners or intermediaries on our lens roughcasts or the lens with general parameters (such as the lens with refractive index but without coating), these kinds of lenses are regarded as standardised lens and those lenses may be treated as semi-finished products by our customers as they are normally required for further processing such as grinding and/or coating depending on our customers' need.

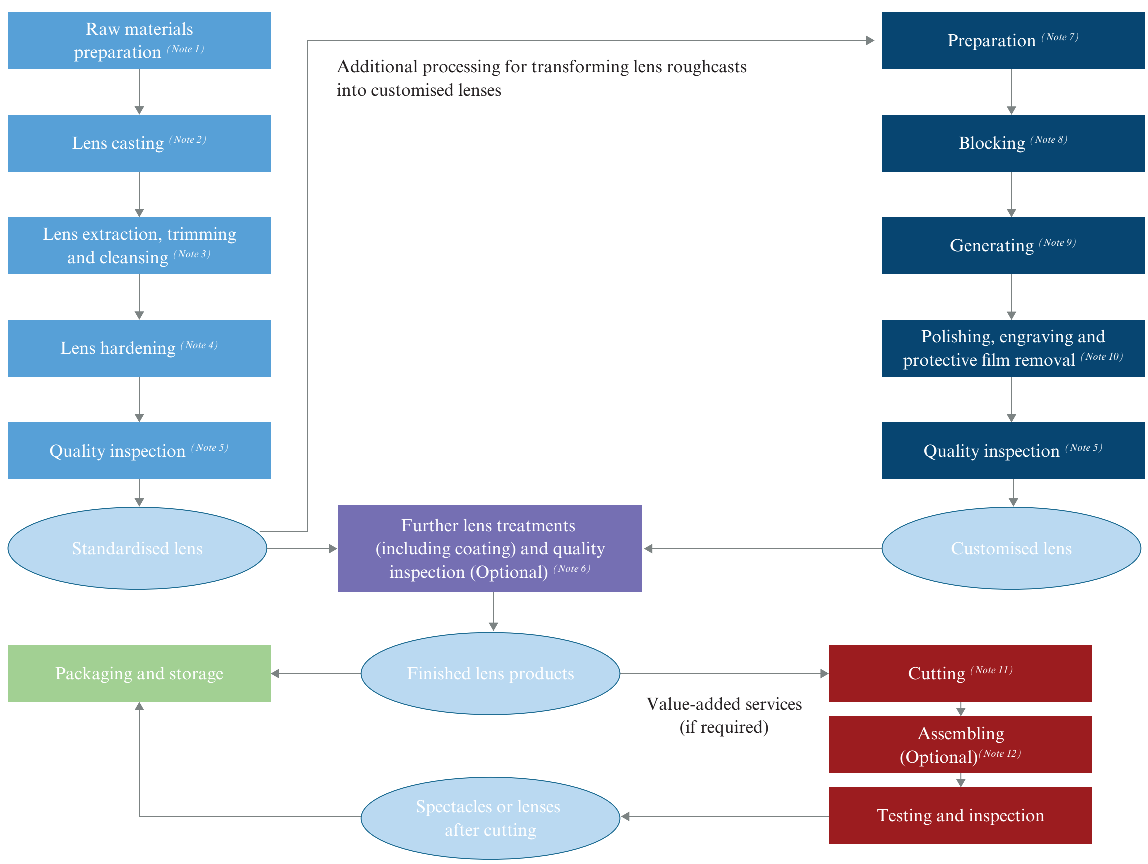
The intermediaries such as wholesalers and authorised distributors generally resell our products to other market players such as retailers. To the best knowledge of our Directors, those intermediaries normally do not conduct further processing. As the individual end users may purchase the spectacles from the retailers, to the best knowledge of our Directors, the retailers are required to conduct further processing on the lens such as cutting and assembling to form spectacles sold to them. During the sales process of the spectacles to end users, the retailers may also provide optometry services and the spectacle frames for selection to the end users. In some circumstances such as replacement of broken lens, the individual may purchase the spectacle lens from the retailers.

For the sales to the individual end users through the e-commerce platform and our retail shopfronts, we normally sell the spectacles with our lens mounted on spectacle frame to them while such spectacles are ready to use. In some circumstances such as replacement of broken lens, the individual may just purchase the spectacle lens from us. We offer standardised lens for our customers to choose during our sales of spectacles to them. If our customers request some personalised parameters (such as specific corrective power) which are not listed in our standardised lens products list, we will offer them the spectacles assembled by the customised lens. As such, the sales of spectacles to end-users may involve sales of standardised lens and customised lens depending on the customer's requirement.

PRODUCTION

Our production department considers different factors including the product type, quantity, production capacity and the availability of machineries and equipment of our respective production bases, the location of the customer, the delivery destination and the entity receiving the orders in order to determine whether the production will be carried out in (i) Shanghai Production Base; (ii) Jiangsu Production Base; or (iii) Sabae Production Base.

The following is a summary of our general production procedures:



\# Rectangle text boxes denote the production procedure whereas oval text boxes denote the products.

Notes:

1. Resin monomers, resin hardening chemicals and other relevant chemicals are mixed in a specific portion to form a mixture (the "**Mixture**"). Suitable lens moulds (front moulds and back moulds) are also retrieved from our warehouses. This process involves front and back moulds combiners and mould cleaners as the major machineries.

2. Lens moulds are set up by combining the front mould and back mould. After pouring the Mixture into the lens moulds, the lens moulds are baked to trigger chemical reactions to solidify and harden the resin, thereby forming resin lens. This process involves resin casting ovens as the major machineries.

3. Lenses are extracted from the moulds and inspected. Extracted lenses which pass the inspection are trimmed to remove irregular edges and cleansed thereafter. Used lens moulds are cleansed and inspected. Intact lens moulds will be stored for future reuse, whereas damaged lens moulds will be repaired or disposed depending on the degree of damage. This process involves lens edges milling machines (鏡邊銑磨機), mould cleaners and lens cleaners as the major machineries.

4. Lenses are baked again for hardening. This process involves lens hardeners as the major machineries.

5. Quality inspections, including transparency assessment are performed. This process could either be inspected manually or with the assistance of lens inspectors.

6. Lenses are cleansed before being tinted and/or applied with various coatings depending on the product type. Quality inspections will be performed again after the aforesaid treatments. This process could involve the lens coating machines and the lens hard coating machines (加硬機). As at the Latest Practicable Date, the lenses under this step was washed manually and we plan to acquire brush lens cleansing machines to enhance our production capacity as our business strategies.

7. Suitable lens roughcasts are retrieved from our warehouse based on the specifications and requirements of our customers. This process involves pre-blocking coating machines as the major machineries.

8. Each lens roughcast is adhered with a protective film and attached to a blocker (an attachment which sticks on the lens surface adhered with the protective film) so that the lens roughcast could be clamped and held for processing in the machines. This process involves lens blocking machines as the major machineries.

9. The lens roughcasts are roughened and shaped into spectacle lenses with corrective power according to the specifications and parameters (including special optical surface) provided by our customers. This process involves lens surface milling machines (鏡面銑磨機) as the major machineries.

10. The surfaces of the lenses are polished. Engraving (if any) is also conducted. The protective film adhered on lens roughcasts under note 8 is removed. This process involves lens polishing machines and laser engraving machines as the major machineries. As at the Latest Practicable Date, the removal of the protective film adhered on lens roughcasts under note 8 was conducted both manually and by protective film removers (撕膜機) and we plan to acquire additional protective film removers to enhance our production capacity as our business strategies.

11. Spectacle lenses are cut into appropriate shapes according to the shape of spectacle frames. This process involves lens trimmers (for spectacle frames) (割邊上架機) as the major machineries.

12. Cut spectacle lenses are inserted into spectacles frames and assembled with other spare parts such as nose pads to form a pair of spectacles.

During the production process, our production department may communicate with our customers through our sales department to clarify issue and provide feedbacks if necessary.

Our Production Bases

We fulfil our orders by manufacturing in our production bases. We have three production bases, namely (i) Shanghai Production Base; (ii) Jiangsu Production Base; and (iii) Sabae Production Base.

The table below sets out the details of our production bases as at 31 May 2021:

	Location	Approximate area *(sq.m.)*	Major production facilities	Major functions
Shanghai Production Base	Pudong New Area, Shanghai, PRC	25,441	25 front and back moulds combiners 41 resin casting ovens 2 mould cleaners 10 lens edges milling machines 1 lens cleaner 8 lens hardeners 3 lens inspectors 7 lens hard coating machines 15 lens coating machines 7 lens packaging machines	— Production of standardised lenses with refractive index of 1.60 and 1.67 *(Note 1)*
			5 pre-blocking coating machines 12 lens blocking machines 19 lens surface milling machines 34 lens polishing machines 7 laser engraving machines 5 lens hard coating machines *(Note 2)* 13 lens trimmers (for spectacle frames) 2 protective coating removal machines	— Production of customised lenses *(Note 1)*
Jiangsu Production Base	Qidong Waterfront Industrial Park* (啟東濱海工業園區), Jiangsu, PRC	66,753	132 front and back moulds combiners 243 resin casting ovens 9 mould cleaners 47 lens edges milling machines 6 lens cleaners 44 lens hardeners 10 lens hard coating machines 35 lens coating machines 37 lens packaging machines	— Production of standardised lenses with refractive index of 1.499, 1.56 and 1.74 *(Note 1)*
			4 digital control milling machines (for cold processing) 18 softening furnace (for thermoform processing)	— lens moulds production

Notes:

1. The aforesaid production of lenses includes lens coating and treatments, such as anti-scratch and hard coating.

2. The hard coating procedure for customised lenses may or may not be required depending on the specification of our customers. As such, we do not include such step as a necessary step under our production flowchart.

	Location	Approximate area *(sq.m.)*	Major production facilities	Major functions
Sabae Production Base	Sabae City, Fukui Prefecture, Japan	7,788	3 front and back moulds combiners 26 resin casting ovens *(Note 2)* 3 mould cleaners 1 lens edges milling machine 8 lens cleaners 7 lens hard coating machines 2 lens packaging machines	— Production of standardised lenses with refractive index of 1.67 and 1.74 *(Note 1)*

Notes:

1. The aforesaid production of lenses includes lens coating and treatments, such as anti-scratch and hard coating.

2. Resin casting ovens in Sabae Production Base integrate the function of lens hardeners on baking the lens for hardening. As such, there is no lens hardeners in Sabae Production Base.

3. There is no lens coating machines in Sabae Production Base as such production procedure was processed by third parties.

Although each of our production bases is designated to produce the standardised lens with specific refractive index as disclosed in the table above, our production facilities for the standardised lenses may be adjusted to produce the standardised lenses with other refractive index principally by way of (i) adjusting the mixtures; (ii) using other suitable lens moulds; and (iii) adjusting the processing time such as the baking time for solidification and hardening, depending on the types and specification of the products required. Due to the tailor-made nature of the customised lenses which may involve more requirement and specification that the production facilities for the standardised lenses may not support such as a specific eyeglass prescription which does not exist in the standardised lens, we would not adjust the production facilities of standardised lenses to produce the customised lenses. On the other hand, as the customised lenses are made based on the lens roughcasts produced by the production facilities of the standardised lens, the production facilities of the customised lenses are the additional facilities to the production facilities of standardised lenses.

As at the Latest Practicable Date, we owned a variety of production equipment and machineries which are material to our production process. Our Group conducts regular maintenance on our machinery and equipment, including checking for normal wear and tear, and proper functioning of the machinery and equipment. Maintenance costs incurred for production machinery and equipment for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 were approximately RMB3.0 million, RMB3.1 million, RMB3.0 million and RMB1.0 million, respectively.

Our major production equipment and machineries generally have useful lives of approximately five to ten years. Based on our experience, such useful lives may be extended for longer period with appropriate repair and maintenance. In determining the useful life and residual value of our production equipment and machineries, we consider various factors, such as changes in market demand, production process and techniques and expected usage of the production equipment and machineries. The estimation of the useful life of production equipment and machineries is generally based on our experience with similar production equipment and machineries that are used in a similar way. As at 31 May 2021, the average useful life of our major equipment and machineries ranged from approximately five to ten years. We shall replace the production equipment and machineries when we deem appropriate, taking into account the condition and efficiency of the equipment and machineries and whether new equipment and machineries are required in view of new technology. We did not experience any material or prolonged interruptions to our production process due to equipment or machinery failure during the Track Record Period.

The following table sets forth the estimated annual production capacity, actual annual production volumes and approximate utilisation rate of our Shanghai Production Base, Jiangsu Production Base and Sabae Production Base during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2018	**2019**	**2020**	**2021**
Shanghai Production Base (standardised lenses)				
Estimated annual production capacity *(pieces)* *(Note 1)*	18,057,194	17,977,374	20,126,304 *(Note 3)*	8,814,052
Actual annual production volume *(pieces)* *(Note 2)*	16,040,267	15,524,656	17,204,243	8,153,067
Approximate Utilisation rate *(%)* *(Note 3)*	88.8	86.4	85.5	92.5
Shanghai Production Base (customised lenses)				
Estimated annual production capacity *(pieces)* *(Note 1)*	2,823,836	2,979,629	4,263,022 *(Note 4)*	1,981,728
Actual annual production volume *(pieces)* *(Note 2)*	2,537,617	2,668,100	3,632,069	1,929,521
Approximate Utilisation rate *(%)* *(Note 3)*	89.9	89.5	85.2	97.4

	For the year ended 31 December			For the five months ended 31 May
	2018	2019	2020	2021
Jiangsu Production Base (standardised lenses)				
Estimated annual production capacity *(pieces)* *(Note 1)*	96,852,845	117,092,748	118,953,077	49,204,780
Actual annual production volume *(pieces)* *(Note 2)*	86,951,872	113,100,438	107,368,182	44,926,576
Approximate Utilisation rate *(%)* *(Note 3)*	89.8	96.6	90.3	91.3
Sabae Production Base (standardised lenses)				
Estimated annual production capacity *(pieces)* *(Note 1)*	2,533,186	3,103,893	2,361,000 *(Note 5)*	1,154,003
Actual annual production volume *(pieces)* *(Note 2)*	2,560,010	2,841,798	2,065,574	1,132,888
Approximate Utilisation rate *(%)* *(Note 3)*	101.1 *(Note 6)*	91.6	87.5	98.2

Notes:

1. For illustration purpose, the estimated annual production capacity for each of the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 was calculated by using the maximum monthly production volume divided by the number of days of operations in the particular month; and multiplied by the number of days of operation (taking into account the number of public holidays and days required for repair and maintenance of the equipment and machineries if and when appropriate), in a particular year/period (in the case of five months ended 31 May 2021). The estimated annual production capacity is derived from the aforesaid calculation basis and the actual production capacity depends on a number of factors such as efficiency of the production facilities, types of products to be manufactured and complexity of the products.

2. For the categorisation of spectacle lens in terms of production, please refer to the paragraph headed "Difference between standardised lenses and customised lenses" in this section.

3. The utilisation rate is calculated as the actual production volume for the year/period (in the case of five months ended 31 May 2021) divided by the estimated annual production capacity.

4. The increase in estimated annual production capacity of standardised lenses at Shanghai Production Base for the year ended 31 December 2020 was primarily due to the acquisition of a number of production equipment in 2020, which accounted for the corresponding decrease in utilisation rate for the year ended 31 December 2020.

5. The increase in estimated annual production capacity of customised lenses at Shanghai Production Base for the year ended 31 December 2020 was primarily due to the acquisition of a number of production equipment in 2020, which accounted for the corresponding decrease in utilisation rate for the year ended 31 December 2020.

6. The decrease in the estimated annual production capacity of standardised lens at Sabae Production Base for the year ended 31 December 2020 was primarily due to the outbreak of COVID-19 resulting in the reduction of (i) the number of days of operation owing to the short-term suspension of production from April to May 2020; and (ii) production volume, which accounted for the corresponding decrease in utilisation rate for the year ended 31 December 2020.

7. For the year ended 31 December 2018, the utilisation rate of our Sabae Production Base reached 101.1% because in the month which had the maximum monthly production volume in that year, our manufacturing workers were working overtime which our Sabae Production Base was operating on extra days. Hence, the number of days of operation in that month was higher but our actual production volume on those extra days of operation could be less than the actual production volume on a normal working day. After annualising our daily production volume in that month, our actual annual production volume exceeded our theoretical estimated annual production capacity as a result.

Recent power restrictions

On 15 September 2021, our Company received an urgent notice on the power restrictions and electricity supply issued by Qidong Power Control Work Unit Office* (啟東市節能工作領導小組辦公室), pursuant to which, corporations with certain operating scale shall implement power control policies, including but not limited to, either (i) maintain normal operation for three days and suspend operation for four days or (ii) maintain normal operation for six days and suspend operation for eight days, affecting period commencing from 16 September 2021 to 30 September 2021. The electricity supply for routine maintenance was unaffected.

Accordingly, our Jiangsu Production Base maintained normal operation from 16 September 2021 to 22 September 2021 and suspended operation of large production equipment and machinery from 23 September 2021 to 30 September 2021 (the "**Affected Period**"). In order to mitigate the impact of the aforesaid restrictions on our operation, we carried out the following measures:

1. We carried out production procedures which involved large production equipment and machinery, such as lens hardening, to the largest extent possible, before the commencement of the Affected Period, and maintained the routine operation on the production procedures which did not involve large production equipment and machinery, such as quality inspection, cleansing and packaging during the Affected Period;

2. We arranged our Shanghai Production Base, which is not subject to any power restrictions, to accommodate some of the production need involving large production equipment and machinery on an urgent basis;

3. We carried out repair and maintenance work on our large production equipment and machinery during the Affected Period in order to increase their production efficiency when electricity resumed; and

4. In view of the long public holidays of National Day in the PRC, our Company made adjustment on the day-off arrangement of some of our staff working at Jiangsu Production Base, such that they could have day off in advance of the National Day holidays during the Affected Period and resume to work when electricity resumed.

As at the Latest Practicable Date, we did not receive further notice on the power restrictions and electricity supply from relevant government authorities.

To cope with potential power shortage and rationing in the PRC, we will principally adopt the following measures as contingency:

1. At the time of limited power supply, we shall re-arrange the production schedule to avoid overloading of electricity at the peak production period; and

2. We shall coordinate the production schedule among our production bases such that production base which is not subject to any power restrictions could accommodate some of the production need.

Our production volume and sales volume in the Jiangsu Production Base recorded a decrease of approximately 33.6% and 8.3% for standardised lenses for September 2021 as compared to that for September 2020, respectively. Notwithstanding the aforesaid decrease of the production volume and sales volume, our Group's revenue recorded an increase of approximately 0.2% for September 2021 as compared to that for September 2020.

Further, our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, there was no material disruption or delay in the supply chain and delivery of raw materials to us by our suppliers nor substantial delay in delivery of our products to our customers, as a result of the aforesaid power restrictions.

In view of (i) the fact that our two other production bases, being Shanghai Production Base and Sabae Production Base, remained unaffected; (ii) the fact that we fulfilled part of our sale orders with products retrieved directly from our existing inventories; (iii) the above mitigating measures we adopted; and (iv) we did not receive further notice on the power restrictions and electricity supply from relevant government authorities as at Latest Practicable Date, our Directors consider the aforesaid power restrictions did not have a material impact on our business operation as at Latest Practicable Date.

CUSTOMERS

During the Track Record Period and up to the Latest Practicable Date, we sold our resin spectacle lenses to over 80 countries (including the PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil).

The following table sets out information about our revenue by our customer's geographical location for the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
• Asia (except the PRC) *(Note 1)*	314,528	36.9	397,903	37.5	291,541	26.7	115,604	31.7	135,763	25.2
• PRC	125,649	14.7	168,917	16.0	260,376	23.8	84,933	23.3	135,151	25.1
• United States	153,173	17.9	159,035	15.0	203,758	18.6	67,225	18.5	101,790	18.9
• Europe *(Note 2)*	129,981	15.2	148,212	14.0	144,886	13.3	38,669	10.6	69,060	12.8
• Americas *(Note 3)* (except the United States)	76,797	9.0	99,152	9.4	101,800	9.3	27,130	7.5	50,445	9.4
• Africa *(Note 4)*	34,670	4.1	49,393	4.7	52,986	4.8	18,500	5.1	24,967	4.6
• Oceania *(Note 5)*	18,962	2.2	36,234	3.4	37,817	3.5	12,081	3.3	20,747	4.0
Total	853,760	100.0	1,058,846	100.0	1,093,164	100.0	364,142	100.0	537,923	100.0

Notes:

1. Our sales to the Asia include, among others, sales to India, Thailand, Japan, South Korea and Philippines but exclude the PRC.

2. Our sales to Europe include, among others, sales to Spain, Russia, Netherlands, Germany and Italy.

3. Our sales to the Americas include, among others, sales to Mexico, Argentina and Brazil but exclude the United States.

4. Our sales to Africa, include, among others, sales to South Africa.

5. Our sales to Oceania include, among others, sales to Australia.

Our customers comprise mainly (i) spectacle lens brand owners which include international ophthalmic optics companies; (ii) wholesalers which primarily on-sell our products to other market players including retailers; (iii) retailers which include eyewear stores and ophthalmology clinics; (iv) our authorised distributors; and (v) individual end-users which include the customers originated from the e-commerce platforms, the three retail shopfronts at our Shanghai Production Base and Jiangsu Production Base and in Nantong City, Jiangsu Province and an ophthalmology clinic at a hospital in Qidong City, Jiangsu Province and on-site optometry services and spectacles sales to some corporations. Since the wholesalers purchase our products for their own account and then resell our products at their own discretion on how and to whom they resell, we do not deem them as our distributors. For detailed analysis on the wholesalers, please refer to the paragraph headed "Customers — Wholesalers" in this section. Occasionally, we also sold our products to individual end-users through e-commerce platforms in the PRC and the retail shopfronts. In view of our position in the resin spectacle lens industry value chain, it is within the industry practice for us to have such customer base based on Frost & Sullivan Report. The following table sets out information about our revenue and gross profit by customer type for the Track Record Period:

	For the year ended 31 December												For the five months ended 31 May							
	2018				2019				2020				2020				2021			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
													(unaudited)							
Spectacle lens brand owners(Note 1)	448,554	52.5	129,693	28.9	570,510	53.9	174,872	30.7	562,664	51.4	175,465	31.2	185,837	51.0	50,632	27.2	259,072	48.2	75,796	29.3
Wholesalers(Note 2)	195,247	22.9	53,701	27.5	228,534	21.6	73,993	32.4	260,891	23.9	92,161	35.3	85,351	23.5	29,289	34.3	147,446	27.4	50,492	34.2
Retailers(Note 3)	145,633	17.1	54,679	37.6	176,420	16.7	70,667	40.1	206,778	18.9	92,505	44.7	72,143	19.8	32,613	45.2	104,763	19.5	45,884	43.8
Authorised distributors	60,469	7.1	20,623	34.1	78,838	7.4	27,331	34.7	58,679	5.4	18,750	32.0	19,676	5.4	7,035	35.8	24,354	4.5	8,712	35.8
Individual end-users(Note 4)	3,857	0.5	2,644	68.5	4,544	0.4	3,015	66.4	4,152	0.4	3,169	76.3	1,135	0.3	872	76.8	2,288	0.4	1,772	77.4
Total	853,760	100.0	261,341	30.6	1,058,846	100.0	349,878	33.0	1,093,164	100.0	382,051	35.0	364,142	100.0	120,441	33.1	537,923	100.0	182,656	34.0

Notes:

1. Spectacle lens brand owners include international ophthalmic optics companies.

2. Wholesalers primarily on-sell our products to other market players including retailers.

3. Retailers include eyewear stores and ophthalmology clinics.

4. Individual end-users include the customers originated from the e-commerce platforms, the retail shopfronts and on-site optometry services and spectacles sales to some corporations.

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, we had 76, 86, 86 and 73 spectacle lens brand owners and 1,986, 2,490, 2,817 and 2,256 retailers respectively.

The following table sets out the number and movement of our customers which are our authorised distributors and wholesalers during the Track Record Period:

	Authorised distributors			Wholesalers	Total
	PRC	Overseas	Total		
As at 1 January 2018	37	12	**49**	**339**	**388**
Addition during the year	32	1	**33**	**98**	**131**
Reduction during the year	0	5	**5**	**31**	**36**
As at 31 December 2018	69	8	**77**	**406**	**483**
As at 1 January 2019	69	8	**77**	**406**	**483**
Addition during the year	27	1	**28**	**116**	**144**
Reduction during the year	20	0	**20**	**52**	**72**
As at 31 December 2019	76	9	**85**	**470**	**555**
As at 1 January 2020	76	9	**85**	**470**	**555**
Addition during the year	6	0	**6**	**129**	**135**
Reduction during the year	12	1	**13**	**162**	**175**
As at 31 December 2020	70	8	**78**	**437**	**515**
As at 1 January 2021	70	8	**78**	**437**	**515**
Addition during the period	0	0	**0**	**31**	**31**
Reduction during the period	15	3	**18**	**108**	**126**
As at 31 May 2021	55	5	**60**	**360**	**420**

Note: For the illustrative purpose, the above table shows only the number and movement of our authorised distributors and wholesalers which primarily on-sell our products to other market players including retailers.

The turnover rates of our authorised distributors were 10.2%, 26.0%, 15.3% and 21.8% as at 31 December 2018, 2019 and 2020 and 31 May 2021 respectively. The turnover rates of our wholesalers were 9.1%, 12.8%, 34.5% and 24.7% as at 31 December 2018, 2019 and 2020 and 31 May 2021 respectively. Such turnover rates were calculated by dividing the reduction in the number of our authorised distributors/wholesalers (as the case may be) during the year/period (as the case may be) by the number of our authorised distributors/wholesalers (as the case may be) as at the beginning of the year/period and multiplied by 100%. During the Track Record Period, to the best knowledge of the Directors, parting ways with us were the commercial decisions of some of the distributors/wholesalers (as the case may be). These distributors who ceased cooperation with us in 2019, 2020 and 2021 only accounted for approximately 0.8% of the total amount of our revenue for the three years ended 31 December 2018, 2019 and 2020 and whereas the wholesalers who ceased cooperation with us in 2019, 2020 and 2021 only accounted for approximately 3.5% of the total amount of our revenue for the three years ended 31 December 2018, 2019 and 2020.

Sales Arrangement

We principally have the sales arrangements with our customers through (i) the sales framework agreements or one-off sales agreements entered into with the customers; (ii) purchase orders placed by the customers; (iii) distributorship agreements with the authorised distributors; and (iv) retail channels with the individual end-users.

(i) Sales framework agreements or one-off sales agreements

For the domestic sales in the PRC, we preferably enter into sales framework agreements with spectacle lens brand owners, wholesalers and retailers in order to strengthen the business relationship with them. The sales framework agreements normally sets out, among others, prices, product quality requirement and settlement and delivery arrangement. We may sometimes impose (i) the sales commitment on the customers with the provision of sales discounts if they can satisfy such commitment; and (ii) geographical sales restriction to avoid any reselling of the products to other regions. Even though sales framework agreements have been entered into, our customers still require to place individual purchase orders with us when they need our products. During the Track Record Period, as confirmed by our Directors, there had not been any material breach of any of the sales framework agreements on our part and that all such sales framework agreements are legally binding.

On the other hand, new customers or the customers who do not purchase our products frequently which are often retailers, in the PRC, we may also enter into one-off sales agreements with them on an order-by-order basis and those agreements normally contain details including: (i) the specifications of the products; (ii) selling price and quantity; (iii) delivery time and method; and (iv) payment methods.

(ii) Purchase orders

Even though sales framework agreements or distributorship agreements have been entered into, our customers still require to place individual purchase orders with us when they need our products. Further, given that we sell our products to numerous countries and it may be difficult for us to enter into the sales agreements with customers in various locations, we accept the purchase orders placed by the customers without agreement to sell our products. Such purchase orders are normally placed through (i) non-e-commerce platforms such as email and the online ordering portal; and (ii) e-commerce platforms which include some of the most established online shopping platforms in the PRC. Given that we also operate shopfronts, some orders arising from the individual end-users are received from such channel. As such, we receive purchase orders from our customers, including spectacle lens brand owners, wholesalers, retailers, authorised distributors and individual end-users. The purchase orders normally include similar business details as the one-off sales agreements.

Based on the Frost & Sullivan Report, it is the industry norm for the resin spectacle lens manufacturers in the PRC with global sales to have the sales arrangement through receiving the purchase orders from their customers.

(iii) Distributorship agreements

Given that we have sold our products to the authorised distributors, distributorship agreements have been entered into with them. For detailed salient terms of our distribution agreements, please refer to the paragraph headed "Customers — Salient Terms of Our Distribution Agreements" in this section.

(iv) Retail channels

We have also established direct distribution channels by offering eyewear with our resin spectacle lens under our own brand directly to individual end users at the retail shopfronts of our Shanghai Production Base and Jiangsu Production Base, one physical eyewear store which is located in the prime location in Nantong City, Jiangsu Province and an ophthalmology clinic at a hospital in Qidong City, Jiangsu Province, as well as through major e-commerce platforms in the PRC.

Wholesalers

Notwithstanding the intermediary status of the wholesalers in the industry value chain and that they resell our lens products to the others, having considered our business intention and the substance of the business relationship with them, the type and level of risk and control, we do not deem them as our authorised distributors on the following basis:

(i) no agreement has been entered into with the wholesalers for the purpose of creating a distributorship business model;

(ii) we have no control over the wholesalers in relation to their subsequent sales;

(iii) we do not impose any minimum purchase amount on the wholesalers, failing which certain penalties might follow;

(iv) risk and ownership of our products pass when their products are shipped on FOB basis or the wholesalers accept their products;

(v) no product return of unsold quantities is allowed for the wholesalers and no such product was returned during the Track Record Period; and

(vi) generally wholesalers use purchase order to place orders with us, which contain similar particulars as those used by spectacle lens brand owners and retailers.

Authorised distributors

In view of our midstream position as the resin spectacle lens manufacturer in the industry value chain and for the purpose of making use of the sales network of distributors, we had more than 60 authorised distributors as at 31 May 2021, with distribution channels, among others, in the PRC, Germany, India, Korea, Indonesia, Malaysia, Australia and Canada, and had entered into distribution agreements with all our authorised distributors through our operating subsidiaries in the PRC and Japan. Based on Frost & Sullivan Report, the adoption of the distributorship model by the resin spectacle lens manufacturer is in the industry norm in the PRC. The following table sets out information about our revenue attributable to our authorised distributors by geographical location for the Track Record Period:

	For the year ended 31 December									For the five months ended 31 May		
	2018			2019			2020			2021		
	RMB'000	*% of the total revenue*	*% of the revenue attributable to our authorised distributors*	*RMB'000*	*% of the total revenue*	*% of the revenue attributable to our authorised distributors*	*RMB'000*	*% of the total revenue*	*% of the revenue attributable to our authorised distributors*	*RMB'000*	*% of the total revenue*	*% of the revenue attributable to our authorised distributors*
								(unaudited)				
PRC	16,832	2.0	27.8	26,177	2.4	33.2	20,472	1.9	34.9	7,522	1.4	30.9
Overseas	43,637	5.1	72.2	52,661	5.0	66.8	38,207	3.5	65.1	16,832	3.1	69.1
Total	60,469	7.1	100.0	78,838	7.4	100.0	58,679	5.4	100.0	24,354	4.5	100.0

Relationship with our authorised distributors

Under our distributorship model, our distributors will, based on their understanding of the downstream customers' need, place purchase orders to us specifying the products required, specifications, quantity, delivery date and location. The purchase price shall accord with the price as stipulated in the annex to the distribution agreement (or such annex supplemented from time to time). For the overseas distributors, the ownership and control of our products will be transferred to our distributors on the basis of FOB (i.e. when the goods are loaded on board at the port of shipment), whilst for the PRC distributors, the ownership and control will be transferred to our distributors upon acknowledgement of receipt of the products by our distributors or the third-party courier companies or any such person as nominated by them. We will recognise the revenue at the point of transfer of the ownership and control of our products to the distributors.

Save for product return of defective products, subject to certain conditions, some of our distributors are allowed to return unsold quantities under exceptional circumstances such as (i) the discontinuation of the sale of products or change contents or packaging thereof and we fail to notify our distributors in writing six months prior to such discontinuance or change of products; or (ii) upon termination of the distributorship agreements by both parties under normal condition. Such product return policies are in line with the industry practice according to Frost & Sullivan Report.

To the best of our knowledge, the downstream customers will place orders with our distributors who will then be responsible for delivering the products to the designated location of the downstream customers.

Our Directors confirm that, to the best of their knowledge, our authorised distributors during the Track Record Period are all Independent Third Parties, and none of our current or former employees has control or interests in our authorised distributors and none of our authorised distributors received any material advances or financial assistance from us. Our authorised distributors are authorised to use the name, trademark and trade names of our Group company during the term of the respective distributorship agreement without modification but may not employ the same as part of the authorised distributor's corporate or business name. The rights conferred on our authorised distributors shall terminate upon termination of the respective distributorship agreement. Our authorised distributors are also required to inform us of any infringement of intellectual property rights of our Group and take steps to protect our intellectual property rights.

Leveraging on the authorised distributors' local relationships, knowledge and networks, our Directors believe our distributorship model facilitates our brand building initiatives. With the designated sales area within which they could sell our products, our distributorship model enhances efficient distribution of product in different parts of the world and prevent direct competition amongst our customers themselves and allows us to achieve and extend our reach to consumers with a comparatively lower level of costs and human resources.

Under our distributorship model, revenue is recognised at the point of transfer of the ownership and control of our products to our authorised distributors. In addition, except for defective products and some exceptional circumstances, our authorised distributors are not allowed to return or exchange products. Given the risk and control of our products are transferred (and therefore our revenue is recognised) at the time when our authorised distributors accept our products or on the basis of FOB, our Directors consider that our distributors have a buyer and seller relationship with us.

Selection criteria of our authorised distributors

In selecting our authorised distributors, we generally take into account the following criteria:

(1) their geographical coverage and regional influence;

(2) their reputation, track record and industry experience;

(3) their business scale (such as annual turnover and number of employees);

(4) their creditworthiness and their financial resources;

(5) whether they hold a valid business licence; and

(6) their future development plan.

Salient terms of our distribution agreements

Our authorised distributors are required to comply with the distribution agreements they entered into with us. The salient terms of our distribution agreements with our authorised distributors are normally as follows:

Parties	:	Our Group company; and Our distributor
Term	:	For distributors engaged by Asahi Optical: Three to ten years (subject to automatic renewal on a yearly basis unless prior notice by either party) For distributors engaged by our PRC subsidiaries: Approximately one to two years and will be automatically renewed unless any party has objection

Role of our Group	:	• to manufacture products according to the purchase orders submitted by our distributors; and
		
		• to deliver our products to in such way as designated by our distributors,
		
		  • for distributors engaged by Asahi Optical: on the basis of FOB
		
		  • for distributors engaged by our PRC subsidiaries: direct delivery; delivery to the third-party courier companies or any such person as nominated by the distributors
		
		• to exchange information considered necessary or appropriate for the sale with the distributors from time to time.

Role of our authorised distributor :

- to place purchase orders specifying products required, specifications, quantity, delivery date and place and satisfy the minimum purchase amount;
- to inspect the quantity and quality of our products upon delivery;
- to acknowledge and/or protect the intellectual property (including the patents, utility models, trademarks and design of and relating to the products) as the exclusive property of our Group company and may use the name, trademark and trade names of our Group company in the identical form and usage as made by our Group company itself but may not employ the same as part of the authorised distributor's corporate or business name;
- additional role of some of the distributors engaged by our PRC subsidiaries:
    - not to sell the products at a lower price designated by our Group company;
- additional role of the distributors engaged by Asahi Optical:
    - to exchange information considered necessary or appropriate for the sale with our Group company from time to time;
    - in some cases, to advertise and promote the sale of products;
    - in some cases, to establish and maintain a fully staffed force of sales personnel and have them on call on customers on a regular basis as frequently as is required by good business practices.

Designated sales area	:	For distributorship agreement entered into by Asahi Optical[(note)], all of our distributors are assigned a designated area in which they are allowed to sell our products and they cannot sell our products outside the designated area. For distributors engaged by our PRC subsidiaries, almost all of the distributorship agreement provided for designated sales area. To minimise the risk of cannibalization, when selecting our distributors, we take into consideration their respective geographic coverage as well as distribution channels in order to avoid potential competition among the distributors within a region.

Ownership and risk transfer	:	• the ownership and control and all risks associated with our products will be transferred to our distributors:
		
		  • for distributors engaged by Asahi Optical: on the basis of FOB (i.e. when the goods are loaded on board at the port of shipment)
		
		  • For distributors engaged by our PRC subsidiaries: upon acknowledgement of receipt by them or the third-party courier companies or any such person as nominated by the distributors
		
		• we do not bear any liabilities arising from the sales and delivery of our products by our distributors to their downstream customers.

Note: As at 31 December 2018, 2019 and 2020 and 31 May 2021, Asahi Optical entered into distributorship agreements with 8, 7, 8 and 7 distributors respectively. None of these distributorship agreements contain a clause which restricts the selling price of our products by these distributors.

Product return policies : For distributors engaged by Asahi Optical:

- defective product return;
- (in some cases) product return of unsold quantities in the event that:
  - the Group company (i) discontinues the sale of products or change contents or packaging thereof and (ii) the Group company fails to notify the distributors in writing six months prior to such discontinuance or change of products; or
  - upon termination of the distributorship agreements by both parties under normal condition,

  on the following conditions:

  - quantities returned shall not exceed the two months sales quantity calculated based on the three months actual sales result prior to three months;
  - products which have passed more than three years since receipt cannot be returned; and/or
  - the distributors shall try to reduce the remaining quantities as much as possible.

For distributors engaged by our PRC subsidiaries: defective product return only

Credit term : Some of our distributors are required to pay in advance whilst others are granted a credit terms of 30 days or allowed to pay at the end of the following month (as the case may be).

Sales target and incentive scheme	:	For distributorship agreements entered into by Asahi Optical, a majority of which contain certain sales target specified for our distributors. In the event that our distributors could meet the sales target, our Group company shall pay them sales rebate which amounted to certain percentage of the products supplied by us. We included sales target for these distributors in order to provide more incentive to these distributors to increase their sales effort to distribute our products. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the total amount of sales rebate granted to our authorised distributors amounted to approximately RMB2.3 million, RMB2.7 million, RMB1.7 million and RMB1.9 million respectively. For distributors engaged by our PRC subsidiaries, we did not include any sales target in our distributorship agreement.
Minimum purchase amount	:	For distributorship agreements entered into by Asahi Optical, only less than half of the distributorship agreements stipulate that in the event that our distributors fail to meet the minimum purchase amount by certain threshold, our Group company shall be entitled to (i) a claim amount of certain percentage of the whole or outstanding minimum purchase amount during the said period (as the case may be) (for overseas distributors); (ii) cancel the sales rebate or credit amount granted to the distributors (for PRC distributors); and/or (iii) terminate the distributorship agreement. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the total amount of claims made by our Group as a result of our authorised distributors failing to meet the minimum purchase amount amounted to approximately RMB49,000, RMB16,000, nil and nil respectively. For distributors engaged by our PRC subsidiaries, almost all of the distribution agreements provided for minimum purchase amount.

Transportation costs	:	• For distributors engaged by Asahi Optical: on the basis of FOB • For distributors engaged by our PRC subsidiaries: we are responsible for the transportation costs if the purchase volume of standardised lens and/or customised lens meets a certain threshold
Sub-distribution	:	There is no relevant clause governing sub-distributors.
Access to information	:	Our distributors may exchange information considered necessary or appropriate for the sale with our Group company from time to time[(Note)].
Confidentiality	:	Our overseas distributors undertake that they would not disclose any of the important matters concerning the business affairs and transactions covered in the agreement to any third party.
Termination	:	Either party may terminate the distribution agreement upon mutual agreement or when there is any breach (which is not rectified within the prescribed period of time, if applicable) of the distribution agreement (as the case may be).

Note: Our distributors may provide market information such as consumer's preference trend and feedback on our products to us from time to time.

As Asahi Optical had already included certain salient terms such as designated sales area, sales target and minimum purchase amount in distributorship agreements with its distributors at the time of acquisition of Asahi Optical by the Group in 2013, we generally follow such arrangement in the distributorship agreements subsequently entered into by Asahi Optical. This accounted for the difference in some of the terms of the distributorship agreements entered into by Asahi Optical and our PRC subsidiaries. For instance, for a majority of the distributors engaged by Asahi Optical, they have sales target whereas the distributors engaged by our PRC subsidiaries do not have such requirements.

All the distributorship agreements currently entered into with our distributors are governed by either the PRC law or Japanese law. As confirmed by our PRC Legal Advisers and Japan Legal Advisers, the distribution agreements with the governing laws of PRC and/or Japan (as the case may be) we entered into with our authorised distributors do not contravene any applicable laws and regulations in relevant jurisdictions in any material respects and are legally binding.

Management of our distributors

We have implemented the measures below to manage our distributors:

1. We have entered into distributorship agreements with our distributors to govern our transactions with them and to manage our distributors efficiently in a systematic manner;

2. According to our distributorship agreements, some of our distributors are assigned a designated area in which they are allowed to sell our products and they cannot sell our products outside the designated area. They also undertake not to resell our products at a lower price designated by us; and

3. Under some of our distributorship agreements, there are certain minimum purchase amount specified for our distributors. In the event that our distributors could meet the sales target, we shall pay them sales rebate which amounted to certain percentage of the products supplied by us to incentivise them to boost the sales of our products. The sales rebate will be settled on a quarterly or half-yearly basis upon evaluation of the total purchase during the said period. In some cases, in the event that our distributors fail to settle the product invoices within the specified period for more than two times, we are entitled to forfeit the sales rebate even the required sales target has been fulfilled.

Mitigation of the risk of cannibalisation

To mitigate the risk of cannibalisation, we have taken the following measures: (i) according to our distributorship agreements, some of our authorised distributors are assigned a designated area in which they are allowed to sell our products; (ii) when selecting our authorised distributors, we would take into consideration their distribution network in order to minimise potential competition among our authorised distributors within the same region; (iii) our authorised distributors shall not sell our products at prices lower than their purchase costs; and (iv) when there is any material breach of our distributorship agreements on the part of our authorised distributors, we have the right to unilaterally terminate the agreement. We have also adopted internal control measures whereby (i) we review the terms of our distributorship agreement with the aim to mitigate the risk of cannibalisation and monitor the implementation of terms by assigning a designated area in which our distributors are allowed to sell our production; (ii) we also review the selection of authorised distributors to ensure that the authorised distributors selected will not impose any material risk of potential cannibalisation; and (iii) we also obtain market feedbacks from our authorised distributors on any allegation of suspected cannibalisation and conduct further enquiry if necessary. In view of the relatively insignificant revenue contribution by our authorised distributors of approximately 7.1%, 7.4%, 5.4% and 4.5% of our total revenue during the Track Record Period and the fact that we have taken measures on cannibalisation for years and we have not noticed any significant impact on our financial performance since the implementation of such measures, our Directors do not expect such measures would have any material impact on our future financial performance.

During the Track Record Period, as confirmed by our Directors, there had not been any material breach on our part nor premature termination of any distributorship agreement entered into with any distributors.

We shall enquiry the inventory level of our authorised distributors by way of written confirmation to monitor the inventory level of our authorised distributors.

Our Directors considers that it is unlikely for "channel-stuffing" to occur based on the followings internal control measures adopted by us:

(i) we monitor our sales level to the authorised distributors to see if there is any unusual movements on the sales pattern to the authorised distributors and in practice we review sales records to the authorised distributors before we process new purchase order;

(ii) we compare our direct sales to the countries where we have authorised distributors with the sales to relevant authorised distributors to see if the sales trend to relevant authorised distributors is consistent with our direct sales to relevant countries. If there is any inconsistency, we make enquires with the authorised distributors where necessary; and

(iii) we include a clause in our distributorship agreement which allows us to monitor the inventory level of our authorised distributors and in practice we make enquiries with our authorised distributors on their inventory level from time to time.

Except for defective products and some exceptional circumstances, our authorised distributors are not allowed to return or exchange products. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the total product return rate (including that of defective product returned) amounted to approximately 0.7%, 0.2%, 0.3% and 0.1% of the total sales volume respectively and the total amount of returned product (including that of defective product returned) amounted to approximately 0.70%, 0.14%, 0.24% and 0.14% of the total revenue respectively.

Our Directors believe that our current mode of operation is sufficient to prevent "channel-stuffing" by our distributors because all of our distributors are Independent Third Parties, who take title of our products.

Our major customers

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the aggregate revenue attributable to our top five customers were approximately RMB291.1 million, RMB371.7 million, RMB354.4 million and RMB170.5 million, which accounted for approximately 34.1%, 35.1%, 32.4% and 31.7% of our total revenue, respectively. For the same periods, revenue attributable to our largest customer in each period during the Track Record Period was approximately RMB131.8 million, RMB155.2 million, RMB132.5 million and RMB55.5 million, which accounted for approximately 15.4%, 14.7%, 12.1% and 10.3% of our total revenue, respectively. As at the Latest Practicable Date, we had established a relationship with our five largest customers during the Track Record Period ranging from four to ten years.

The table below sets out the revenue from our Group's top five customers based on the ranking in respect of revenue generated by our Group during the Track Record Period:

For the year ended 31 December 2018

Rank	Customer	Principal business activities	Customer type	Major type(s) of products provided by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers	Payment method	Revenue	As percentage of revenue
								(RMB'000)	*(%)*
1	Customer A *(Note)*	Supplier of medical products, specialised in the fields of healthcare and information technology providing, among others, eyeglasses, medical endoscopes, intraocular lenses, optical lenses. Headed by a holding company listed on the Tokyo Stock Exchange	Spectacle lens brand owner	Standardised resin spectacle lenses	10	45 days from invoice date	Bank transfer	131,796	15.4
2	Customer D *(Note)*	A Hong Kong-based manufacturer of optical lenses with prescriptions in Asia and an authorised dealer of multiple global brands	Spectacle lens brand owner	Standardised resin spectacle lenses	8	60 days from invoice date	Bank transfer	49,033	5.7
3	Customer B	A PRC manufacturer of eye glasses under a United States company, which is an online retailer of prescription eyeglasses and sunglasses	Spectacle lens brand owner	Standardised resin spectacle lenses	7	30 days from invoice date	Bank transfer	47,580	5.6
4	Customer C	An India-based ophthalmic product manufacturers in Asia	Spectacle lens brand owner	Standardised resin spectacle lenses	10	70 days from invoice date	Bank transfer	36,589	4.3
5	Customer E	A United State-based manufacturer of spectacle lenses	Spectacle lens brand owner	Standardised resin spectacle lenses	8	90 days from invoice date	Bank transfer	26,066	3.1
	Total							**291,064**	**34.1**

Note: The revenue generated from Customer A or Customer D (as appropriate) was aggregated on a group basis and includes the sales to members of the group which Customer A or Customer D (as appropriate) belongs. In particular, Customer A is a med-tech company listed on the Tokyo Stock Exchange and is a specialty manufacturer of optical glass. It was founded in 1941 in Japan and such customer ranked second (i.e. Company H) in terms of the revenue generated from sales of resin spectacle lens in 2020 according to Frost & Sullivan. Please refer to the section headed "Industry Overview — Competitive Landscape Analysis — Ranking of Resin Spectacle Lens Market by Revenue in the Global Range" in this prospectus for details.

For the year ended 31 December 2019

Rank	Customer	Principal business activities	Customer type	Major type(s) of products provided by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers	Payment method	Revenue	As percentage of revenue
								(RMB'000)	*(%)*
1	Customer A *(Note)*	Supplier of medical products, specialised in the fields of healthcare and information technology providing, among others, eyeglasses, medical endoscopes, intraocular lenses, optical lenses. Headed by a holding company listed on the Tokyo Stock Exchange	Spectacle lens brand owner	Standardised resin spectacle lenses	10	45 days from invoice date	Bank transfer	155,152	14.7
2	Customer D *(Note)*	A Hong Kong-based manufacturer of optical lenses with prescriptions in Asia and an authorised dealer of multiple global brands	Spectacle lens brand owner	Standardised resin spectacle lenses	8	60 days from invoice date	Bank transfer	63,696	6.0
3	Customer B	A PRC manufacturer of eye glasses under a United States company, which is an online retailer of prescription eyeglasses and sunglasses	Spectacle lens brand owner	Standardised resin spectacle lenses	7	30 days from invoice date	Bank transfer	57,569	5.4
4	Customer C	An India-based ophthalmic product manufacturers in Asia	Spectacle lens brand owner	Standardised resin spectacle lenses	10	70 days from invoice date	Bank transfer	55,844	5.3
5.	Customer E	A United State-based manufacturer of spectacle lens	Spectacle lens brand owner	Standardised resin spectacle lenses	8	90 days from invoice date	Bank transfer	39,398	3.7
	Total							**371,659**	**35.1**

Note: The revenue generated from Customer A or Customer D (as appropriate) was aggregated on a group basis and includes the sales to members of the group which Customer A or Customer D (as appropriate) belongs. In particular, Customer A is a med-tech company listed on the Tokyo Stock Exchange and is a specialty manufacturer of optical glass. It was founded in 1941 in Japan and such customer ranked second (i.e. Company H) in terms of the revenue generated from sales of resin spectacle lens in 2020 according to Frost & Sullivan. Please refer to the section headed "Industry Overview — Competitive Landscape Analysis — Ranking of Resin Spectacle Lens Market by Revenue in the Global Range" in this prospectus for details.

For the year ended 31 December 2020

Rank	Customer	Principal business activities	Customer type	Major type(s) of products provided by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers	Payment method	Revenue	As percentage of revenue
								(RMB'000)	*(%)*
1	Customer A *(Note)*	Supplier of medical products, specialised in the fields of healthcare and information technology providing, among others, eyeglasses, medical endoscopes, intraocular lenses, optical lenses. Headed by a holding company listed on the Tokyo Stock Exchange	Spectacle lens brand owner	Standardised resin spectacle lenses	10	45 days from invoice date	Bank transfer	132,530	12.1
2	Customer B	A PRC manufacturer of eye glasses under a United States company, which is an online retailer of prescription eyeglasses and sunglasses	Spectacle lens brand owner	Standardised resin spectacle lenses	7	30 days from invoice date	Bank transfer	81,669	7.5
3	Customer D *(Note)*	A Hong Kong-based manufacturer of optical lenses with prescriptions in Asia and an authorised dealer of multiple global brands	Spectacle lens brand owner	Standardised resin spectacle lenses	8	60 days from invoice date	Bank transfer	58,078	5.3
4	Customer F	A United Stated-based company which is an online retailer of prescription glasses and sunglasses with the manufacturing capacity on lens-finishing and assembly	Spectacle lens brand owner	Customised resin spectacle lenses	6	60 days from invoice date	Bank transfer	41,164	3.8
5	Customer G	A United State-based company which is a optical retailer in the United States	Retailer	Customised resin spectacle lenses	4	90 days from invoice date	Bank transfer	40,925	3.7
	Total							**354,366**	**32.4**

Note: The revenue generated from Customer A or Customer D (as appropriate) was aggregated on a group basis and includes the sales to members of the group which Customer A or Customer D (as appropriate) belongs. In particular, Customer A is a med-tech company listed on the Tokyo Stock Exchange and is a specialty manufacturer of optical glass. It was founded in 1941 in Japan and such customer ranked second (i.e. Company H) in terms of the revenue generated from sales of resin spectacle lens in 2020 according to Frost & Sullivan. Please refer to the section headed "Industry Overview — Competitive Landscape Analysis — Ranking of Resin Spectacle Lens Market by Revenue in the Global Range" in this prospectus for details.

For the five months ended 31 May 2021

Rank	Customer	Principal business activities	Customer type	Major type(s) of products provided by our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers	Payment method	Revenue	As percentage of revenue
								(RMB'000)	*(%)*
1	Customer A *(Note)*	Supplier of medical products, specialised in the fields of healthcare and information technology providing, among others, eyeglasses, medical endoscopes, intraocular lenses, optical lenses. Headed by a holding company listed on the Tokyo Stock Exchange	Spectacle lens brand owner	Standardised resin spectacle lenses	10	45 days from invoice date	Bank transfer	55,523	10.3
2	Customer B	A PRC manufacturer of eye glasses under a United States company, which is an online retailer of prescription eyeglasses and sunglasses	Spectacle lens brand owner	Standardised resin spectacle lenses	7	30 days from invoice date	Bank transfer	43,065	8.0
3	Customer D *(Note)*	A Hong Kong-based manufacturer of optical lenses with prescriptions in Asia and an authorised dealer of multiple global brands	Spectacle lens brand owner	Standardised resin spectacle lenses	8	60 days from invoice date	Bank transfer	26,785	5.0
4	Customer F	A United Stated-based company which is an online retailer of prescription glasses and sunglasses with the manufacturing capacity on lens-finishing and assembly	Spectacle lens brand owner	Customised resin spectacle lenses	6	60 days from invoice date	Bank transfer	23,820	4.4
5	Customer G	A United State-based company which is a optical retailer in the United States	Retailer	Customised resin spectacle lenses	4	90 days from invoice date	Bank transfer	21,333	4.0
	Total							**170,526**	**31.7**

Note: The revenue generated from Customer A or Customer D (as appropriate) was aggregated on a group basis and includes the sales to members of the group which Customer A or Customer D (as appropriate) belongs. In particular, Customer A is a med-tech company listed on the Tokyo Stock Exchange and is a specialty manufacturer of optical glass. It was founded in 1941 in Japan and such customer ranked second (i.e. Company H) in terms of the revenue generated from sales of resin spectacle lens in 2020 according to Frost & Sullivan. Please refer to the section headed "Industry Overview — Competitive Landscape Analysis — Ranking of Resin Spectacle Lens Market by Revenue in the Global Range" in this prospectus for details.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders, who owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date, nor any of their respective associates, has any interest in any of the five largest customers of our Group for each of the financial year over the Track Record Period.

As at the Latest Practicable Date, our Group had no dispute with or claim from our customers who would have a material impact on our business, financial condition or results of operations.

IMPACT OF THE TRADE TENSIONS BETWEEN THE UNITED STATES AND THE PRC

As a result of the trade tensions between the United States and the PRC which emerged in late 2018, the United States had imposed additional duties of 10% ad valorem on eyewear products, such as spectacle lens, spectacles and sunglasses, imported from the PRC with effect from 1 September 2019, which were payable by our customers. Since the additional duties of 10% were borne by our customers and we did not provide reduction on the selling price of our products from the customers in the United States in this regard, the profit margin of our spectacles lens sold to the United States was not affected as a result of the trade tension. Further, notwithstanding the above, since the imposition of tariffs and up to the Latest Practicable Date, we did not experience any significant decrease in demand from our customers in the United States. Indeed, we recorded an increment in terms of both revenue contribution in amount and the respective percentage of our total revenue from customers in the United States since the commencement of trade tension, from approximately RMB159.0 million (representing approximately 15.0% of our total revenue) for the year ended 31 December 2019, further to approximately RMB203.8 million (representing approximately 18.6% of our total revenue) for the year ended 31 December 2020. Our sales to the United States increased from approximately RMB67.2 million for the five months ended 31 May 2020 to RMB101.8 million for the five months ended 31 May 2021. The following table sets out the breakdown of our revenue attributable to the sales to the United States during the Track Record Period by average selling price and sales volume:

	For the year ended 31 December															For the five months ended 31 May									
	2018					2019					2020					2020					2021				
	Sales volume	Average selling price	Gross profit margin	Revenue		Sales volume	Average selling price	Gross profit margin	Revenue		Sales volume	Average selling price	Gross profit margin	Revenue		Sales volume	Average selling price	Gross profit margin	Revenue		Sales volume	Average selling price	Gross profit margin	Revenue	
	(thousand pieces)	*RMB*	*%*	*RMB'000*	*%*	*(thousand pieces)*	*RMB*	*%*	*RMB'000*	*%*	*(thousand pieces)*	*RMB*	*%*	*RMB'000*	*%*	*(thousand pieces)*	*RMB*	*%*	*RMB'000*	*%*	*(thousand pieces)*	*RMB*	*%*	*RMB'000*	*%*
																		(unaudited)							
United States	10,387	14.8	39.6	153,173	17.9	11,044	14.4	39.5	159,035	15.0	9,513	21.4	45.3	203,758	18.6	3,621	18.6	38.4	67,225	18.5	5,945	17.1	40.0	101,790	18.9

Our Directors are of the view that the above are attributable to lack of the viable alternatives available to our customers in the United States, in view of the fact that considerable portion of the other spectacle lens manufacturers are located in the PRC, which are subject to the additional tariffs to the same extent.

As such, our Directors consider that the tariffs imposed by the United States did not have any material impact on our operational and financial conditions.

LOGISTICS MANAGEMENT

Our logistics and delivery department retrieve different finished products from our warehouses and group them together for delivery packaging in accordance with the product mix specified on our customer's orders. Packaged products will then be delivered to our customers, and our delivery arrangement varies depending on the production bases and the location of the customers.

Sales to local customers

The delivery of our products to local customers or local designations are mainly conducted by third party courier companies and in general not covered by insurance. The entity bearing the transportation cost is determined on a case-by-case basis.

Sales to overseas customers

Our sales to overseas customers or overseas designations are usually on FOB basis and third party logistics providers including courier companies are engaged for the delivery. Our Directors believes that the increase in the transportation costs will not cause a material impact on the customers' demand on our lens products given that (i) such increase in the transportation costs will have an industrywide impact on the suppliers of lens products as a whole (including our competitors in the region) if the overseas customers intend to make purchases from the same regions where we are located, and thus our Directors consider such increase would not place our Company in a disadvantaged position as compared with our competitors in the same region; and (ii) our competitive strengths (in particular our leading market position in the industry and our ability to offer a comprehensive range of resin spectacle lens with high quality) are expected to secure loyalty of our customers and it is expected our customers will continue to purchase from us despite the increase in the transportation costs. For delivery by sea and by airfreight which are commonly adopted for sales of standardised lenses, courier companies or our own logistics team will be responsible for delivering our products to the port or airport of departure for loading and the courier companies will be responsible for the remaining delivery arrangement to the overseas designations. On the other hand, courier companies are commonly engaged to provide point-to-point delivery services for our sales of customised lenses due to the relatively smaller quantity and short delivery lead time required. The courier charges incurred will be reimbursed by our customers. According to Frost & Sullivan Report, it is not uncommon to engage courier companies to ship products to overseas customers directly as the weight of the spectacle lens is light and the customers are normally expected to receive their orders in a short time. We have established business relationship of around ten years with the courier companies we engaged during the Track Record Period. The courier company for each order is chosen based on, among others, the expected costs, the delivery lead time requested by our customers, the then logistics capacity of the courier company and whether our customer has designated any specific courier company. We generally do not purchase any insurance for the delivery of goods to overseas customers or overseas designations. During the Track Record Period, the courier companies engaged by us were Independent Third Parties.

During the Track Record Period, save as disclosed under the paragraph headed "COVID-19 Mitigation — Impact on Our Business and Our Preventive Measures — (iii) Our Sales", there had been no material disruption or delay in the delivery of products to our customers.

SALES AND MARKETING

Sales and Marketing

Our sales and marketing team is responsible for, among others, the sales and promotion of our products, solicitation of new customers, maintaining relationships with existing customers, enquiries handling from potential customers, customer services, preparation for participation in exhibitions and production of marketing materials. For the two years ended 31 December 2018 and 2019 (before the outbreak of COVID-19), we actively attended local and international industry exhibitions such as China International Optics Fair and China (Shanghai) International Optics Fair to broaden our customer base, promote our products, enhance our brand recognition in the spectacle lens manufacturing industry and analyse the spectacle lens demand of the end-users on the nation basis for our overseas market. We also place emphasis on maintaining our relationships with existing customers. Our sales and marketing team generally have telephone conferences with our customers on a monthly basis to receive feedbacks and promote new products, and have face-to-face communications, if possible, each year to consolidate our relationships with them.

In order to better serve the overseas customers in north Americas which is one of our important sales market, we have established sales offices in the United States and Mexico. These sales offices can provide a more direct and effective channel for our products to reach potential customers. We can also communicate more efficiently with our customers and enhance our understanding of the local market trend.

In addition to our sales and marketing team, from time to time sales opportunities are referred to us from external parties in return for a sales commission. These external parties consist of both individuals and corporations and to the best knowledge of our Directors are Independent Third Parties. Our Directors consider that such cooperation could provide additional means for us for sales of our products. We are generally required to pay a sales commission of between 1% to 5% of the amount of each sales to the external parties who referred the sales opportunity to us. We became acquainted with these external parties (who we do not regard as our employees) and principally established our business relationship in opportunities such as business social occasions, by referrals and on some occasions, these external parties approach us proactively with potential sales opportunities in return for a sales commission. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, a number of 7, 6, 6 and 6 external parties referred sales to our Group respectively. The agreement entered into with the external parties which include certain material terms such as our payment obligation and commission rate.

Sales commissions incurred principally for the services of these external parties amounted to approximately RMB5.2 million, RMB7.6 million, RMB5.3 million and RMB2.5 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively.

Sales to individual end-users

(i) Sales through e-commerce platforms

We also recognise the importance of promoting and selling our products through some of the leading e-commerce platforms. We entered into annual service agreement with each of the aforesaid e-commerce platforms during the Track Record Period, which set out, among others, the service fees payable and settlement terms, as well as the terms and conditions for renewal of the agreement.

The material clauses of the arrangement between the Group and these e-commerce platforms mainly include that as the owner of the domain name, the e-commerce platform shall display information of our products and services through its web pages and provide a platform where we and our customers conduct transactions and communicate with each other. The e-commerce platform shall also provide us with software service in connection with information display and transactions through Internet, including the software system for searching commodities, creating orders, managing transactions, completing payment and other services. Service fees are charged by the e-commerce platform based on the transaction amount of our products.

The table below sets out the revenue, gross profit and profit margin of sales conducted through e-commerce platform during the Track Record Period:

For the year ended 31 December									For the five months ended 31 May					
2018			2019			2020			2020			2021		
Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000* (unaudited)	*%*	*RMB'000*	*RMB'000*	*%*
518.3	303.7	58.6	586.1	368.1	62.8	648.4	437.6	67.5	256.5	210.2	81.9	276.4	203.6	73.7

(ii) Sales through retail shopfronts and on-site optometry services

In addition, we have also established direct distribution channels by offering eyewear with our resin spectacle lens under our own brand directly to individual end users at the retail shopfronts of our Shanghai Production Base and Jiangsu Production Base since 2012 and 2014, respectively, and we have established a physical eyewear store which is located in Nantong City, Jiangsu Province in April 2021 and an ophthalmology centre at a hospital in Qidong City, Jiangsu Province in November 2021. The retail shopfronts recorded revenue of approximately RMB2.4 million, RMB2.7 million, RMB2.6 million and RMB1.4 million and gross profit of approximately RMB1.7 million, RMB2.0 million, RMB1.9 million and RMB1.1 million, with the gross profit margin of approximately 71.0%, 73.6%, 74.9% and 78.0%, for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. The products we sold on the e-commerce platforms and the retail shopfronts are principally lens under our own brand including the standardised lens and customised lens, which are assembled into spectacles frames and other spare parts under other brands and not manufactured by us to form a pair of spectacles.

We also generated spectacles sales by the provision of on-site optometry services to some corporations, which included banks and state-owned enterprises. Our representatives would provide eyesight testing and spectacles fitting services and other services such as eyewear repair and cleaning without charge to the staff of, and at the premises provided by, these corporations and then receive sales orders for spectacles from these staff at the same occasion. We believe that the provision of on-site optometry service helps to boost retail sales and also allows us to have direct contact with end users and further enhance our brand recognition. The spectacle frames used in our spectacles will be sourced from other suppliers. The lenses are produced in the production facilities at our Shanghai Production Base and Jiangsu Production Base depending on the lens required, which contributed to the revenue of approximately RMB1.0 million, RMB1.2 million, RMB1.0 million and RMB0.6 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively.

During the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our selling and distribution expenses amounted to approximately RMB62.9 million, RMB75.3 million, RMB67.1 million and RMB32.6 million, respectively.

Credit policy and payment methods

Credit terms are granted to our customers on a case-by-case basis depending on, among others, the customer's reputation and credibility, its payment history and location, as well as business relationship with our Group. We usually grant a credit term of up to three months from the invoice date to our customers. For new customers, we generally require them to make full payment prior to delivery of our products and credit term may only be granted after considering the length of establishment of business relationship and whether the customers make such request. Payment from our customers is usually settled by way of bank transfer. We review and adjust our credit policy for each customer annually taking into account, among others, the payment history of the customers, sales volume and our business relationships with that customer. In order to protect our Group against the risk of financial default of our customers, we have (i) requested our new customers to make 30% of the prepayment when the purchase orders are confirmed; and (ii) purchased insurance to insure against our credit risk for the overseas export sales of our PRC subsidiaries. In view of the relatively immaterial credit risk, our Directors consider it commercially sensible not to purchase insurance to insure against our credit risk for the overseas export sales of our Japan subsidiary.

In general, our customers settle our invoices in RMB, EUR and USD respectively. However, save for a cross-currency interest rate swap transaction entered into by our Group for the conversion of a variable-rate bank borrowing denominated in USD with a principal amount of RMB27.0 million into a fixed-rate bank borrowing denominated in RMB for the year ended 31 December 2020 and a supplemental agreement thereto with extension of maturity to May 2022, during the Track Record Period and up to the Latest Practicable Date, we did not enter into any other financial instruments for foreign exchange hedging. For further details, please refer to the sections headed "Risk Factors — Risks

Relating to Our Business — We are Exposed to Foreign Exchange Risks.” and “Financial Information — Market Risk and Risk Management — Foreign Currency Risk” in this prospectus.

Given that there are certain transactions involved direct and/or indirect transactions with customers in Iran which is the country subject to comprehensive sanctions administered by the United States and due to the legal restrictions imposed on the foreign exchange in such country, such customers have arranged the third party payments to settle our invoices. Please refer to the paragraph headed “Third Party Payments” in this section of the prospectus for details.

As at 31 December 2018, 2019 and 2020 and 31 May 2021, our gross trade receivables were approximately RMB211.8 million, RMB268.3 million, RMB290.5 million and RMB260.1 million, respectively. For further details of our credit policy, please refer to the section headed “Financial Information — Liquidity and Capital Resources — Trade and Bills Receivables” in this prospectus. As at 30 September 2021, approximately RMB193.7 million or 74.5% of the gross trade receivables as at 31 May 2021 was subsequently settled.

Allowance policy

An impairment analysis of our trade receivables 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, and coverage by letters of credit or other forms of credit insurance). In order to protect our Group against the risk of financial default of our customers, we have purchased insurance to insure against our credit risk for the overseas export sales of our PRC subsidiaries. Subject to the terms and conditions of the insurance, unless otherwise stipulated in the insurance policy, we are insured up to 90% of our loss, with a maximum insurance liability ranging from US$9,720,000 to US$11,200,000 during the Track Record Period, in relation to (i) issuing bank commercial risk; (ii) bankruptcy risk of customers; (iii) risk of products refusal by the customers; and (iv) political risk. Generally, trade receivables are written off if past due for more than three years. During the Track Record Period, we did not claim any material compensation under the aforesaid insurance policy.

We recorded the impairment loss of the trade receivables of approximately RMB13.4 million, RMB1.5 million and RMB3.2 million for the year ended 31 December 2018 and 2020 and for the five months ended 31 May 2021 respectively and the reversal of impairment of the trade receivables of approximately RMB2.7 million for the year ended 31 December 2019. For details of analysis of the aforesaid impairment, please refer to the section headed “Financial Information” in this prospectus.

Pricing policy

Our pricing policy is on a "cost-plus" basis. We determine our selling price after considering, among others, (i) the specifications and quantity of the products; (ii) anticipated fluctuation in exchange rate (if applicable); (iii) the prevailing market conditions (i.e. demand and supply) and competition; (iv) our production costs; (v) determination of a reasonable profit margin; (vi) our business relationship with the customers; and (vii) the nature of the customers.

For sales of our standardised lenses through non-e-commerce platforms, we usually provide a product list showcasing our standardised lenses with the corresponding reference price to our customers every year for their reference. We will update our price list on an annual basis and the reference price may also be updated depending on, among others, the prevailing market trend and demand. The selling price appearing on the product list is in general conclusive, although occasionally our customers may further negotiate the selling price with us, in which case we may make further adjustment to the same depending on, among others, our business relationship with the relevant customer and the prevailing market conditions such as raw materials cost and the market demand on the product concerned. On the other hand, the price for our products sold through the e-commerce platforms will be updated from time to time based on the market conditions.

With respect to the customised lens, as the lens products will be produced according to the customers' requirements, we will provide the quotes on the lens required on a case-by-case basis, taking into account, among others, the refractive index, the functionality added and the prevailing market conditions such as raw materials cost and the market demand on the product concerned.

In order to incentivise some of our customers (including our authorised distributors) to boost the sales of our products, we may provide sales rebates to them if they purchased certain volume of products. For details of the sales rebates arrangement with our authorised distributors, please refer to the paragraph headed "Customers — Authorised Distributors" in this section.

After-sales services

As part of our after-sales services, we have set up a customer service hotline for our customers to contact us if they have complaints or any problem on our products. In addition, our sales team members also follow-up with our customers regularly to see if they have any feedback on our products. During the Track Record Period and up to the Latest Practicable Date, we did not have any material product liability or legal claims on our spectacle lens products, nor did we experience any material complaint, product recalls, exchange or sales returns.

SEASONALITY

Given the diversified product mix we offer and established customer base spanning across different countries, the revenue of our Group as a whole is not materially affected by seasonality factors.

RAW MATERIALS PROCUREMENT

Raw materials

The major raw materials which are used in the production of our spectacle lenses are resin monomers, ancillary materials such as resin hardening chemicals, chemicals for adding functionality such as UV absorption and photochromic, dyes for lens tinting, films and coatings for added functionality (such as anti-scratch, blue-ray blocking and polarised), packaging materials and lens moulds roughcast. As we provide various kinds of lens products, the lens moulds roughcast are normally required to be further processed by ourselves to form the lens moulds which can fulfil our specification and requirements. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the cost of raw materials amounted to approximately RMB357.9 million, RMB450.0 million, RMB470.9 million and RMB241.1 million, respectively. During the Track Record Period, our Group sourced its raw materials from both overseas suppliers and suppliers based in the PRC.

Procurement

Our procurement department is responsible for the purchase of raw materials and production machinery and equipment and the selection of suppliers (whereas our quality control department is responsible for the regular evaluation of suppliers).

Our procurement department works with our production department to devise our raw materials procurement plan on a monthly basis, which take into account, among others, our actual and expected sales volume, inventory level recorded in our ERP system, the minimum inventory level we maintain to mitigate the risks of unstable raw materials supply, delivery lead time and fluctuation in exchange rates. Our procurement department then make purchases in accordance with the procurement plan. The minimum inventory level we maintain for different kinds of raw materials varies depending on, among others, the consumption rate, shelf life and average delivery lead time. In general, we maintain a minimum inventory level of one to three months for our raw materials. For consumables such as packaging bags, cartons and aluminium foil, which we may readily purchase from local suppliers, we usually maintain a minimal level of inventory to minimise our storage costs. After the raw materials arrive at our warehouse, our quality control personnel will inspect the raw materials before arranging for storage.

It takes approximately one to three months for the raw materials to be delivered after our procurement department places a purchase order, depending on the geographical location of the supplier.

SUPPLIERS

We procure (i) raw materials used in our production process; and (ii) the spectacle lenses which we do not produce from overseas suppliers as well as suppliers based in the PRC. Our total purchases amounted to approximately RMB414.8 million, RMB521.0 million, RMB539.4 million and RMB246.9 million, respectively, for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021. The total purchase of our five largest suppliers amounted to approximately RMB267.8 million, RMB345.2 million, RMB336.4 million and RMB161.6 million, respectively, for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, which accounted for approximately 64.5%, 66.3%, 62.4% and 65.5% of our total purchases during the same period. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our purchases from our largest supplier in each period during the Track Record Period amounted to approximately RMB168.1 million, RMB217.6 million, RMB223.7 million and RMB102.8 million, which accounted for approximately 40.5%, 41.8%, 41.5% and 41.6% of our total purchases, respectively. As at the Latest Practicable Date, we had established a relationship of a range from one to 14 years with our five largest suppliers during the Track Record Period.

We select our suppliers based on a number of factors, including their product or service quality and reliability, pricing and reputation. In particular, we consider quality to be one of the most important factors when we select our suppliers.

Further, to maintain flexibility in our inventory management and in line with the industry practice, we generally do not enter into long term agreement with our raw materials suppliers other than with Supplier A as detailed below. During the Track Record Period, we purchased raw materials from our top five suppliers (excluding Supplier A) on an order-by-order basis. Please also refer to the section headed "Risk Factors — Risks Relating to Our Business — We generally do not enter into long-term supply agreements with our suppliers" in this prospectus for details.

To minimise the risk of over-reliance on one single source of supply and be negatively affected should that supplier(s) increase the price of raw materials, reduce their supply or refuse to supply to us, we maintain a list of backup suppliers that are capable of supplying raw materials with sufficient quality to meet our customers' requirements at a comparable price. In general, there are two or more backup suppliers for each type of major raw materials. According to the Frost & Sullivan Report, as Supplier A is the dominant supplier which provides resin monomer used for producing resin spectacle lens with refractive index of 1.74 (the "**1.74 Monomer**") in the industry, we may not be able to source from other suppliers for the 1.74 Monomer up to the quality standard which may affect our production of resin spectacle lens with refractive index of 1.74. For details of our relationship with Supplier A and the measures to mitigate the risk of over-reliance in respect of the supply of 1.74 Monomer, please refer to the paragraph headed "Our Relationship with Supplier A" in this section. Our Directors consider that our business relationships with our major raw materials suppliers is mutually beneficial and similar to a strategic cooperation, which will also mitigate the risk of them refusing to supply raw materials to us.

Further, our Directors consider that we are generally able to pass the increase in the costs of raw materials to our customers as (i) we adopt a cost-plus pricing policy; and (ii) we generally do not enter into long term contracts with our customers. In the event of raw materials price fluctuations, we may negotiate with our customers for a price adjustment before they confirm their purchase orders with us.

During the Track Record Period, same as disclosed in the paragraph headed "COVID-19 Mitigation — Impact on our business and our preventive measures — (ii) Our supply chain", we did not experience any material fluctuation on the cost of raw materials, nor encounter any material shortage, delay or major difficulty in procuring raw materials from our suppliers.

During the Track Record Period, we did not enter into any financial instruments to hedge our foreign exchange risk in raw material procurement. For details, please refer to the section headed "Risk Factors — Risks Relating to Our Business — We are exposed to foreign exchange risks." in this prospectus.

The following sets out the general terms of a typical purchase order with suppliers:

(i) Order details: the specifications and quantity required, unit price and total purchase amount are specified;

(ii) Payment terms: payment is normally made in RMB, EUR, JPY or USD. Generally, we may also enjoy a credit period of up to three months from our suppliers. For our purchase of machineries and equipment, we are usually required to make payment for 35% to 50% of the purchase price prior to delivery, and settle the remaining amount upon completion of trial test;

(iii) Delivery details: our Group usually requires our suppliers to deliver the goods, at the suppliers' cost, to our production bases. We may arrange our own logistics team to handle the delivery of raw materials procured to our subsidiaries in the PRC from the port of unloading or from local suppliers where necessary.

The following tables set out certain information of our Group's top five suppliers based on the amount of purchases during the Track Record Period:

For the year ended 31 December 2018

Rank	Supplier	Principal business activities	Location	Type(s) of products/services provided to our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers	Payment method	Amount of purchases	As a percentage of total purchases
								(RMB'000)	*(%)*
1	Supplier A	A PRC subsidiary company of a Japanese company, which is listed on Tokyo Stock Exchange and manufactures performance materials, petro and basic chemicals and functional polymeric materials	PRC	Raw materials for production of spectacle lenses, principally resin monomers and the tapes required for combining the front and back lens mould	10	30 days from invoice date	Bank transfer	168,051	40.5
2	Supplier B	A Japan-based company which manufactures and sells, among others, synthetic resin raw materials and other chemical products	Japan	Raw materials for production of spectacle lenses, principally resin monomers	14	30 days from invoice date	Bank transfer	56,734	13.7
3	Supplier C	A PRC-based company which manufactures packaging materials	PRC	Packaging materials of spectacle lenses	13	30 days from invoice date	Bank transfer	22,412	5.4
4	Supplier D	A PRC-based company which sells, among others, chemical products	PRC	Raw materials for production of spectacle lenses, principally resin monomers	8	60 days from invoice date	Bank transfer	10,544	2.5
5	Supplier E	A PRC-based company which manufactures and sells, among others, resin raw materials	PRC	Raw materials for production of spectacle lenses, principally resin monomers	13	30 days from invoice date	Bank transfer	10,082	2.4
	Total							**267,823**	**64.5**

For the year ended 31 December 2019

Rank	Supplier	Principal business activities	Location	Type(s) of products/services provided to our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers	Payment method	Amount of purchases	As a percentage of total purchases
								(RMB'000)	*(%)*
1	Supplier A	A PRC subsidiary company of a Japanese company, which is listed on Tokyo Stock Exchange and manufactures performance materials, petro and basic chemicals and functional polymeric materials	PRC	Raw materials for production of spectacle lenses, principally resin monomers and the tapes required for combining the front and back lens mould	10	30 days from invoice date	Bank transfer	217,644	41.8
2	Supplier B	A Japan-based company which manufactures and sells, among others, synthetic resin raw materials and other chemical products	Japan	Raw materials for production of spectacle lenses, principally resin monomers	14	30 days from invoice date	Bank transfer	70,510	13.5
3	Supplier C	A PRC-based company which manufactures packaging materials	PRC	Packaging materials of spectacle lenses	13	30 days from invoice date	Bank transfer	31,873	6.1
4	Supplier D	A PRC-based company which sells, among others, chemical products	PRC	Raw materials for production of spectacle lenses, principally resin monomers	8	60 days from invoice date	Bank transfer	14,435	2.8
5	Supplier E	A PRC-based company which manufactures and sells, among others, resin raw materials	PRC	Raw materials for production of spectacle lenses, principally resin monomers	13	30 days from invoice date	Bank transfer	10,771	2.1
	Total							**345,233**	**66.3**

For the year ended 31 December 2020

Rank	Supplier	Principal business activities	Location	Type(s) of products/services provided to our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers	Payment method	Amount of purchases	As a percentage of total purchases
								(RMB'000)	*(%)*
1	Supplier A	A PRC subsidiary company of a Japanese company, which is listed on Tokyo Stock Exchange and manufactures performance materials, petro and basic chemicals and functional polymeric materials	PRC	Raw materials for production of spectacle lenses, principally resin monomers and the tapes required for combining the front and back lens mould	10	30 days from invoice date	Bank transfer	223,666	41.5
2	Supplier B	A Japan-based company which manufactures and sells, among others, synthetic resin raw materials and other chemical products	Japan	Raw materials for production of spectacle lenses, principally resin monomers	14	30 days from invoice date	Bank transfer	54,344	10.1
3	Supplier C	A PRC-based company which manufactures packaging materials	PRC	Packaging materials of spectacle lenses	13	30 days from invoice date	Bank transfer	23,256	4.3
4	Supplier F	A PRC-based company which manufactures chemical products	PRC	Raw materials for production of spectacle lenses, principally resin monomers	2	90 days from invoice date	Bank transfer	20,847	3.9
5	Supplier G	A Hong Kong-based company which is a trading company of among others, raw materials for production of spectacle lenses	Hong Kong	Raw materials for production of spectacle lenses, principally resin monomers	2	Payment in advance	Bank transfer	14,263	2.6
	Total							**336,376**	**62.4**

For the five months ended 31 May 2021

Rank	Supplier	Principal business activities	Location	Type(s) of products/services provided to our Group	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers	Payment method	Amount of purchases	As a percentage of total purchases
								(RMB'000)	*(%)*
1	Supplier A	A PRC subsidiary company of a Japanese company, which is listed on Tokyo Stock Exchange and manufactures performance materials, petro and basic chemicals and functional polymeric materials	PRC	Raw materials for production of spectacle lenses, principally resin monomers and the tapes required for combining the front and back lens mould	10	30 days from invoice date	Bank transfer	102,768	41.6
2	Supplier B	A Japan-based company which manufactures and sells, among others, synthetic resin raw materials and other chemical products	Japan	Raw materials for production of spectacle lenses, principally resin monomers	14	30 days from invoice date	Bank transfer	30,082	12.2
3	Supplier H	A PRC-based company which manufactures packaging materials	PRC	Packaging materials of spectacle lenses	1	30 days from invoice date	Bank transfer	13,239	5.4
4	Supplier F	A PRC-based company which manufactures chemical products	PRC	Raw materials for production of spectacle lenses, principally resin monomers	2	90 days from invoice date	Bank transfer	8,976	3.6
5	Supplier D	A PRC-based company which sells, among others, chemical products	PRC	Raw materials for production of spectacle lenses, principally resin monomers	8	60 days from invoice date	Bank transfer	6,575	2.7
	Total							**161,640**	**65.5**

Our relationship with Supplier A

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our purchases from Supplier A mainly included resin monomers and amounted to approximately RMB168.1 million, RMB217.6 million, RMB223.7 million and RMB102.8 million, respectively, representing approximately 40.5%, 41.8%, 41.5% and 41.6% of our total purchases during the same period, respectively of which, approximately RMB16.1 million, RMB22.6 million, RMB35.6 million and RMB23.7 million representing approximately 3.9%, 4.4%, 6.6% and 9.6% of our total purchases during the same period accounted for our purchase of 1.74 Monomer from Supplier A.

Supplier A is a PRC subsidiary of a Japanese chemical company which is a global and dominant supplier of resin monomers. According to the Frost & Sullivan Report, (i) Supplier A is the dominant supplier of 1.74 Monomers which accounted for approximately 99.9% of the market share in 1.74 Monomers supply industry in the PRC in terms of sales volume in 2020; and (ii) there are very few other supplier of 1.74 Monomers in the industry which are able to supply 1.74 Monomers with stable quantity and quality and according to the Frost & Sullivan Report, we are one of four manufacturers in the PRC which were able to manufacture resin spectacle lenses with refractive index of 1.74 in 2020. Supplier A was our only supplier of 1.74 Monomers during the Track Record Period and we may not be able to purchase 1.74 Monomers in comparable terms from other suppliers in the event that our relationship with Supplier A terminates after considering the dominant position of the Supplier A in the 1.74 Monomers supply industry. In view of the considerable revenue contribution of our lenses of refractive index of 1.74 (representing approximately 13.9%, 16.5%, 15.9% and 17.1% of our total revenue during the Track Record Period, comprising of (i) standardised lenses of approximately 13.1%, 15.4%, 14.5% and 15.9% of our total revenue and (ii) customised lenses of approximately 0.8%, 1.1%, 1.4% and 1.2% of our total revenue during the Track Record Period), the dominating status of Supplier A as 1.74 Monomers supplier in the industry, our negligible revenue contribution[(Note)] to the relevant business segment of Supplier A (i.e. basic materials) during the Track Record Period and the remote likelihood that we are able to source 1.74 Monomers from other suppliers with stable quantity and quality, in the event that Supplier A does not provide 1.74 Monomer to us for whatever reason, we may not be able to manufacture resin spectacle lens with refractive index of 1.74. For the details of the relevant risk, please refer to the section headed "Risk Factors — Risks Relating to Our Business — We Place Reliance Upon Supplier A as Supplier of Resin Monomers" of this prospectus. Despite the above, our Directors consider that the risk of reliance on Supplier A in respect of the supply of 1.74 Monomer to be manageable and our reliance on Supplier A would not adversely affect our business operation and financial performance as we have established a long-term and stable business relationship with Supplier A which commenced as early as 2010. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material delay or reduction in supply of raw materials from Supplier A, nor any material increase from Supplier A in raw materials price which was not in line with the market development.

In addition, in 2011, we entered into a framework supply agreement with Supplier A (the "**Supplier A Framework Agreement**") pursuant to which we would place individual purchase orders for various resin monomers under the "MR" brand of Supplier A. The Supplier A Framework Agreement is renewable on an annual basis upon consent of both parties, and has been legally binding and in force since 2011. In 2018, the Supplier A Framework Agreement was amended to cover the supply of 1.74 Monomer, such that we are able to enrich our lens product portfolio to provide the resin spectacle lens with refractive index of 1.74 since then. During the Track Record Period, as confirmed by our Directors, there had not been any material breach of the Supplier A Framework Agreement on our part.

Note: Based on the annual reports of Japanese holding company of Supplier A for the fiscal year ended 31 March 2018, 2019, 2020 and 2021, the net sales under the business segment of basic materials amounted to approximately ¥637.7 billion, ¥716.5 billion, ¥616.9 billion and ¥541.4 billion respectively.

The salient terms of the Supplier A Framework Agreement are as follows:

Tenure	Renewable on an annual basis upon consent of both parties
Role and obligations of our Group	We shall: • only apply the resin monomers purchased from Supplier A for manufacturing of the spectacle lens products in our production bases as stipulated therein, but not for other purpose; • provide the monthly forecast on the purchase orders and procure the actual purchase amount does not deviate from the forecasted amount for more than 10% on a best effort basis. The agreement does not stipulate that any penalties will be incurred, in the event that the actual purchase amount by us deviates by more than 10% from our forecasted amount as our obligation is on a best effort basis. We shall not mix the resin monomers purchased from Supplier A with the resin monomers purchased from other third parties; or sell such monomers to other third parties
Role and obligations of Supplier A	The resin monomers shall comply with the product specification set out therein Supplier A shall, at its reasonable discretion, provide the technical assistance to us, upon our request, provided that we shall maintain the confidentiality of all such information obtained
Ownership and risk transfer	The ownership and control and all risks associated with the resin monomers purchased from Supplier A will be transferred to us on the basis of CIP (i.e. carriage and insurance paid by Supplier A)
Price determination	Subject to certain circumstances under which Supplier A is entitled to notify us on the change of the price in writing 60 days in advance, both parties shall agree on the price 90 days in advance of the beginning of each contractual year
Payment	We shall pay to the designed bank account of Supplier A 30 days in advance of the proposed cargo date of the respective resin monomers

Our Directors also consider that our consistently large purchase amount from Supplier A during the Track Record Period can demonstrate that Supplier A is satisfied with us and therefore continued to supply raw materials to us. In addition, we were awarded with "International Market Contribution Awarded for the "MR" brand" by Supplier A in 2017 which recognised our performance as well as our business practices. Supplier A also granted us the authorisation certificate which certified that Supplier A is our supplier for all resin monomers under the "MR" brand in 2018. "MR" is the only product series under material for eyeglass lenses for lenses of high refractive index of Supplier A.

In light of the above, our Directors believe that Supplier A treats us as its valued business partner, and that we have established a long-term strategic relationship with it where such relationship will bring mutual benefits. As such, our Directors believe that it would be commercially sensible for Supplier A to continue to supply raw materials including the 1.74 Monomer to us and the likelihood of termination of our relationship with Supplier A is considered relatively remote.

Shanghai Yongchuang Printing Co., Ltd* (上海永創印務有限公司) ("**Shanghai Yongchuang**") and Linxi Packaging, both of which are our five largest suppliers during the Track Record Period and are respectively owned as to 90% by Mr. Qian Yaoming and 10% by his spouse, Ms. Xi Xiuhua. Ms. Xi Xiuhua is the sole shareholder of Shanghai Linxi Industrial Co., Ltd. (上海霖錫實業有限公司) ("**Shanghai Linxi**") and the supervisor of Shanghai Zhenchuang Enterprise Development Co., Ltd. (上海振創企業發展有限公司) ("**Shanghai Zhenchuang**"), which is wholly owned by Mr. Qian Liang, Mr. Qian Yaoming's son. Each of Shanghai Linxi and Shanghai Zhenchuang is our supplier. As such, the suppliers that are related to Mr. Qian Yaoming and/or his associates are Shanghai Yongchuang (i.e. Supplier C), Linxi Packaging (i.e. Supplier H), Shanghai Linxi and Shanghai Zhenchuang. During the Track Record Period, the amount of purchases of the said four suppliers of our Group in aggregate amounted to approximately RMB26.2 million, RMB33.0 million, RMB30.8 million and RMB14.3 million respectively, representing approximately 6.3%, 6.3%, 5.7% and 5.8% of our total purchases respectively for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021. The transactions with these four suppliers were conducted on arm's length basis and on normal commercial terms. Mr. Qian Yaoming is also a Pre-IPO Investor who shall hold approximately 2.6% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). For details, please refer to the section headed "History and Development — Pre-IPO Investment" in this prospectus. To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders, who owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date, nor any of their respective associates, has any interest in any of the five largest suppliers of our Group for each of the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021.

ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

The following table sets out the details of our major customers with a dual role as our suppliers during the Track Record Period:

Name of entity	Amount of sales by us and percentage to our total revenue	Products sold by us	Amount of purchases by us and percentage to our total purchases	Products purchased by us	Gross profit from sales of our products to our customer and gross profit margin
Customer C	For the year ended 31 December 2018: RMB36.6 million (4.3%)	Standardised resin spectacle lenses	For the year ended 31 December 2018: RMB71,000 (0.01%)	Resin Spectacle lenses(Note 1)	For the year ended 31 December 2018: RMB11.2 million (30.7%)
	For the year ended 31 December 2019: RMB55.8 million (5.3%)		For the year ended 31 December 2019: RMB82,000 (0.01%)		For the year ended 31 December 2019: RMB16.8 million (30.1%)
	For the year ended 31 December 2020: RMB39.9 million (3.6%)		For the year ended 31 December 2020: RMB293,000 (0.05%)		For the year ended 31 December 2020: RMB10.5 million (26.4%)
	For the five months ended 31 May 2021: RMB7.5 million (1.4%)		For the five months ended 31 May 2021: RMB4,000 (0.00%)		For the five months ended 31 May 2021: RMB2.2 million (29.3%)
Customer D	For the year ended 31 December 2018: RMB36.5 million (4.3%)	Standardised resin spectacle lenses	For the year ended 31 December 2018: RMB3.0 million (0.6%)	Polycarbonate spectacle lenses(Note 2)	For the year ended 31 December 2018: RMB8.6 million (23.6%)
	For the year ended 31 December 2019: RMB44.6 million (4.2%)		For the year ended 31 December 2019: RMB3.1 million (0.5%)		For the year ended 31 December 2019: RMB9.9 million (22.1%)
	For the year ended 31 December 2020: RMB30.4 million (2.8%)		For the year ended 31 December 2020: RMB2.5 million (0.5%)		For the year ended 31 December 2020: RMB7.0 million (23.1%)
	For the five months ended 31 May 2021: RMB14.4 million (2.7%)		For the five months ended 31 May 2021: RMB0.9 million (0.4%)		For the five months ended 31 May 2021: RMB3.6 million (25.0%)

Notes:

1. Customer C is an ophthalmic product manufacturer with the capacity to manufacture resin spectacle lens. Since our Sabae Production Base produces only standardised lenses with refractive index of 1.67 and 1.74, Asahi Optical purchased some resin spectacle lenses with refractive index of 1.56 and 1.60 which it did not produce from Customer C during the Track Record Period.

2. Customer D is a manufacturer of optical lenses with prescriptions and an authorised dealer of multiple global brands with the capacity to manufacture polycarbonate spectacle lens. Since we do not produce such kinds of lenses, we purchased some polycarbonate spectacle lenses which we did not produce from Customer D during the Track Record Period.

3. For the illustrative purpose, the above analysis, including the amount of sales by us, the amount of purchases by us and the gross profit from sales of our products to our customers refer to such amount we had with our customers on an individual entity basis.

The following table sets out the details of our major supplier with a dual role as our customer during the Track Record Period:

Name of entity	Amount of purchases by us and percentage to our total purchases	Products purchased by us	Amount of sales by us and percentage to our total revenue	Products sold by us	Gross profit from sales of our products to our Supplier (in its capacity as customer) and gross profit margin
Supplier A	For the year ended 31 December 2018: RMB168.1 million (40.5%) For the year ended 31 December 2019: RMB217.6 million (41.8%) For the year ended 31 December 2020: RMB223.7 million (41.5%) For the five months ended 31 May 2021: RMB102.8 million (41.6%)	Raw materials for production of spectacle lenses	For the year ended 31 December 2018: RMB1,000 (0.0%) For the year ended 31 December 2019: nil For the year ended 31 December 2020: nil For the five months ended 31 May 2021: nil	Resin spectacle lenses(Note 1)	For the year ended 31 December 2018: RMB350 (24.5%) For the year ended 31 December 2019: nil For the year ended 31 December 2020: nil For the five months ended 31 May 2021: nil

Note:

1. We sold resin spectacle lenses to Supplier A on an one-off basis during the Track Record Period.

To the best knowledge and belief of our Directors. these entities and their ultimate beneficial owners are Independent Third Parties. Our Directors confirm that our transactions with these entities and/or their related companies in the same group are (1) conducted on arm's length negotiation, (2) with the terms thereof being subject to negotiations in each individual order, (3) independent and not inter-connected nor inter-conditional with each other, and (4) made on individual order-by-order basis. In particular, the products we sold to these entities were different in nature and/or of different of refractive index from those we purchased from them.

INVENTORY CONTROL

Our inventories mainly consist of (i) raw materials (inclusive of lens moulds), (ii) work-in-progress, (iii) finished lenses. The inventory level of our raw materials, work-in-progress and finished lenses are monitored through our ERP system. We also conduct regular and random stock take to ensure the accuracy of our inventory records. Our warehouses have humidity and temperature control systems to ensure our raw materials and products are stored in an appropriate manner.

Our products are principally produced after receiving purchase orders from or signing one-off sales agreements with our customers. We also maintain minimum inventory level of two to three months for standardised lens including but not limited to lens roughcasts to cater for customised lens orders and urgent orders. Our Directors consider that there is no significant risk of inventory obsolescence.

Generally, provision will be made for inventories which are considered obsolete after taking into account the ageing of the inventory items, movement and usefulness or residual value of the inventories. We did not experience any material shortage of supply or overstock of inventory during the Track Record Period and up to the Latest Practicable Date. As at 31 December 2018, 2019 and 2020 and 31 May 2021, we recorded impairment of inventories of approximately RMB9.0 million, RMB8.2 million, RMB6.9 million and RMB12.7 million respectively mainly due to obsolete stocks and slow-moving stocks.

As at 31 December 2018, 2019 and 2020 and 31 May 2021, our inventories amounted to approximately RMB286.3 million, RMB332.7 million, RMB391.4 million and RMB382.7 million, respectively, which represented 43.6%, 34.7%, 38.2% and 38.9% of our total current assets respectively. Our average inventory turnover days were 170 days, 159 days, 186 days and 166 days for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively.

TRANSFER PRICING ARRANGEMENT

Commercial Rationale

As a global business, we established subsidiaries in different jurisdictions to perform different functions including but not limited to strategy development and management, research and development, manufacturing, procurement, sales and marketing, distribution, and services.

Our Group's major intra-group transactions were sale and procurement of tangible goods and supporting services transactions. During the Track Record Period, we conducted our operations primarily through our subsidiaries in the PRC, Japan, the United States and Mexico. During the Track Record Period, the following types of intra-group transactions are analysed and evaluated in the transfer pricing arrangement:

1) Manufacturing business: Asahi Optical purchased products from third party suppliers or other companies of our Group for production and then sold the finished products to third party customers or other companies of our Group. The manufacturing business herein refers to Asahi Optical only. Whilst Shanghai Conant and Jiangsu Conant also have their own manufacturing business segment, they are not selected for evaluation and analysis under this category as unlike Asahi Optical, in which part of the purchase of raw materials are from group companies, both Shanghai Conant and Jiangsu Conant only purchase raw materials from companies outside of the Group. Instead, the distribution segment of Shanghai Conant and Jiangsu Conant were evaluated and analysed (see below), which is more appropriate from a transfer pricing perspective according to the Transfer Pricing Consultant, especially for Shanghai Conant and Jiangsu Conant which are full-fledged manufacturers with multiple business functions;

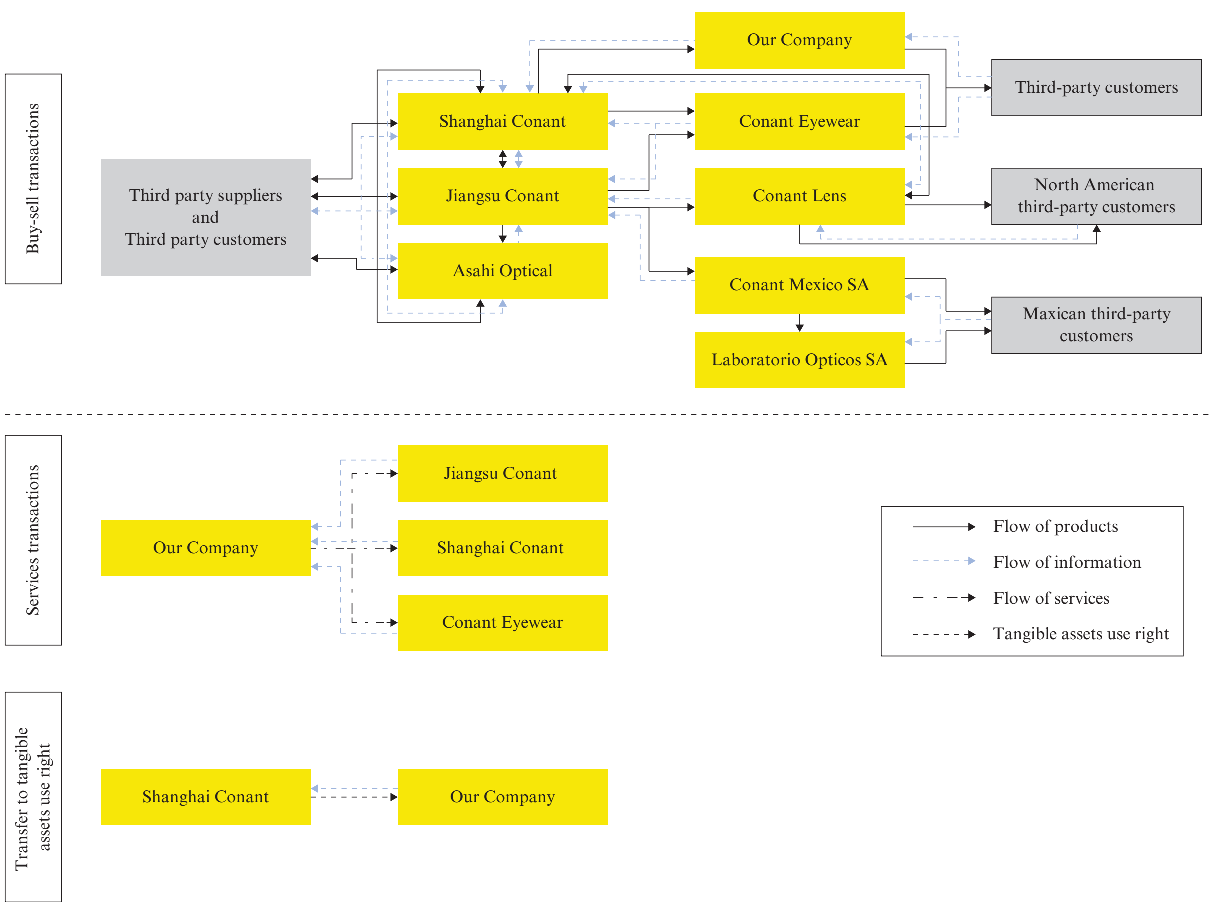
2) Distribution business: The Group distributors(Note) purchased finished products from other companies of our Group then sold the finished products to third party customers;

3) Service business: Our Company provided sales and procurement, and central sales, procurement and financial support services to other PRC subsidiaries in our Group; and

4) Others: Shanghai Conant received rental fee from our Company.

The above transactions between the subsidiaries of our Group were regarded as our Group's intra-group transactions (the "**Covered Transactions**").

The following diagram sets forth our Group's typical transaction flow in respect of our major transfer pricing arrangement:



Note:

1. The distributors herein refer to the distribution segment of Jiangsu Conant, the distribution segment of Shanghai Conant, Conant Eyewear, Conant Lens, Conant Mexico SA and Laboratorio Opticos SA.

Among these Group's entities, Jiangsu Conant and Shanghai Conant acts as full-fledged manufacturers which (i) make major business decisions for our Group's manufacturing business; (ii) manage the major research and development activities of our Group; and (iii) are responsible for our Group's major procurement, warehousing and logistics management. Asahi Optical acts as full-fledged manufacturer that operates in local market. The Group distributors act as limited-risk distributors, which mainly engage in the distribution business under the guidance of group sales and marketing strategy.

Transfer Pricing Assessment

The Organisation for Economic Co-operation and Development (the "**OECD**"), an international organisation of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Transfer Pricing Guidelines**"), which is consistent with the transfer pricing regulations in the tax jurisdictions involved in our Covered Transactions including PRC, Japan, the United States and Mexico. According to the OECD Transfer Pricing Guidelines, our Covered Transactions should be at arm's length basis to avoid distorted taxable income in different jurisdictions. In order to ensure compliance with the OECD Transfer Pricing Guidelines, we have engaged an independent transfer pricing consultant, Ernst & Young Tax Services Limited, (the "**Transfer Pricing Consultant**"), an international professional accounting firm in Hong Kong, to conduct benchmarking studies on the Covered Transactions during the Track Record Period in accordance with the OECD Transfer Pricing Guideline, which primarily identified the arm's length pricing and/or profit range for the Covered Transactions.

Transfer Pricing Consultant first selected the most appropriate transfer pricing analysis methodology in its benchmarking studies based on the nature and characteristics of the intragroup transactions. For all of our intra-group transactions, the transactional net margin method ("**TNMM**") was selected, which compares the profit margin of a taxpayer arising from intragroup transactions with the profit margin realised by independent parties engaging in similar comparable transactions.

For the benchmarking study using TNMM method, a range of reasonable profit level was determined by reference to the range of reasonable profit level derived by comparable companies (the "**Comparable Profit Level Range**"). The Comparable Profit Level Range determined through the benchmarking study followed the OECD Transfer Pricing Guidelines and can be regarded as an arm's length profit level range.

Pursuant to the OECD Transfer Pricing Guidelines, if the profit levels are not on arm's length basis, it is necessary to consider whether any adjustments in the profit levels shall be made between the subsidiaries in the accounts to achieve comparability with the arm's length profit level.

Our Transfer Pricing Consultant conducted benchmarking studies to identify the arm's length pricing and/or profit range for the Covered Transactions. Based on the benchmarking studies prepared by our Transfer Pricing Consultant, we compared the profit level of our operating subsidiaries of the Covered Transactions against the Comparable Profit Level Range for the Track Record Period.

The Comparable Profit Level Range, original profit level and target profit level — median range of Comparable Profit Level Range as stated in below table:

Tested party	Comparable Profit Level Range			Original profit level of our subsidiaries				Suggested profit level of our subsidiaries			
	Lower-quartile	Median	Upper-quartile	2018	2019	2020	2021 (ended/ as at 31 May)	2018	2019	2020	2021 (ended/ as at 31 May)
Distributing business											
— Conant Eyewear	0.47%	5.69%	13.04%	–0.86%	4.39%	–5.43%	9.86%	5.69%	5.69%	5.69%	the original profit level of the tested party is above the median of the Comparable Profit Level Range, thus no adjustment was made
— Conant Mexico SA	1.13%	5.75%	6.76%	–11.48%	–28.96%	–79.68%	–203.72%	5.75%	5.75%	5.75%	5.75%
— Laboratorio Opticos SA	1.13%	5.75%	6.76%	–47.28%	–44.71%	–172.30%	N/A *(Note)*	5.75%	5.75%	5.75%	N/A *(Note)*
— Conant Lens	1.13%	5.75%	6.76%	4.75%	4.58%	4.66%	8.34%	the original profit level of the tested party is within/above the Comparable Profit Level Range, thus no adjustment was made			
— Shanghai Conant distribution segment	0.47%	5.69%	13.04%	12.41%	13.74%	21.64%	25.89%	the original profit level of the tested party is above the median of Comparable Profit Level Range, thus no adjustment was made			
— Jiangsu Conant distribution segment	0.47%	5.69%	13.04%	7.55%	9.08%	9.92%	8.41%	the original profit level of the tested party is above the median of Comparable Profit Level Range, thus no adjustment was made			
— the Company distribution segment	0.47%	5.69%	13.04%	N/A *(Note)*	23.37%	23.96%	24.19%	the original profit level of the tested party is above the median of Comparable Profit Level Range, thus no adjustment was made			
Manufacturing business											
— Asahi Optical	1.48%	6.88%	9.59%	11.98%	13.00%	9.91%	11.05%	the original profit level of the tested party is above the median of Comparable Profit Level Range, thus no adjustment was made			
Service business											
— the Company service segment	1.32%	6.09%	15.11%	N/A *(Note)*	27.30%	28.26%	28.64%	the original profit level of the tested party is above the median of Comparable Profit Level Range, thus no adjustment was made			

Note: There was no such related party transaction for the year ended 31 December 2018 and five months ended 31 May 2021.

Tax Implications and Compliance

In Mexico, the original profit level of Conant Mexico SA and Laboratorio Opticos SA. were below the Comparable Profit Level Range during Track Record Period. The Directors believe that this was mainly due to (i) the impairment of trade receivables during the Track Record Period; (ii) the keen competition and uncertain local market conditions; and (iii) Conant Mexico SA and Laboratorio Opticos SA's operations in 2020 were further affected by the outbreak of COVID-19. According to their function and risk profiles, they should be compensated to reach Comparable Profit Level Range to be consistent with the arm's length principle during Track Record Period. The median of Comparable Profit Level Range has been selected to calculate the adjustment on tax payable, which is estimated by bringing up the profits of Conant Mexico SA and Laboratorio Opticos SA to the median of Comparable Profit Level Range, and multiply the difference by the applicable tax rates. As a result, for Conant Mexico SA, the provision of potential exposure of tax payable is approximately RMB0.2 million, RMB1.2 million, RMB0.5 million and RMB0.1 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. For Laboratorio Opticos SA, the provision of potential exposure of tax payable is approximately RMB0.3 million, RMB0.1 million, RMB0.2 million and nil for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively.

In the PRC, the original profit level of Conant Eyewear was below the Comparable Profit Level Range during Track Record Period. The Directors believe that this was mainly due to (i) a comparatively higher selling expenses recorded when comparing with other stand-alone distribution businesses as Conant Eyewear is structured under our Group as a pure sales company; and (ii) Conant Eyewear's operation in 2020 was slightly affected by the outbreak of COVID-19. According to its function and risk profile, it should be compensated to reach Comparable Profit Level Range to be consistent with the arm's length principle during Track Record Period. The median of Comparable Profit Level Range has been selected to calculate the adjustment on tax payable, which is estimated by bringing up the profits of Conant Eyewear to the median of Comparable Profit Level Range, and multiply the difference by the applicable tax rates. As a result, the provision of potential exposure of tax payable is approximately RMB8,000 and RMB0.7 million for the years ended 31 December 2019 and 2020, respectively. There is no corresponding adjustment by usages accumulated losses for the year ended 31 December 2018 and the five months ended 31 May 2021.

Although the benchmarking studies conducted in accordance with OECD Transfer Pricing Guidelines would be consistent with the transfer pricing regulations in the tax jurisdictions involved in the Covered Transactions, it does not have binding effect on any local taxation authorities in the event of transfer pricing controversy. For details, please refer to the section headed "Risk Factors — Risks Relating to Our Business — Our operations may be subject to transfer pricing adjustments by competent authorities." in this prospectus.

The OECD Transfer Pricing Guidelines provide that the arm's length standard should be used to establish transfer prices between associated enterprises. Reference is made to Article Nine of the OECD Model Tax Convention, which states that:

> *[When] conditions are made or imposed between ... two [associated] enterprises ... which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.*

According to above guideline, any residual profits/losses after the adjustment (if so made) were assumed by the Jiangsu Conant and Shanghai Conant, being full-fledged manufacturers and major decision-making entities, their profitability were therefore reduced after such adjustment accordingly. In view of the immaterial amount in aggregate of the aforesaid potential tax exposure of RMB0.5 million, 1.3 million, RMB1.4 million and RMB0.1 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 respectively, which represented only 0.1%, 0.1%, 0.1% and nil of our revenue for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 respectively, and the fact that some of our group companies recorded a higher profit level than the respective Comparable Profit Level Range, our Directors did not make any provisions nor adjustments to the potential exposure of tax payable on the corresponding financial statements of the relevant companies during the Track Record Period.

Based on the above and after discussing with our Transfer Pricing Consultant, our Directors confirmed, and the Sole Sponsor concurred, that our transfer pricing arrangements during the Track Record Period did not involve tax evasion.

Although we did not have a formal policy during the Track Record Period in relation to compliance with the relevant transfer pricing regulations, with a view to ensure ongoing compliance of the applicable transfer pricing regulations, we have (i) established a formal policy in July 2021 to monitor our transfer pricing arrangements to ensure compliance with the arm's length principle, by designating our finance manager to review the reasonableness of the pricing policy of our key intra-group transactions on a monthly basis; (ii) assigned our chief financial officer to monitor the amount of intra-group transactions from each tax jurisdiction transfer pricing regulatory perspective and our chief financial officer will report to our audit committee on an annual basis in July 2021; and (iii) The Group is in the process of confirming the engagement of an independent transfer pricing consultant to review, semi-annually, the Interquartile Range of our intra-group transactions, prepare transfer pricing documentation (compliance report) for related entities and provide any updates on relevant transfer pricing laws and regulations. Such independent transfer pricing consultant is expected to be engaged by us after the Listing.

As advised by the Transfer Pricing Consultant, although the OECD Transfer Pricing Guidelines do not have binding effect to the tax jurisdictions involved in the Covered Transactions, the arm's length principle, transfer pricing methodologies, economic analysis and verification approaches in the OECD Guidelines would generally be followed by all tax jurisdictions involved in the Covered Transactions. As advised by the Transfer Pricing Consultant, (i) the transfer pricing adjustment is based on the application of transfer pricing methodologies that are suitable to the Covered Transactions; (ii) one essential part of considering the application of transfer pricing methodologies is the performance of economic analysis and benchmarking studies, which would arrive at arm's length profit ranges by referencing to that of independent comparable enterprises; and (iii) such consideration is commonly followed by all tax jurisdictions involved and the measures set out above are principally formulated based on such consideration. Based on the above, the Transfer Pricing Consultant is of the view that the above measures adopted by the Group are effective and adequate.

Having considered the above, our Directors are of the view that the above measures are sufficient and effective. In addition, after discussing with our internal control consultant and reviewing the internal control procedures of our Group, nothing has come to the attention of the Sole Sponsor that the above measures are not adequate and sufficient.

According to the Transfer Pricing Consultant, it can be concluded that from the Group level, the Group did not arrange transactions with unreasonable profit shifting and tax saving purpose. Although benchmarking studies conducted in accordance with OECD Transfer Pricing Guidelines would generally be followed by all tax jurisdictions involved in the Covered Transactions, it does not have binding effect on any local taxation authorities in the event of transfer pricing controversy. The profit level of the relevant entity in each tax jurisdiction may be adjusted for such review, audit or investigation. Therefore, it is not guaranteed the above transfer pricing adjustment is accepted by the relevant local taxation authorities.

INFORMATION TECHNOLOGY

Our Directors believe that a comprehensive information system is important in improving our efficiency in administering and operating our business. We have in place ERP systems to support various aspects of our business operations, including procurement, production, sales, inventory, and delivery.

Our ERP systems assist us in (i) keeping records of the specifications and raw materials needed for each of our product; (ii) controlling the inventory level of raw materials, work-in-progress and finished lenses; (iii) gathering information on customer purchases; and (iv) tracking the progress of the manufacturing of our products from production to storage in our warehouse and to its eventual delivery to our customers.

In addition, we have also established our own online ordering portal to facilitate our customers' ordering.

AWARDS AND ACCREDITATIONS

The table below set out our major awards or certificates obtained by our Group during the Track Record Period and up to the Latest Practicable Date:

Year of grant	Holder	Awards/accreditations	Issuing Body	Expiry
2010	Asahi Optical	ISO 9001:2015	QA International Certification Limited	30 March 2022
2011	Jiangsu Conant	GB/T19001–2016 idt ISO 9001:2015	DCI Certification Ltd.	June 2023
2017	Jiangsu Conant	CE certification for our resin spectacle lenses model no. 1.50, 1.56 and 1.60	ISET S.r.l.	January 2022

Year of grant	Holder	Awards/accreditations	Issuing Body	Expiry
2017	Shanghai Conant	ISO 9001:2015	Quality Austria — Trainings, Zertifizierungs und Begutachtungs GmbH	November 2023
2018	Shanghai Conant	CE certification for our resin spectacle lenses model no. 1.50, 1.56 and 1.60	Ente Certificazione Macchine	December 2023
2019	Shanghai Conant	ISO 13485:2016	NSF International Strategic Registrations	January 2022
2019	Shanghai Conant	CE certification for our resin spectacle lenses model no. 1.56Hi-vex, 1.56UV++ and 1.60MR-8UV++	Ente Certificazione Macchine	December 2024
2020	Jiangsu Conant	CE certification for our resin spectacle lenses model no. 1.59, 1.67 and 1.74	Ente Certificazione Macchine	January 2025
2021	Shanghai Conant	CE certification for our resin spectacle lenses model no. 1.50UV++, 1.67 UV++, 1.74UV++	Ente Certificazione Macchine	January 2026
2021	Shanghai Conant	CE certification for our resin spectacle lenses model no. 1.59, 1.67 and 1.74	Ente Certification Macchine	May 2026

QUALITY CONTROL

Our quality control department is responsible for maintaining and operating our quality control system to ensure our products meet our customers' expectation and international industry standards. Our Shanghai Production Base, Jiangsu Production Base and Sabae Production Base were all certified in compliance with the requirements of ISO 9001:2015 for their quality management system. Further, our Shanghai Production Base is also accredited with ISO 13485:2016, which our Directors consider would give us a competitive advantage in the Russia market. This is because only spectacle lens manufacturer accredited with ISO 13485:2016 is eligible to apply for the relevant medical devices certification, which is prerequisite for exporting spectacle lenses to

Russia. Further, certain customers will also inspect our production bases regularly to ensure our quality management is up to their standards. We managed to pass our customers' inspection on our production facilities during the Track Record Period and up to the Latest Practicable Date.

Our quality testing is conducted on raw materials, work-in-progress and finished products. Our quality control department will also conduct regular inspections on our warehouse inventories.

Quality certifications

Our Group has obtained various international recognised industry standards and quality system certifications. Please refer to the paragraph headed "Awards and Accreditations" in this section for details of the quality certifications obtained by our Group during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, among others, Shanghai Conant and Conant Lens obtained the annual registration confirmation of FDA.

Quality control of incoming raw materials

To ensure that the quality of raw materials comply with our specifications and requirements, we inspect and perform incoming quality control tests on the raw materials. Our warehouse personnel checks the specifications, type, quantity and quality of the incoming raw materials on a sampling basis. Sub-standard raw materials will be returned to the suppliers for exchange or refund. In addition, our quality control department would assess our suppliers regularly based on, among others, the quality of their raw materials supplied. For details on the evaluation of the performance of our suppliers, please refer to the paragraph headed "Suppliers" in this section.

Quality control in the production process and finished products

Our quality control staff will closely monitor the production of our products to ensure strict compliance with our standard operating procedures. They will regularly inspect the quality of our work-in-progress at each stage of the production process on a sampling basis and conduct checking on finished products to ensure that the product quality adheres to product specifications and requirements requested by our customers. Our quality control staff will also conduct regular inspection on our warehouse inventories to identify any deterioration in quality of our finished products. Sub-standard work-in-progress and finished products will be (i) returned to the production department for repair; (ii) downgraded and sold to our customers at a lower price provided that they are willing to accept such sub-standard products; or (iii) disposed.

As at 31 May 2021, we had an aggregate of 51 quality control staff (including 16, 31 and 4 in Shanghai, Jiangsu and Japan respectively), to conduct testing on our raw materials, work in progress and finished products. We carry out various tests on our products including but not limited to measurement of the accuracy of the corrective power, optical focal length and the lens thickness.

Apart from our own quality control, sometimes we also commission third party test centres to conduct inspection and checking on our products to ensure their quality is up to industry standards. The relevant test reports will be used in our sales and marketing activities to demonstrate our competitive edge in terms of product quality. Our production bases in the PRC are also subject to product quality inspection by the relevant authorities, and both our Shanghai Production Base and Jiangsu Production Base had passed the inspections during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Group is committed to establishing and maintaining positive Environmental, Social and Governance ("**ESG**") practices and initiatives. We will adopt policies, charters and code of conducts to govern the ESG aspects of our day-to-day operations, ranging from health and work safety, anti-discrimination and social contribution to environmental protection and corporate governance.

Environmental

We are dedicated to taking environmental responsibility in all aspects of our business, from procurement of raw materials to treatment of wastes.

The major pollutants generated from our manufacturing processes include wastewater, gas emission and dust, noise and solid waste. During the Track Record Period, we engaged third-party environmental testing institutions to evaluate our pollutants emission and other impact on the environment, including wastewater, gas emission and noise pollution level of our production bases, from time to time as our Directors deem appropriate. For example, during the Track Record Period, the pH value of the wastewater from our production bases in the PRC were within the range of 6.5 to 9.5 and the Chemical Oxygen Demand (COD) wastewater did not exceed 500 mg/L in accordance with relevant national environmental standards based on the result of the testing reports. Going forward, we will implement the following environmental protection measures to monitor and reduce the major pollutants generated during our production:

Gas emission and dust

Air pollutants generated during the production process include nitrogen oxides and industrial dust. In particular, these air pollutants can be collected through and processed with pulsed jet dust purifiers and by way of active carbon photooxidation. Besides, we shall closely monitor the air quality level with the assistance of third-party environmental testing institutions to ensure that the air pollutants and waste gas emission are controlled in accordance with the relevant national or local environmental standards. We plan to acquire three additional sets of active carbon photooxidation waste gas processing facilities by 30 June 2022 to further lower the pollutant level of our gas emission.

Wastewater

Water pollutants generated during the production process include ammonia, Chemical Oxygen Demand (COD) and alkali wastewater. In particular, these water pollutants can be processed with deoilers and grilles and by way of neutralization, sedimentation and filtering before being discharged. Besides, we shall closely monitor and control the wastewater discharged from our sewage treatment processing facilities on a regular basis to ensure that the wastewater is controlled in accordance with the relevant national or local environmental standards. We plan to acquire an additional set of wastewater processing facility by 31 December 2022 to further lower the pollutant level of our wastewater.

Noise

Noise may be generated during the operation of the production equipment such as air compressors, wind blowers and centralised air conditioner. We have constructed sound proofing walls to the factory building, and plan to install damping pad at air compressors and install mufflers at wind blowers, by 31 December 2023, to minimise our noise emission.

General industrial solid waste

Our general industrial solid waste primarily includes waste lenses, product scraps and other waste produced by lens trimming. We shall engage third-party solid waste recycling companies to collect and process such wastes. We also plan to decrease our product defect rate to minimise waste by enhancing our technology in craftsmanship.

In order to monitor our environmental protection impact, we have engaged third-party environmental testing institutions to record the emission level of gas emission, wastewater and noise, in order to allow us to have prompt investigation and rectification measures taken.

We recognize the importance of environmental protection as an important corporate responsibility and will adopt stringent measures for environmental protection such as by way of acquisition of further waste gas processing facilities and enhancement of our production efficiency in order to ensure the compliance by us with the prevailing environmental protection laws and regulations. For details of the environmental requirements pursuant to the laws and regulations of the PRC and Japan, please refer to the sections headed "Regulatory Overview — PRC Laws and Regulations — Regulations on Environmental Protection" and "Regulatory Overview — Japanese Laws and Regulations — The legal framework for work safety and environmental protection in Japan" in this prospectus. As at the Latest Practicable Date, we had obtained pollutant discharge permit (固定污染源排污登記回執) and the licence for urban drainage (城鎮污水排入排水管網許可證) for our business operations. Please refer to the section headed "Business — Licences, permits and registration" in this prospectus for details.

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, we incurred costs of approximately RMB0.4 million, RMB1.3 million, RMB0.7 million and RMB0.4 million, respectively, in connection with compliance with environmental laws and regulations, including drainage maintenance charge, waste disposal charge, greening charge, environmental permit application fee and environmental testing institution service charge. Our Directors do not expect any material increment in the cost of compliance with applicable environmental laws and regulations in the relevant jurisdictions in the near future.

The Directors confirm that we had no material non-compliance or violation on any relevant laws and regulations of the PRC and Japan on environmental protection during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC and Japan legal advisers, we have not been subject to any material claims, legal proceedings, penalties or disciplinary actions for the breach of any environmental laws or regulations of the PRC and Japan.

Water and power consumption

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our consumption of water amounted to approximately 386.2, 539.0, 422.7 and 174.9 thousand ton, respectively, whilst our consumption of electricity amounted to approximately 45,470,000, 54,500,000, 51,550,000 and 21,250,000 Kilowatt-hours, respectively. The decrease in the electricity and water consumed in 2020 was principally due to (i) the decrease in our production volume as a result of the short-term suspension of our production bases due to the pandemic of COVID-19; (ii) the implementation of our plan to replace the production machineries with high power consumption; and (iii) the use of the recycled water for general cleansing, greenery and cooling down of equipment and machineries in Shanghai Production Base.

As we understand that the importance of power saving and resources conservation, we have put focuses on how to reduce the electricity and water consumed during our production. For the power saving perspective, we will review the power consumption of our existing production machineries and for those machineries which consumed relatively high electricity, such as resin casting ovens, we will gradually replace them with the new ones which are relatively power saving. Through the aforesaid measures, we believe that we can be benefited from the reduction of the power consumption and production cost.

On the other hand, in order to reduce the water consumption for our production, we have used the recycled water after processing the wastewater by ourselves for general cleansing, greenery and cooling down of equipment and machineries in Shanghai Production Base. Given that we plan to expand our production capacity of our lens products in the PRC, we will keep monitoring the needs and will upgrade our wastewater processing capability to increase our usage of recycled water if necessary.

We will continue to explore potential energy-saving solutions within our production process, strive to reduce the use of energy and resources, and improve the efficiency of energy and resource usage. We will continue to implement the responsibility for energy conservation and continuously improve the staff's awareness of environmental protection and resource conservation through trainings.

Climate related risks

Moreover, we may face the climate-related risks arising from the extreme weather conditions. In particular, we may incur substantial losses due to loss of revenue from disruption of production, and additional expenditure on repairs or replacement of our damaged equipment and machinery depending on the nature of the natural disasters such as typhoon, flood and earthquakes. In response to such risks, we have formulated relevant contingent plan in order to reduce our loss and negative impact on the safety of our employee to the largest extent.

On the other hand, we note that the PRC government has put focuses on strengthening the carbon emission policies such as implementation of the carbon neutral policy. Our Board will continue to closely monitor the relevant carbon emission policies as well as other environmental protection policies such as energy saving and emission reduction policies, and respond with appropriate mitigating measures in due course. If the evolvement of those policies possibly affects our supply chain, we will proactively take measures to maintain a stable supply of our raw materials with reasonable costs and negotiate with our suppliers in this regard.

Social responsibility

We place utmost emphasis on our corporate social responsibilities, which we believe is intrinsically linked to strong company performance. We are committed to providing a safe and healthy working environment for our employees and have implemented measures at our production bases to promote occupational health and safety and to ensure compliance with the applicable laws and regulations. We arranged training on occupational health to our employees from time to time, requested compliance of the operation manual by our employees when operating the equipment and machineries and monitored closely on our storage of the chemicals. We have also established a series of safety guidelines, rules and procedures for various aspects of our production activities including fire safety, occupational health and plant and machinery maintenance.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no material work-related injuries or fatalities at our production facilities, and no prosecution has been made against us by the relevant government authorities in the PRC and Japan in respect of the breach of applicable health and safety laws and regulations.

Further, we do not discriminate based on gender, gender identity, religion, race, ethnicity or disability. If our employees encounter any unequal discrimination, they can seek immediate assistance from either their department head, human resources department or our management team. We will follow up, investigate, and, if necessary, report to the administrative authorities.

Our Directors consider that the management policies, working environment, career prospects and benefits extended to our employees have contributed to building a good employee relations and employee retention. During the Track Record Period and up to the Latest Practicable Date, our Group had one labour union established by our employees of Shanghai Conant.

Moreover, we made charitable donations to charitable fund, community development fund and local government charitable committee from time to time to provide aid and assistance to the poor.

The following table is a selection of the children sight saving programs joined by us which reflect our corporate social responsibilities during the Track Record Period and up to the Latest Practicable Date:

Charitable event	**Event organiser**
"Love Eye Care Public Welfare Program"* (愛心護眼公益計劃)	Mitsui Chemicals and our Group
"Sight is Future" (看見未來)	Orbis China
"A figure in the sun, eye protection and outdoor travel fun charity activity"* (陽光下的身影，護眼歡樂戶外行)	Our Group

The following table is a selection of the awards and accolades awarded to us in recognition of our social contribution during the Track Record Period and up to the Latest Practicable Date:

Award and accolades	Awarding organisation/authority
"Village-enterprise" pairing activity "Outstanding Contribution Award"* ("村企同心 • 聚力同行"村企結對共建活動"突出貢獻獎")	CCP Qidong High-tech Industrial Development Zone Working Committee* (中共啟東高新技術產業開發區工作委員會) and Jinhai Town Municipal Committee of Qidong, CCP* (中共啟東市近海鎮委員會)
Employment base of "Care and Dream Realization"* ("關愛圓夢"就業實踐基地)	Qidong City Federation of Trade Unions* (啟東市總工會)

Corporate governance

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules except for the deviation from the code provision A.2.1 of the aforesaid Corporate Governance Code. Please refer to the section headed "Directors, Supervisors and Senior Management — Corporate Governance" in this prospectus for details. The Board is supported by six Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee, the ESG Committee, the Strategy Committee and the Risk Management Committee, with delegated responsibilities to oversee our Group's affairs and authorize to act on behalf of the Board. In particular, the Audit Committee, the Nomination Committee and the Remuneration Committee will act in accordance with its respective terms of reference in compliance with the Corporate Governance Code. Each Board committee will review, report and make recommendations to the Board on matters relevant to their roles and responsibilities. In particular, one of the primary duties of our Audit Committee is to review and supervise the financial reporting process and internal control system of our Group. Please refer to the section headed "Directors, Supervisors and Senior Management — Board Committees" in this prospectus for details.

Further, our Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as securities trading rules and procedures and will arrange to send the reminder notice to all Directors on the commencement of blackout period and the relevant dealing restriction. For details please refer to the section headed "Directors, Supervisors and Senior Management — Executive Directors" in this prospectus.

Moreover, in order to avoid potential conflicts of interest with the Controlling Shareholder, we have implemented corporate governance measures. Please refer to the section headed "Relationship with Controlling Shareholder — Corporate Governance Measures" in this prospectus for details.

ESG Committee

Our Board is responsible for devising strategies and targets in relation to ESG matters. In particular, our Company has established a ESG Committee, comprising of three executive Directors, namely Mr. Fei, Mr. Zheng Yuhong and Mr. Xia Guoping with Mr. Fei as the chairman. The functions of our ESG Committee are to assist the Board in guiding and supervising the development and implementation of environmental, social and governance works of our Group to ensure compliance with relevant legal and regulatory requirements.

INSURANCE

Our insurance coverage includes (i) general insurance for our Group's fixed assets (e.g. production plants and machinery), employees, vehicles, and trade receivables from overseas customers of our PRC subsidiaries; and (ii) fire insurance for our production plant and offices and product liability insurance of our Japan subsidiary. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our Group incurred insurance expenses of approximately RMB2.8 million, RMB2.8 million, RMB2.2 million and RMB1.5 million, respectively. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. During the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. However, our business operations are susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. Please refer to the section headed "Risk Factors — Risks Relating to Our Business — Our insurance coverage may not be sufficient to cover all losses or potential claims from our customers which would affect our business, financial condition and results of operations." in this prospectus for more details.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the production value of spectacle lens in the PRC increased from RMB11,353.3 million in 2015 to RMB12,240.7 million in 2020, representing a CAGR of 1.5% and is expected to further increase to RMB14,066.7 million in 2025, representing a CAGR of 2.8% between 2020 to 2025, driven by the increasing population with ametropia issues caused by ageing population and prevailing digital products, and increasing disposable income of consumers all over the world. The PRC is one of the largest countries for spectacle lens exporting, with more than one-sixth of the total export value in the world.

According to the Frost & Sullivan Report, the competition among the spectacle lens manufacturing market in the PRC is very intense, with approximately 1,450 manufacturers in the PRC as estimated, the growth pattern of which is now transferring from cost-driven model to technology-driven model.

The Group was the largest manufacturer of resin lens with an approximate market share of 8.5% in terms of production volume in 2020 and was the largest exporter in the PRC in terms of the export value in 2020, taking up around a market share of 7.3%.

There are various entry barriers for new market players to establish business presence in the spectacle lens manufacturing market, including high investment for overhead expenditures, the lack of close and established relationship with upstream vendors, and the lack of brand reputation and years of business. Please refer to the section headed "Industry Overview" in this prospectus for further information on the competitive landscape of the spectacle lens manufacturing and export industry in the PRC.

COVID-19 MITIGATION

An outbreak of respiratory illness caused by COVID-19 first emerged in late December 2019 and continued to expand globally. Due to the rapid increase in the number of cases worldwide, the World Health Organisation declared the outbreak of COVID-19 as a public health emergency of international concern in January 2020 and characterised COVID-19 as pandemic in March 2020. In response to the severity of the COVID-19 outbreak, the government of various countries (including but not limited to the PRC and Japan) have implemented various measures to combat such outbreak, including temporary suspension of work and quarantine order to restrict entry and exit of the countries.

To the best knowledge of our Directors, since the outbreak of COVID-19 and up to the Latest Practicable Date, there had been no confirmed case of COVID-19 infection among our employees or instances where any of our employees was unable to report duty due to the outbreak of COVID-19 which may have caused material disruption to our business operations.

Impact on our business and our preventive measures

(i) Our production bases

We had experienced a short-term suspension in February 2020 for our production bases in the PRC and that from April to May 2020 for our production base in Japan respectively and recorded a decrease in our production volume to approximately 2.6 million and 220,000 pieces in February 2020 in our PRC production base and in April to May 2020 in our Japan production base respectively, as compared to our production volume of approximately 6.0 million and 500,000 pieces in our production bases in the PRC and Japan, respectively during the relevant periods in 2019. Furthermore, our staff of our production bases in the PRC who had travelled to other provinces were subject to compulsory 14-day quarantine before they can report duty and thus our production schedule had been delayed.

To prevent transmission of COVID-19 to and among our employees, we had implemented a series of preventive measures to monitor the health conditions of our employees and maintain a hygienic working environment inside our production bases. These preventive measures include the regular disinfection of the production facilities, the regular checking of body temperature, the mandatory wearing of facial masks, the social distancing maintained at the employee canteen and the provision of facial masks and hand sanitiser. Employees had been asked to provide their health codes and whereabouts track record for our review.

In view of (i) the relatively short period of suspension of our production base operation; (ii) the sufficient inventory level of our finished products (including but not limited to roughcast) to fulfil customers' needs in short term; (iii) the relatively less pressing needs of our customers on the timely deliveries, as confirmed by our Directors, the temporary suspension of our production bases due to the policies implemented by the local governments had not resulted in any substantial delay in delivery of our products to our customers and we had not been subject to any material late charges or damages imposed on us by our customers. As at the Latest Practicable Date, our Group had resumed production.

(ii) Our supply chain

Our suppliers were subject to different quarantine measures imposed by their local governments and have experienced temporary suspension to their production and business operations but have resumed the provision of raw materials purchased by us as at the Latest Practicable Date. Apart from the short-term delay in the provision of raw materials caused by the temporary suspension of operation of our suppliers, there was no material disruption or delay in the supply chain and delivery of raw materials to our production bases.

Our Group has implemented certain business contingency plans to ensure the supply chain of raw materials would not be disrupted due to the outbreak of COVID-19. The Company has accumulated more principal raw materials at the initial outbreak of COVID-19. In view of the potential rebounding of the COVID-19 in the PRC and worldwide, our Directors shall be monitoring the situation closely and in case of any potential material disruption in business of our PRC or overseas suppliers, we shall be accumulating more principal raw materials more proactively. We will also be able to source raw materials from alternative suppliers as we have short-listed a few other suppliers in the PRC and overseas in the event our major suppliers have to suspend their operation due to COVID-19. At the same time, we maintain frequent communications with our major suppliers to ensure that their operations are not disrupted.

(iii) Our sales

As some of our products are sold and delivered to countries outside of the PRC, which have been affected by the pandemic of COVID-19, we experienced only minor decrease in the revenue in the first half year of 2020 of approximately RMB35.6 million, or approximately 7.0%, when compared to that in the corresponding period in 2019, and an increase in the total revenue for the full financial year of 2020 since the outbreak of COVID-19. The total revenue increased from approximately RMB1,058.8 million for the year ended 31 December 2019 (largely before the outbreak of COVID-19) to approximately RMB1,093.2 million, representing an increase of 3.2%, for the year ended 31 December 2020 (after the outbreak of COVID-19). Our Directors believe and as concurred by Frost & Sullivan, this increase is primarily attributable to (i) the suspension of production of spectacle lens in the other regions outside the PRC and thus the shifting of the production back to the PRC; (ii) the closure of the business of some small and medium spectacle lens manufacturers in the PRC and thus the shifting of the production demand to the surviving manufacturers like us; (iii) the increasing demand for spectacles due to the more often online entertainment led by self-quarantine; and (iv) the rather rigid demand for ophthalmological products including resin spectacle lenses given most ophthalmological products are necessities. Notwithstanding the above, due to the draconian measures such as cancellation or reduction in air and oceanic transportations, travel restrictions and lockdown measures imposed by the governments of various countries for preventing further spread of the pandemic, the availability of local and international transportation and delivery services had been adversely affected, which resulted in a delay in our product delivery in the first half year of 2020. Nevertheless, we did not experience any material claim for damages by customers due to such delay, which is attributable to certain contingency measures we undertaken to procure timely product delivery and minimise the risk of delay, including (i) adopting rail transport as an alternative mode of delivery; (ii) devising alternative transportation routes to minimise the risk of delay due to travel restriction measures; (iii) reserving extra cargo space on board to ensure availability of the same; (iv) making sufficient communication with our customers in advance in relation to the product delivery; and (v) building good business relationship with courier companies to facilitate courier services provided to us. As our sales to overseas customers or overseas designations are generally on FOB basis, we did not experience any material increase in our transportation costs as a result of adopting the above contingency measures.

To ensure our business continuity, our sales and marketing executives have been staying in touch with our customers via digital communications and meetings. With a solid base of recurring customers, even though we are forced to suspend most face to face contact with our customers due to the COVID-19 outbreak, our sales and marketing team would still be able to solicit sales from our recurring customers and meet their needs and expectations through phone calls and/or emails.

Our Directors' view

In view of the above factors, including the preventive measures implemented by our Group, our Directors are of the view that (i) the COVID-19 outbreak has not caused a prolonged impact on our business operation, nor the demand for our Group's products; and (ii) the potential impact of the outbreak of COVID-19 on our Group's business operations and financial conditions is only temporary. However, our Directors are aware of the potential rebounding of the COVID-19 in the PRC and worldwide, in the event of which, we shall be more proactive in taking preventive measures to minimise disruption to our business and financial conditions. For details, please refer to the section headed "Risk Factors — Risks Relating to Our Industry — Our business operations and financial results may be adversely affected by the outbreak of COVID-19." in this prospectus. Our Directors' assessment of the impact is based on information available up to the Latest Practicable Date and hence, our Directors' assessment may change over time along with the development of the COVID-19 pandemic.

PROPERTY INTERESTS

Owned Properties

As at the Latest Practicable Date, we owned certain properties in the PRC and Japan. The following table sets out a summary of certain information regarding our owned properties as at the Latest Practicable Date:

Properties held	Address	Type and tenure of ownership	Expiry of tenure	Our subsidiary owning the property	Approximate area *(sq.m.)*	Usage/ Permitted use
PRC						
Land use right in respect of the Shanghai Owned Land	No. 555 & 585, Chuanda Road, Pudong New Area, Shanghai, PRC (the "**Shanghai Owned Land**")	Leasehold for 50 years	30 October 2053	Shanghai Conant	30,477	Industrial use
15 industrial buildings (nos. 1–15) situated on the Shanghai Owned Land *(Note 1)*				Shanghai Conant	45,510	Factory
Land use right in respect of the Jiangsu Owned Land	Lot 01-68-(023)-103, Qidong Waterfront Industrial Park, Jiangsu, PRC (the "**Jiangsu Owned Land**")	Leasehold for 50 years	11 January 2057	Jiangsu Conant	53,334	Industrial use
Eight factory buildings situated on the Jiangsu Owned Land *(Note 2)*				Jiangsu Conant	48,617	Factory
Two composite buildings situated on the Jiangsu Owned Land *(Note2)*				Jiangsu Conant	5,446	Industrial use
Three dormitories situated on the Jiangsu Owned Land *(Note2)*				Jiangsu Conant	7,769	Dormitory

Properties held	Address	Type and tenure of ownership	Expiry of tenure	Our subsidiary owning the property	Approximate area *(sq.m.)*	Usage/ Permitted use
Japan						
Land use rights in respect of the Sabae Owned Land	4-1, 5-1, 26-1 and 36 Aza Minamikawarada, and 36, 1-1, 4-1, 26-1 and 36 ahead Aza Minamikawarada, 47 Shimokobatacho, Sabae City, Fukui Prefecture, Japan (the "**Sabae Owned Land**")	Freehold	N/A	Asahi Optical	4,953	Building factory
Factory building situated on the Sabae Owned Land				Asahi Optical	5,534	Factory
Two warehouses on the Sabae Owned Land				Asahi Optical	77.47	Warehouse
Office building on the Sabae Owned Land				Asahi Optical	2,153	Office
Water pump room on the Sabae Owned Land				Asahi Optical	23	Pump room

Notes:

1. Out of the 15 industrial buildings, five of which (nos. 2, 9, 10, 11 and 12) with an aggregate area of approximately 22,102 m^2 were leased by Shanghai Conant to our Company as intra-group transaction at the monthly rental rate of RMB160,000 from 1 January 2019 to 31 May 2025. For details, please refer to the paragraph headed "Transfer Pricing Arrangement" in this section. As at the Latest Practicable Date, we did not register the said lease. As advised by our PRC Legal Advisers, the relevant government authority may require the parties to a lease to register the lease within a given period, and a fine ranging between RMB1,000 to RMB10,000 may be imposed on the parties to the lease for failing to rectify it within the given period. Four of which (nos. 9, 10, 11 and 12) with an aggregate area of approximately 20,069m^2 were leased by us to two Independent Third Parties at the current monthly rental rate of approximately RMB852,500 as at the Latest Practicable Date from 1 January 2019 to 31 May 2025 and the lease agreements are legally valid and effective as advised by the PRC legal Advisers. The remaining 11 industrial buildings together constitute the Shanghai Production Base. As at the Latest Practicable Date, (i) the Shanghai Owned Land, along with all the 15 industrial buildings erected thereon, together with (ii) the Jiangsu Owned Land, along with all the buildings, erected therein, were pledged to a bank as security for the principal obligation under a contracts for an amount of RMB430,000,000 with the security term from 15 August 2019 to 14 August 2026.

2. The eight factory buildings, two composite buildings and three dormitories together constitute part of our Jiangsu Production Base. In addition to the aforesaid security interest of RMB430,000,000, as at the Latest Practicable Date, Jiangsu Owned Land along with all the buildings erected thereon, were pledged to a bank as security for a revolving loan up to of RMB66.0 million.

3. The factory building, office building, two warehouses and pump room together constitute the Sabae Production Base. As at the Latest Practicable Date, the Sabae Owned Land, along with the buildings erected thereon, were pledged to a bank as security for a revolving loan up to ¥145,000,000.

As advised by our PRC Legal Advisers and Japan Legal Advisers, subject to the aforesaid security interest, we had obtained all the relevant property ownership/title certificates for the properties we own as required under the relevant laws and regulations as at the Latest Practicable Date.

The Jiangsu Owned Land and Sabae Owned Land are held by our Group for our own use. Based on the most recent audited consolidated statements of financial position of our Group as at 31 May 2021, as the carrying amount of our interest in each of the Jiangsu Owned Land and Sabae Owned Land is below 15% of our total assets, we are not required to include a valuation report of our interest in the Jiangsu Owned Land and Sabae Owned Land in this prospectus pursuant to Rules 5.01A(2) and 5.01B(2) of the Listing Rules.

Part of the Shanghai Owned Land is held by our Group for letting. Based on the most recent audited consolidated statements of financial position of our Group as at 31 May 2021, as the carrying amount of our interest in the Shanghai Owned Land is above 1% of our total assets, we are only required to include a valuation report of our interest in the Shanghai Owned Land in this prospectus pursuant to Rules 5.01A(1) and 5.01B(1) of the Listing Rules. Please refer to Appendix III to this prospectus for property valuation report.

As the valuation report which relates to our interest in the Shanghai Owned Land and complies with section 6(3)(a) and (b) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice is set out in Appendix III to this prospectus, and an overview specified in section 6(5) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice with respect to our interest in the Jiangsu Owned Land and Sabae Owned Land is set out above, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings.

Leased Properties

The table below lists out the address and function of our leased properties in the PRC, Japan, United States and Mexico as at the Latest Practicable Date:

Particulars of the leased properties	Approximate area *(sq.m.)*	Usage	Our subsidiary which leased the property	Term	Approximate current rental amount
PRC					
First floor of one factory building, four factories, and one canteen area, all situated at no. 10, Jiangfeng Road, Qidong Waterfront Industrial Park, Jiangsu, PRC ("**Property 1**") *(Note 1)*	4,922	Factory and canteen	Jiangsu Conant	1 January 2021– 31 December 2023	RMB1,870 per day
No. 78, Development Road, Economic Development Area, Danyang, Jiangsu, PRC ("**Property 2**") *(Note 2)*	4,900	Office and warehouse	Conant Eyewear	1 December 2019– 30 November 2024	RMB321,358 per annum
Block No. 2, Block No. 9, Block No. 10, Block No. 11 and Block No. 12, No. 555 & 585, Chuanda Road, Pudong New Area, Shanghai, PRC	22,102.39	Factory	Company	1 January 2019– 31 May 2025	RMB160,000 per month
No. 117–119, Renmin Middle Road, Huilong Town, Qidong, Jiangsu, PRC ("**Property 3**") *(Note 2)*	120	Retail shopfront	Shanghai Conant	10 April 2021– 9 March 2024	RMB150,000 per annum
5th Floor, Out-patient Department, 568 Minle Zhonglu, Qidong, Jiangsu, PRC (中國江蘇啟東民樂中路568號門診部五樓) ("**Property 4**") *(Note 2)*	150	Ophthalmology clinic	Shanghai Conant	8 October 2021– 8 October 2022	N/A *(Note 3)*
United States					
2255 Sewell Mill Road, Suite 140, Marietta, Georgia 30062, United States	127	Office	Conant Lens	1 January 2019– 31 December 2021	US$2,780 per month
14400 NE Bel-Red Road, Suite 102, Bellevue, Washington, 98007, United States	94	Office	Conant Lens	1 August 2019– 31 July 2024	US$1,761 per month
Mexico					
Calz. Ignacio Zaragoza 2504, Zona Urbana Ejidal Santa Martha Acatitla Norte, Iztapalapa, 09510, Mexico City, Mexico	1,500	Office and warehouse	Conant Mexico SA	1 January 2021– 31 December 2021	MXN$163,656 per month

Particulars of the leased properties	Approximate area *(sq.m.)*	Usage	Our subsidiary which leased the property	Term	Approximate current rental amount
Japan					
Leopalace Ryutei, 1-1 Koriencho, Hirakata, Osaka, Japan	20	Dormitory	Asahi Optical	7 September 2020– 6 September 2022	¥47,000 per month
1-2-4 Doshomach, Chuo-ku, Osaka, Osaka (日本大阪市中央區道修町1丁目2番4號2樓)	34	Office	Asahi Optical	20 March 2020– 19 March 2022	¥59,367 per month
1-1-3 Nihonbashi-Horidomecho, Chuo-ku, Tokyo (日本東京都中央區日本橋堀留町1丁目1番3號7樓)	75	Office	Asahi Optical	19 August 2021– 18 August 2023	¥226,500 per month
7-1-1, 14, 15 Kita3jyo-Nishi, Chuo-ku, Sapporo, Japan	7	Office	Asahi Optical	1 October 2021– 30 September 2022	¥35,200 per month

Notes:

1. These properties together constitute part of our Jiangsu Production Base and we conduct part of our lens moulds production at the factory of Property 1.

2. As at the Latest Practicable Date, to the best knowledge of our Directors, the lessors of Property 2 and Property 4 have not provided us with the relevant title certificates of the Property 2 or Property 4 and the respective legal owner and the respective nature and the permitted use of the properties cannot be ascertained. As advised by our PRC Legal Advisers, it is possible that the relevant lessor has no right to lease Property 2 and Property 4 or the respective lease does not fall within the nature and permitted use of the property which might lead to the respective lease being nullified. As such, we were unable to register the said leases during the material time. Further, as at the Latest Practicable Date, the lease of Property 3 was not registered. As advised by our PRC Legal Advisers, the relevant government authority may require the parties to a lease to register the lease within a given period, and a fine ranging between RMB1,000 to RMB10,000 may be imposed on the parties to the lease for failing to rectify it within the given period. Further, as advised by our PRC Legal Advisers, in view of the uncertainty regarding the right to rent the property of the respective lessor of Property 2 and Property 4, we might not be able to occupy and use Property 2 and Property 4 legally. For details of the relevant risk, please refer to the section headed "Risk Factors — Risks Relating to Our Business — We may be exposed to risks in relation to our leased properties" in this prospectus. To mitigate such risk and prevent potential disruption to our business operation, we intend to relocate our Jiangsu office to a new premises by the end of 2021.

3. Pursuant to the tenancy agreement regarding the lease of Property 4, it was agreed between the parties that, in consideration of Shanghai Conant being responsible for the renovation and construction of the ophthalmology clinic at its cost, Shanghai Conant shall be exempted from rent for the period during which it is responsible for the operation of such clinic.

Save for Property 1 which is leased from Jiangsu Blue, a company owned as to 49% by Jiangsu Conant and 51% by Linxi Packaging (one of our supplier), the landlords of our leased properties are all Independent Third Parties. Linxi Packaging is owned as to 90% by Mr. Qian Yaoming and 10% by his spouse, Ms. Xi Xiuhua. Mr. Qian Yaoming is a Pre-IPO Investor who shall hold approximately 2.6% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the

Over-allotment Option is not exercised). For details, please refer to the section headed "History and Development — Pre-IPO Investment" in this prospectus. Mr. Qian Yaoming also owns 90% equity interest of Shanghai Yongchuang Printing Co., Ltd* (上海永創印務有限公司), (i.e. Supplier C) and Linxi Packaging (i.e. Supplier H) both of which are our five largest suppliers during the Track Record Period. Ms. Xi Xiuhua is the sole shareholder of Shanghai Linxi Industrial Co., Ltd. (上海霖錫實業有限公司) and the supervisor of Shanghai Zhenchuang Enterprise Development Co., Ltd. (上海振創企業發展有限公司), which is wholly owned by Mr. Qian Liang, Mr. Qian Yaoming's son. Each of Shanghai Linxi Industrial Co., Ltd. and Shanghai Zhenchuang Enterprise Development Co., Ltd. is our supplier. Our Directors do not foresee any major difficulties or impediments in renewing our lease agreements with our landlords upon their expiration. Our Directors confirm, based on the advice given by our legal advisers, save for that of Property 2 and Property 4, all the relevant lease agreements are legally valid and effective.

INTELLECTUAL PROPERTIES

For the trademarks, patents and domain names we had obtained registrations as at the Latest Practicable Date, which we consider material to our business, please refer to the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights" in Appendix VII to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material legal proceeding, claims, disputes, arbitration or administrative proceedings pending or threatening against any member of our Group or any of our Directors with regard to any intellectual property claim against our Group.

LICENCES, PERMITS AND REGISTRATION

The table below sets out the details of our major licences, certificates and registrations for our operation as at the Latest Practicable Date:

	Name of our subsidiary	**Licence/certificate/permit**	**Issuing authority**	**Issue date and valid term (if applicable)**
The PRC	Shanghai Conant	Business licence	Market Supervision Administration (Shanghai Pudong New Area) (上海市浦東新區市場監督管理局)	25 March 2019
		Enter-exit Inspection and Quarantine Corporate Registration* (出入境檢驗檢疫報檢企業備案表)	Shanghai Administration for Enter-exit Inspection and Quarantine (上海出入境檢驗檢疫局)	11 September 2017

Name of our subsidiary	Licence/certificate/permit	Issuing authority	Issue date and valid term (if applicable)
	Archival Filing and Registration of Foreign Trade Business Operators* (對外貿易經營者備案登記表)	Not stated	16 December 2019
	Customs Record Return Receipt for Consignees And Consignors of Import and Export Goods* (海關進出口貨物收發貨人備案回執)	Custom Bureau (Shanghai Pudong)	26 May 2021
	Pollutant discharge permit (固定污染源排污登記回執)	Not stated	18 June 2020–17 June 2025
	Licence for Urban Drainage (城鎮污水排入排水管網許可證)	Water Bureau (Shanghai Pudong New Area) (上海市浦東新區水務局)	21 October 2020–20 October 2025
Jiangsu Conant	Business licence	Administration Examination and Approval Bureau (Jiangsu Qidong)* (啟東市行政審批局)	27 December 2018
	Enter-exit Inspection and Quarantine Corporate Registration* (出入境檢驗檢疫報檢企業備案表)	Custom Bureau (Jiangsu Qidong)	4 June 2018
	Archival Filing and Registration of Foreign Trade Business Operators* (對外貿易經營者備案登記表)	Not stated	13 December 2017
	Customs Record Return Receipt for Consignees And Consignors of Import and Export Goods* (海關進出口貨物收發貨人備案回執)	Custom Bureau (Jiangsu Qidong)	19 July 2021
	Pollutant discharge permit (固定污染源排污登記回執)	Not stated	24 March 2020–23 March 2025
Conant Eyewear	Business licence	Administration Examination and Approval Bureau (Jiangsu Danyang)* (丹陽市行政審批局)	4 January 2021

	Name of our subsidiary	Licence/certificate/permit	Issuing authority	Issue date and valid term (if applicable)
	Jiangsu Asahi	Business licence	Administration Examination and Approval Bureau (Jiangsu Qidong)* (啟東市行政審批局)	8 November 2019
		Archival Filing and Registration of Foreign Trade Business Operators* (對外貿易經營者備案登記表)	Not stated	26 October 2021
		Customs Record Return Receipt for Consignees And Consignors of Import and Export Goods* (海關進出口貨物收發貨人備案回執)	Custom Bureau (Jiangsu Qidong)	26 October 2021
Japan	Asahi Optical	Registration as a business of manufacture of medical appliances	Fukui Prefecture	1 May 2021–30 April 2026
	Asahi Optical	Licence for the business of manufacture and sale of Class 3 medical appliances	Fukui Prefecture	1 May 2021–30 April 2026
United States	Conant Lens	Annual registration confirmation	FDA	1 January 2021–31 December 2021 *(Note)*
	Shanghai Conant	Annual registration confirmation	FDA	1 January 2021–31 December 2021 *(Note)*

Note: These annual registration confirmations have been updated and these registrations are valid through 31 December 2022.

Our Directors confirm that our Group had obtained all material licences and permits for our business operations as a whole in compliance with relevant laws and regulations as at the Latest Practicable Date. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences and permits. Furthermore, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences and permits upon their expiration. Therefore, our Directors do not foresee any major difficulties in compliance with such registration that would cause material impacts on our Group's operations and business.

RESEARCH AND DEVELOPMENT

We place particular importance on research and development and intend to strengthen our product development capability as part of our business strategies. For details, please refer to the paragraph headed "Business Strategies — Strengthening Our Product Development Capability" in this section. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, costs incurred for the research and development activities amounted to approximately RMB35.3 million, RMB37.1 million, RMB39.6 million and RMB17.1 million, respectively. Our Group's research and development team researches on manufacturing skills, techniques and know-how and develops new products to enhance our competitiveness. As at 31 May 2021, our research and development team comprised 48 staff (comprising of 44 based in the PRC and 4 based in Japan), some of whom possess the relevant bachelor degrees of materials engineering, materials chemistry, fibre engineering and applied physical chemistry. The table below sets out the breakdown of our costs incurred for the research and development activities by project during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1.499 UV++ photochromic resin spectacle lens (1.499變色UV++樹脂鏡片)	3,759	2,060	—	—
1.50 photochromic resin spectacle lens (1.50變色樹脂鏡片)	—	2,477	4,667	—
1.56 UV++ photochromic resin spectacle lens (1.56變色UV++樹脂鏡片)	2,814	2,331	—	—
1.60 D-Free resin spectacle lens (1.60 D-Free 光學樹脂鏡片)	5,973	—	—	—
1.60 UV++ photochromic resin spectacle lens (1.60UV++塗層變色光學樹脂鏡片)	6,522	—	—	—
1.60 UV absorption resin spectacle lens (1.60抗紅外膜光學樹脂鏡片)	6,988	—	—	—
1.60 AG UV++ resin spectacle lens (1.60 AG UV++光學樹脂鏡片)	—	5,964	—	—
1.67 UV++ photochromic resin spectacle lens (1.67 UV++塗層變色光學樹脂鏡片)	—	5,477	—	—
1.67 double aspherical resin spectacle lens (1.67 雙非光學樹脂鏡片)	—	5,144	—	—
1.60 Jingbaobei lens (1.60 鏡寶貝鏡片)	—	—	7,075	—

	For the year ended 31 December			For the five months ended 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1.60 frog-proof optical resin lens (1.60 塗層防霧光學樹脂鏡片)	—	—	6,482	—
1.67 anti-glare driving resin spectacle lens (1.67 防眩光駕駛型光學樹脂鏡片)	—	—	6,105	—
Polarising UV＋＋ resin spectacle lens (偏光UV＋＋樹脂鏡片)	3,697	1,833	—	—
Polarising photochromic resin spectacle lens (偏光變色樹脂鏡片項目)	5,376	2,567	—	—
Curve top bifocal resin spectacle lens (弧頂雙光樹脂鏡片)	—	1,285	—	—
Round segment bifocal resin spectacle lens (圓頂雙光樹脂鏡片)	—	1,274	—	—
Trifocal resin spectacle lenses (三光樹脂鏡片)	—	1,293	—	—
UV absorption resin spectacle lens (抗紅外樹脂鏡片)	—	2,122	—	—
UV＋＋ absorption resin spectacle lens (UV＋＋抗紅外樹脂鏡片)	—	—	7,141	—
Visible light high anti-reflection low reflectivity green film resin lens (可見光高增透低反射率綠膜樹脂鏡片)	—	1,422	—	—
Patterned mirror film resin sunglasses (圖案膜層鏡面膜樹脂太陽鏡)	—	1,886	—	—
Anti-heat aging resin spectacle lens (抗熱老化樹脂鏡片)	—	—	4,294	—
UV＋＋ anti-glare resin spectacle lens (UV＋＋防眩光樹脂鏡片)	—	—	3,815	—
1.50 UV＋＋ absorption resin spectacle lens (1.50UV＋＋抗紅外樹脂鏡片)	—	—	—	2,816

	For the year ended 31 December			For the five months ended 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1.74 stainable resin spectacle lens (1.74可染色樹脂鏡片)	—	—	—	1,660
Cataract resin spectacle lens (白內障樹脂鏡片)	—	—	—	820
Polyurethane photochromic resin spectacle lens (聚胺酯變色樹脂鏡片)	—	—	—	1,231
Polarising semi-finished resin spectacle lens (偏光半成品樹脂鏡片)	—	—	—	844
1.60 super blue-light-proof (460) resin lens (1.60超級防藍光(460)樹脂鏡片)	—	—	—	3,491
PC photochromic resin spectacle lens (PC塗層變色光學樹脂鏡片)	—	—	—	3,200
1.67 ultra-low reflection coated resin spectacle lens (1.67超低反射鍍膜光學樹脂鏡片)	—	—	—	3,008
Others	134	—	—	69
Total	35,263	37,135	39,579	17,139

The table below sets out the breakdown of our costs incurred for the research and development activities by nature during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Staff cost(Note 1)	16,485	46.7	17,897	48.2	18,693	47.2	6,550	67.9	10,438	60.9
Raw materials	15,318	43.4	15,873	42.7	14,703	37.1	2,495	25.9	4,275	24.9
Depreciation cost	2,880	8.2	2,460	6.6	2,750	6.9	230	2.4	861	5.0
Design fee	—	—	427	1.1	2,992	7.6	183	1.9	1,525	8.9
Others(Note 2)	580	1.6	478	1.3	441	1.1	187	1.9	40	0.3
Total	35,263	100.0	37,135	100.0	39,579	100.0	9,645	100.0	17,139	100.0

Notes:

1. The staff cost includes the staff expenses in relation to the research and development personnel and the staff in our production department to collaborate with our research and development in the product development projects.

2. Other cost include project inspection fee, application fee and registration fee for intellectual properties and expert consultation fee.

Our research and development team also works together with our other departments such as sales department to understand the market trend and customers' preferences before commencing a research project as well as our production department to collaborate in product testing and development. With our established customer base, we are capable of collecting latest market information as the solid foundation of our research and development initiatives, which mainly focus on (i) development of new products to diversify our product mix and capture market share; (ii) the utilisation of new materials in our production to improve product quality and function; and (iii) optimisation of existing production process for costs reduction and enhancing efficiency. Our sales department would also provide new product prototypes to our customers and collect their feedbacks for further studying and product improvement.

Besides, as part of our research and development initiatives, during the Track Record Period we also collaborated with Zhejiang University of Technology (浙江工業大學), an university in the PRC, on product research and development with a view to enhance our product functionality. Under the collaboration, we were responsible for the provision of testing equipment, production facilities, relevant funding on research and development and marketing whilst the university was responsible for the research and development team, and that both parties were subject to the confidentiality duty. Further, we shall own the intellectual property rights of any end products. As at the Latest Practicable Date, approximately RMB50,000 has been incurred on the collaboration and the project under this collaboration has been completed. Such collaboration involved study of resin spectacle lens with blue-ray blocking and impact resistance.

As we consider the results of our research and development as our valuable assets, we have registered (i) 19 patents in the PRC; and (ii) one patent in the United States and European Union respectively in relation to our resin spectacle lens which are material to our business as at the Latest Practicable Date. We are also in the process of application of seven patents in relation to our resin spectacle lens and their production methods which are material to our business to protect our research and development results as at the Latest Practicable Date.

In return to our continuous efforts on research and development, Jiangsu Conant was first granted the qualification of High and New Technology Enterprises on 17 November 2017 and further granted on 2 December 2020 and Shanghai Conant was granted the same on 27 November 2018. Shanghai Conant has applied for the renewal of the qualification for a period of three years from 2021 to 2023 in August 2021.

Our Group's research and development team researches on manufacturing skills, techniques and know-how and develops new products to enhance our competitiveness. During the Track Record Period, costs were incurred for the research and development activities for 31 projects. In additions, we intend to focus our research and development initiative on two aspects, namely (i) to optimise the functionalities and production efficiency of our existing lens products; and (ii) to develop products with new functionalities. In relation to optimisation of existing lens products, we plan to undertake research and development projects to improve, among others, the anti-glare and infrared-blocking ability and anti-bacteria function of our lenses and to enhance the sensitivity of our photochromic lenses. In relation to development of new products, we plan to develop new varieties of double aspherical lenses and lenses with refractive index of 1.74 as well as products with specific functions such as myopia prevention and anti-fogging. Approximately 8.2% of our total estimated net proceeds, or HK$57.2 million will be used for conducting our research and development initiatives.

EMPLOYEES

As at 31 May 2021, our Group employed over 2,000 employees who were based in PRC, Japan, United States and Mexico.

The following table sets out the number of our employees by geographical locations and functions as at 31 May 2021:

	Number of employees				
Function	**PRC**	**Japan**	**United States**	**Mexico**	**Total**
Management	12	6	1	—	19
Administration and finance	81	2	3	11	97
Production *(Note 1)*	1,834	54	—	—	1,888
Sales and marketing *(Note 2)*	113	15	1	4	133
Inventory and procurement	107	8	—	9	124
Quality control	47	4	—	—	51
Research and development	44	4	—	—	48
Others *(Note 3)*	43	—	—	2	45
Total	2,281	93	5	26	2,405

Notes:

1. Production include employees working under (i) production; (ii) production coordination; and (iii) logistics.

2. Sales and marketing include employees working under (i) sales and marketing; and (ii) customer service.

3. Others include employees working under (i) information technology; and (ii) maintenance.

We generally recruit our employees from the open market by placing recruitment advertisements and posting job listings on the internet. Our Group values human resources and assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

The remuneration payable to our employees generally includes basic salaries and discretionary bonuses. The ability to recruit and retain experienced and skilled labour is crucial to our business development and growth. 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 three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our employee benefit expenses including director's and chief executive's remuneration, wages salary, and other allowances amounted to approximately RMB222.0 million, RMB258.0 million, RMB249.5 million and RMB125.9 million, respectively.

We provide training to enhance our employees' skills, knowledge and capability. All our new recruits will be provided with an induction programme to familiarise with our Group, followed by on-the-job training based on departmental needs and our development strategies. Various in-house trainings are conducted depending on the employee's position and job requirements. We also engage third party trainers to provide training in respect of certain positions with high technical aspects.

During the Track Record Period, our Group had not experienced any significant difficulties in recruiting employees, and had not experienced any significant staff or labour disputes. Our Directors confirm that our Group's relationship with our employees is satisfactory in general. Our Directors consider that the management policies, working environment, career prospects and benefits extended to our employees have contributed to building a good employee relations and employee retention. During the Track Record Period and up to the Latest Practicable Date, our Group had one labour union established by our employees of Shanghai Conant.

LEGAL AND REGULATORY COMPLIANCE

We set out below the non-compliance incident significant to us during the Track Record Period and up to the Latest Practicable Date:

I. Social insurance and housing provident fund contribution

Non-compliance incidents	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
Jiangsu Conant and Conant Eyewear failed to make full contributions to social insurance and housing provident funds for some of our employees as required by the PRC laws and regulations. These non-compliance incidents occurred primarily because some of our employees chose not to be enrolled in the social insurance fund and/or housing provident fund as they did not want to bear their portion of the contributions.	Our PRC Legal Advisers have advised us that, under PRC laws and regulations, if any competent government authority is of the view that the social insurance payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a late fee that equals 0.05% of the total unpaid amount per day. If we fail to pay the unpaid amount or the late fee within a certain period, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance fund contribution. Our PRC Legal Advisers have also advised us that in the event that any competent government authority is of the view that the housing provident fund contributions we made did not satisfy the requirements under PRC laws and regulations, it can order us to pay the unpaid amount to the relevant local authorities within a certain period. If we fail to act accordingly, an application of compulsory enforcement can be made to the People's Court of the PRC. As confirmed by our PRC Legal Advisers, since the Group has opened housing provident fund accounts for all employees, the relevant laws and regulations do not impose penalty in addition to the payment of the unpaid amount of housing fund contributions. As advised by the PRC Legal Advisers, according to Regulations on the Housing Provident Fund (Revised in 2019), no administrative penalty is stipulated for the underpayment of the housing provident fund contribution.	The Group obtained the following written confirmations from the government authorities as set out below: 1. On 31 May 2021, Qidong City Human Resources and Social Insurance Bureau addressed to Jiangsu Conant stating, among others that, there is no circumstance which may subject Jiangsu Conant to make up the payment of the social insurance fund or be penalised. 2. On 15 June 2021, Danyang City Human Resources and Social Insurance Bureau addressed to Conant Eyewear stating, among others that, there is no circumstance which may subject Conant Eyewear to make up the payment of the social insurance fund or be penalised. 3. On 14 May 2021, Danyang City Healthcare Security Bureau addressed to Conant Eyewear stating, among others that, there is no circumstance which may subject Conant Eyewear to make up the payment of the social insurance fund or be penalised. As advised by our PRC Legal Advisers, the government authorities set out above are the competent authorities responsible for administering the contribution of social insurance fund by the Group. We arranged the payment of social insurance and housing provident funds contributions for our employees in accordance with local practice and policies in January 2021. We made provision for the non-compliance of social insurance and housing provident funds of approximately RMB5.0 million, RMB5.3 million, RMB3.0 million and nil for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 respectively. Based on the estimation of our Directors, the aggregate shortfall of social insurance fund amounted to approximately RMB12.1 million, RMB13.4 million, RMB12.7 million and RMB6.2 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively, while the aggregate shortfall of the housing provident funds amounted to approximately RMB5.9 million, RMB7.6 million, RMB8.4 million and RMB2.6 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. As advised by our PRC Legal Advisers, the potential maximum penalty with respect to fines that our Group may be exposed to due to shortfall of social insurance fund during the Track Record Period would be approximately RMB36.3 million, RMB40.1 million, RMB38.0 million and RMB18.5 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. As at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline. We were also not aware of any employee's complaints or demands for payment of social insurance premiums and housing provident fund contributions, nor had we received any legal documentation from the labour arbitration tribunals or the PRC courts regarding disputes in this regard. In view of the above, our PRC Legal Advisers are of the view that the risk of us being penalised for our aforementioned failure to make full contributions to the social insurance and housing provident funds for our employees is very remote. Based on the above, our Directors are of the view that it will not have a material adverse effect on our business operations, nor will such events constitute a material legal obstacle for the Listing. Our Directors are also of the view that there should not be any penalties being imposed by the competent authorities against Jiangsu Conant and Conant Eyewear.

To prevent recurrence of the above non-compliance incident in the future, we shall adopt the following measures:

- we shall implement a policy on managing social insurance and housing provident funds;
- we shall provide training regarding the legal and regulatory requirements applicable to our operations from time to time to our management;
- we have engaged our PRC Legal Advisers to provide legal advice on compliance with PRC laws and regulations;
- when necessary, we will engage legal advisers to render professional advice in relation to compliance with other statutory and regulatory requirements and matters relating to internal control, as applicable to our Group from time to time.

Views of our Directors and the Sole Sponsor

Having considered the nature and reasons for the above non-compliance incident and the advice from our PRC Legal Advisers, the rectification measures taken and the internal control measures adopted by our Company, our Directors are of the view that (i) our Group's internal control measures are adequate and effective to prevent recurrence of any future non-compliance incidents; and (ii) the past non-compliance incident does not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules. Based on the information and representation given and the discussion with the Internal Control Consultants, nothing has come to the attention of the Sole Sponsor that led it to believe that the Directors' view above is unreasonable in any material respect.

Save as disclosed above, our Directors confirm that during the Track Record Period, there were no non-compliance incidents which led to regulatory actions and penalties that had material and adverse effect on our business and results of operations.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we delivered certain resin spectacle lens products to Cote d'Ivoire, Cuba, Egypt, Haiti, Iran, Lebanon, Myanmar, Russia, Turkey, Ukraine, Venezuela, and Zimbabwe, all of which are Countries subject to International Sanctions, among which Cuba and Iran are subject to comprehensive international sanctions programmes. As advised by our International Sanctions Legal Adviser, (i) the Cuba and Iran Transactions appear to be in violation of US sanctions regulations that are applicable to certain transactions with customers located in Cuba and Iran; and (ii) none of our business activities with customers in other Countries subject to International Sanctions have implicated any violation of International Sanctions. In addition, none of the Group, nor any of the Group's counterparties, are Sanctioned Persons. Our payments received from sales to customers located in Cuba and Iran amounted to approximately US$361,000, US$1,790,000, and US$360,000, representing approximately 0.3%, 1.2% and 0.2% of our total revenue for the three years ended 31 December 2020, respectively. During 2016 to 2020, we received payments in an aggregate amount of approximately US$4,620,000 from customers located in Cuba and Iran.

Sanctions Risk

The US and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries. For a summary of the sanctions imposed by the U.S., the European Union, the United Nations and Australia, please refer to the section headed "Regulatory Overview — Sanctions Laws and Regulations".

United States

During the beginning of 2016 and through the end of 2020, we received payments in an aggregate amount of approximately US$4,620,000 in connection with our sales and delivery of products to (i) one Cuban customer, and (ii) two customers located in Iran, plus a small number of transactions where we sold to an intermediary distributor located in Turkey who ultimately delivered our products to customers in Iran.

After consulting with our International Sanctions Legal Adviser, we filed a VSD with OFAC in March 2021 related to our sales and product deliveries to customers located in Cuba and Iran, in August 2021, OFAC responded to the Group's VSD with the Cautionary Letter indicating that it had completed its review of all of the information provided in the VSD. In the Cautionary Letter, OFAC stated that (i) the Group's sales to Cuba were not prohibited under OFAC regulations, (ii) the processing of transactions by a U.S. financial institution between 2016 and 2020 for the benefit of persons in Iran did not comply with the ITSR, (iii) it had determined to address this matter through the issuance of the Cautionary Letter, and (iv) it would not be pursuing a civil monetary penalty or taking any enforcement action. OFAC further indicated that the issuance of the Cautionary Letter represents its final determination as to all matters related to the VSD. On this basis, and the view of our International Sanctions Legal Adviser, our Directors therefore consider the matter to be fully resolved.

As advised by our International Sanctions Legal Adviser, other than the Cuba and Iran Transactions, our business and operations do not implicate any International Sanctions administered by the United States, the United Nations, the European Union or Australia. All of our activities that do have exposure to US administered International Sanctions will be addressed with OFAC through the VSD process. Further, given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Adviser are of the view that the involvement by parties in the Global Offering will not implicate any applicable international sanctions on such parties, including our Company, our investors, our Shareholders, the Stock Exchange and its listing committee and related group companies.

United Nations

On the basis that our activities involving the Cuba and Iran were limited to the sale of resin spectacle lens products that are not export-controlled, upon the advice of our International Sanctions Legal Adviser, our business dealings do not appear to implicate restrictive measures adopted by the United Nations.

European Union

Upon the advice of our International Sanctions Legal Adviser, our business dealings with respect to Cuba and Iran do not trigger the prohibitions or wider restrictions adopted by the European Union, including those extended to the United Kingdom overseas territories, since such business activities were not undertaken by European Union or United Kingdom overseas territories, persons or entities and are limited to the sale of resin spectacle lens products which are not export-controlled in the European Union or United Kingdom overseas territories or involved in the export from the European Union or United Kingdom overseas territories of certain listed military or items that are normally used for civilian purposes but may have military applications.

Australia

Upon the advice of our International Sanctions Legal Adviser, on the basis that neither our Company nor any of our subsidiaries are connected to Australia and our dealings do not appear to involve products or services that are restricted under Australian export controls, our activities in Cuba and Iran do not implicate the prohibitions or wider restrictions under International Sanctions measures administered and enforced by the Government of Australia.

Our undertakings and internal control procedures

We have ceased all of our sales transactions relating to Cuba and Iran prior to the end of 2020. Further, we do not plan to undertake any future business with Sanctioned Persons, any business connected to any countries or jurisdictions that are subject to OFAC's comprehensive sanctions programmes (currently Cuba, Iran, North Korea, Syria and the Crimea region of Russia/Ukraine), or any other business that may expose us to sanctions risks. We intend to continue to conduct business in Cote d'Ivoire, Egypt, Haiti, Lebanon, Myanmar, Russia, Turkey, Ukraine, Venezuela, and Zimbabwe, in a manner consistent with our business throughout the Track Record Period. As noted, our business in these countries does not implicate any violations of International Sanctions. We have implemented the internal control measures described below to minimise our risk exposure to International Sanctions in our future dealing with customers located in or requesting delivery to Countries subject to International Sanctions of any kind. We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions or any other government, individual or entity sanctioned by the

United States, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions.

In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the United States, the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Company if we believe that the transactions we entered into in and/or in connection with Countries subject to International Sanctions or with Sanctioned Persons (if any) would put us or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in and/or in connection with Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our H Shares on the Stock Exchange.

In December 2020, we adopted enhanced internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect our interest and our Shareholders from economic sanctions risks:

1. we have undertaken to set up and maintain a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Global Offering or any other funds raised through the Stock Exchange; further, our Directors will continuously monitor the proceeds we receive from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions;

2. to further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Mr. Fei, Mr. Chen Yi and Mr. Zheng Yuhong, and their responsibilities include, among other things, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Mr. Fei is the chairman of the risk management committee. For details of their biography, please refer to the section headed "Directors, Supervisors and Senior Management — Directors" in this prospectus. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions risks;

3. we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons. According to our internal control procedures, a designated team consisting of two managers and a staff member from our sales and marketing department who possess general knowledge of the list of countries subject to international sanctions and Sanctioned Persons and the

ability to check whether the entity and/or person we are transacting with is on the list of countries subject to International Sanctions and whether he/she/it is a Sanctioned Persons or not was established in December 2020 (the "**Designated Team**") to review the relevant business transaction documentation from customers or potential customers from Countries subject to International Sanctions and with Sanctioned Persons. In particular, the Designated Team will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty to the contract along with the draft business transaction documentation. The Designated Team will check the counterparty against the various lists of restricted parties and countries maintained by the United States, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Countries subject to International Sanctions or a Sanctioned Person. No purchase order would be accepted and no product delivery will proceed unless and until the checking is cleared. If any potential sanctions risk is identified, the Designated Team will report to the risk management committee and we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;

4. the risk management committee will periodically review our internal control policies and procedures and monitor the compliance check conducted by the Designated Team with respect to sanctions matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

5. if necessary, external international legal counsel will provide training programmes relating to the sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Countries subject to International Sanctions and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

Our International Sanctions Legal Adviser have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for the Company to comply with our undertaking to the Stock Exchange.

Having taken the above advice of our International Sanctions Legal Adviser into account, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. Having considered the measures adopted by our Company and the advice of the International Sanctions Legal Adviser, and subject to the full implementation and enforcement of such measures, nothing has come to the attention of the Sole Sponsor that led it to believe that the Director's view on the adequacy and effectiveness of the internal control framework to assist the Company in identifying and monitoring any material risk relating to sanction laws is unreasonable in any material respects.

THIRD PARTY PAYMENTS

During the Track Record Period, there were certain transactions with our customers (the "**Relevant Customers**") which was settled by third party payment processors (the "**Third Party Payers**"), with the aggregated amount of approximately RMB2.4 million, RMB3.3 million, RMB1.1 million and nil, representing approximately 0.3%, 0.3%, 0.1% and nil of our total revenue respectively (the "**Third Party Payment Arrangement**"). All such transactions involved direct and/or indirect transactions with customers in Iran, which is a country subject to comprehensive sanctions administered by the United States. To the best knowledge of our Directors after making reasonable enquiry, all Third Party Payers are independent of our Group. We ceased all business involving delivery of our products to Iran, or otherwise connected to Iran and the Third Party Payment Arrangement by December 2020. To the best information, knowledge and belief of our Directors, after making reasonable enquiries and based on public information obtained, (i) these Third Party Payers are located in various locations such as Hong Kong, Japan, United Arab Emirates, United Kingdom, Pakistan and Turkey; and (ii) among these Third Party Payers, during the Track Record Period, some of the amount were settled by the Third Party Payers which were engaged in the business of trading. We did not restrict the number of Third Party Payers and request the payments through Third Party Payers.

For details, please refer to the paragraph headed "Business Activities in Countries Subject to International Sanctions" under this section.

To the best information, knowledge and belief of our Directors and after making reasonable enquiries, there has been (i) no dispute relating to the Third Party Payers during the Track Record Period and up to the Latest Practicable Date; (ii) no instance that our Group was required to return funds to any Third Party Payers or other parties in relation to the Third Party Payment Arrangement; (iii) no payment of money paid back by us to our customer or the Third Party Payers during the Track Record Period; and (iv) no concrete evidence to cause our Directors to believe that the payment from the Third Party Payers are not related to the Relevant Customers. In view of the above, as advised by our Japan Legal Advisers and our PRC Legal Advisers (the "**Relevant Legal Advisers**"), as long as the payments refer to the settlement of sales prices of spectacles lens and is made under the rules or regulations of the jurisdiction where the Relevant Customers are located, the risk is very remote that we will be subject to any claim for refund of sales amount by the Third Party Payers or their liquidators, administrators or the like and, in the event of such claim, the possibility adjudication of such claim is remote.

To the best information, knowledge and beliefs of our Directors and after making reasonable enquiries, during the Track Record Period, the relevant payments were based on bona fide underlying transactions and valid contracts, and that the filing of the necessary documents in relation to these transactions have been filed with the relevant banking institutions in all material respects. On the basis of above, as advised by the Relevant Legal Advisers, the transaction of receipt of the money from Third Party Payers does not contravene or circumvent (i) applicable money-laundering regulations provided that the receipt of payment was performed solely as settlement of sales prices of spectacle lens and not related to any criminal proceeds; and (ii) any laws or regulations in all material respects of the relevant jurisdictions in which our relevant Group members are located, provided that the banking institution had fulfilled the applicable obligations under the foreign exchange control rules and regulations. Further, on the basis of the above, the transactions with and through the Third Party Payers are legal and in compliance with all applicable laws and regulations of the relevant jurisdictions in which our relevant Group members are located in all material respects as advised by Relevant Legal Advisers.

Internal control measures and cessation of Third Party Payment Arrangement

To enhance our internal control measures and to safeguard our interest against risks associated with Third Party Payment Arrangement, we ceased the Third Party Payment Arrangement by December 2020. To prevent the occurrence of any third party payment arrangements with customers going forward, we enhanced our internal control policies in connection with (i) business activities in Countries subject to International Sanctions and (ii) cash and bank deposits to our bank accounts. For details of our internal control policies in connection with our business activities in Countries subject to International Sanctions, please refer to the paragraph headed "Business Activities in Countries Subject to International Sanctions" in this section. The enhanced internal control measures in connection with cash and bank deposits to our bank accounts are summarised below:

(i) issued an internal notice to all our employees to prohibit them from accepting payment under any third party payment arrangements;

(ii) included a clear statement in our sales invoices that all customers shall settle their payments to us directly and that any payment under third party payment arrangements will be rejected by us;

(iii) our finance department will develop templates for managing the settlement of accounts receivables which shall include transaction description, customer name, payment date, payment unit, account number of the customers, any third party payment arrangement involved and any irregularities noted;

(iv) our financial department will conduct quarterly review of our receivables ledger to ensure no re-occurrence of any third party payment arrangements. In the event of re-occurrence of third party payment arrangement, the head of finance department shall report to the management for further action.

In view of the relatively immaterial revenue contribution from the Relevant Customers during the Track Record Period, there had been no material impact on our financial and operational position as a result of our cessation of the Third Party Payment Arrangement. Based on the above additional internal control measures which shall be fully adopted by our Company before Listing and the fact that no third party payment arrangements have been identified since the cessation of the Third Party Payment Arrangement, our Directors are of the view that the above additional internal control measures are effective and adequate in preventing third party payment arrangements.

Verification steps to ensure that the settlement made by these Third Party Payers during the Track Record Period were not exposed to any potential money-laundering risks and to ascertain the relationship between Third Party Payers and relevant customers

We have carried out certain verification steps to ensure that the settlement made by these Third Party Payers during the Track Record Period were not exposed to any potential money-laundering risks in any material respect and to ascertain the relationship between Third Party Payers and relevant customers. These verification steps mainly involved (i) that any payments received from these Third Party Payers were reviewed to ensure that they were based on bona fide underlying transactions; (ii) that they were supported by valid contracts such as sales contracts or purchase orders; (iii) obtaining the identity of the Third Party Payers as informed by the customers; (iv) that the sum of these payments would be checked with our account receivables as recorded in our internal financial records; (v) that the receipt of payments were performed solely as settlement of sales of our products and not for any other purposes; and (vi) we only accept payments from the Third Party Payers by remittance from licensed banks, and thereby ensuring the funding has undergone and satisfied the anti-money laundering requirements implemented by the licensed banks.

To the best knowledge of our Directors after making reasonable enquiries, our Directors have no grounds to believe that the Third Party Payment Arrangement to Asahi Optical were made with the criminal proceeds, as (i) the Third Party Payment Arrangement to Asahi Optical refer to the settlement of sales prices of spectacles lens products by Asahi Optical to the Iranian customer which are bona fide transactions; (ii) all of these payments were received by licensed banks in Japan; (iii) Asahi Optical has not committed any acts for the purpose of disguising or concealing any source and nature of any criminal proceeds that Asahi Optical is aware of; (iv) Asahi Optical has not taken the initiative to request the customer to pay the purchase price through a third party; (v) the customer normally informs Asahi Optical of relevant information of the Thirty Party Payment Arrangement; (vi) Asahi Optical confirms that there has not been any dispute in relation to the Third Party Payment Arrangement made to Asahi Optical; (vii) Asahi Optical confirms that necessary documents of the relevant transactions have been filed with the relevant banking institutions in all material respects.

Based on the above, our Japan Legal Advisers are of the view that risks of violations of the applicable Japan money laundering laws is remote in relation to the Third Party Payment Arrangement.

To the best knowledge of our Directors after making reasonable enquiries, the Third Party Payment Arrangement was only made by our customers through the Third Party Payers to settle payments owed to our Group on behalf of our customers based on bona fide underlying transactions and valid contracts. Our Directors have no grounds to believe that the Third Party Payment Arrangement was made with proceeds or gains from the crimes and confirm that they have not committed any acts for the purpose of covering up or concealing any source and nature of any proceeds or gains from any crimes. Based on the above, our PRC Legal Advisers are of the view that risks of money laundering under the Criminal Law of the PRC (中華人民共和國刑法) is remote in relation to the Third Party Payment Arrangement.

Internal control measures in relation to transactions with sanctioned countries are not exposed to any potential violation of applicable money-laundering regulations

We have also adopted the following measures to help us monitor and to ensure that the settlement made in relation to transactions with sanctioned countries are not exposed to any potential violation of applicable money-laundering regulations, the following measures have been implemented in December 2020:

1. according to our internal control procedures, for any payment receipt from transaction with sanctioned countries, the Designated Team monitored and reviewed the relevant payments to ensure they were based on bona fide underlying transactions and valid contracts and the receipt of payment was performed solely as settlement of sales prices of spectacle lens and not related to any criminal proceeds;

2. the Designated Team monitored and reviewed the filing of the necessary documents in relation to these transactions to ensure they have been filed with the relevant banking institutions in all material respects and ensure that the relevant banking institutions are reputable banking institutions with good compliance record of the applicable obligations under the foreign exchange control rules and regulations;

3. according to our internal control procedures, if any potential irregularity is identified, the Designated Team will report to the risk management committee and we will seek advice from reputable external legal counsel with necessary expertise and experience in applicable money-laundering regulations;

4. the risk management committee periodically reviewed our internal control policies and procedures and monitored the compliance check conducted by the Designated Team with respect to the applicable money-laundering regulations in transactions with sanctioned countries. According to our internal control procedures, as and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in the applicable money-laundering regulations for recommendations and advice; and

5. according to our internal control procedures, if necessary, external international legal counsel will provide training programmes relating to the applicable money-laundering regulations to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of countries subject to international sanctions and Sanctioned Persons

to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

Our Relevant Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for the Company to prevent potential violation of applicable money-laundering regulations in relation to transactions with sanctioned countries.

Our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to potential violation of applicable money-laundering regulations in relation to transactions with sanctioned countries so as to protect the interests of our Shareholders and us. Having considered the measures adopted by our Company and the advice of the Relevant Legal Advisers that the transactions with and through the Third Party Payers are legal and in compliance with all applicable laws and regulations of the relevant jurisdictions in which our relevant Group members are located in all material respects, nothing has come to the attention of the Sole Sponsor that led it to believe that the Director's view on the adequacy and effectiveness of the internal control framework to assist the Company in identifying and monitoring any material risk relating to potential violation of applicable money-laundering regulations in relation to transactions with sanctioned countries is unreasonable in any material respects.

LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, we were not aware of any material legal proceedings, claims, disputes, arbitration or administrative proceedings pending or threatening against any member of our Group or any of our Directors that could have a material adverse impact on our financial condition or operating results.

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our risk management system.

In preparation for the Listing, we have engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform a detailed review of our Group's procedures, system and internal control procedures (including accounting and management systems). The Internal Control Consultant conducted its work in September 2020 and provided a number of findings and recommendations based on sampling methodology in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up review on our system of internal control with regard to those actions taken by our Group and reported the follow-up review findings in March 2021. Based on the results of the follow-up review, our Directors confirmed that our Group had adopted the applicable internal control measures and policies suggested by the Internal Control Consultant and did not have any significant deficiencies in its internal control system as at the Latest Practicable Date.

The table below sets out some major findings by the Internal Control Consultant and our measures implemented in response to the recommendations made:

Finding	Recommendation	Measures implemented
Corporate governance structure in compliance with the Listing Rules not in place	— Compose the board in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**CG Code**") — Establish a charter for the board of directors on the board meeting procedures, director selection mechanism and declaration of directors' interests — Set up the audit committee, nomination committee and remuneration committee with written terms of reference in compliance with the Listing Rules and the CG Code — Appoint the qualified company secretary in compliance with Rule 3.28 of the Listing Rules — Appoint two authorised representatives as the communication channel with the Stock Exchange	— All the Independent non-executive Directors were appointed on 22 February 2021 — The Audit Committee, Nomination Committee and Remuneration Committee with written terms of reference in compliance with the Listing Rules and the CG Code were established on 22 February 2021 — Joint company secretary was appointed with effect from the Listing
Conflict of interest management mechanism not in place	— Establish the relevant system on the regulation of disclosure of interests	— The relevant system was established

Finding	Recommendation	Measures implemented
Policies and procedures on the continuing obligation in compliance with the Listing Rules not in place	— Organise training sessions for the directors and senior management in respect of the relevant requirements of the Listing Rules — Formulate the relevant policies and procedures to be implemented before Listing with the assistance of professional parties	— The information disclosure management system was established in compliance with the disclosure requirements under the Listing Rules — Training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong were organised — Guotai Junan Capital Limited was appointed as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance
Policies and procedures on the identification of misconducts and whistleblowing not in place	— Establish policies on anti-fraud, anti-bribery and anti-corruption on the preventive measures, reporting, investigation, follow-up action and penalties — Set up whistleblowing hotline	— The relevant policies were established

Finding	Recommendation	Measures implemented
Systematic and comprehensive mechanism on the risk management not in place	— Establish the relevant risk management system on the classification, risk level identification, evaluation procedure and frequency, reporting and the corresponding measures — Designate a risk management department or personnel on the matter — Formulate risk management plans, goals and budgets in compliance with the Listing Rules — Prepare written risk management assessment report on a regular basis in compliance with the Listing Rules	— The relevant system was established — A risk management committee was established. The members of such committee comprise Mr. Fei, Mr. Chen Yi and Mr. Zheng Yuhong, and their responsibilities include, among other things, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Mr. Fei is the chairman of the risk management committee. For details of their biography, please refer to the section headed "Directors, Supervisors and Senior Management — Directors" in this prospectus. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions risks

Specific internal control measures

(i) *Inventory level of our authorised distributors*. Please refer to the paragraph headed "Customers — Authorised Distributors — Mitigation of the Risk of Cannibalisation" in this section;

(ii) *Transfer pricing arrangement*. Please refer to the paragraph headed "Transfer Pricing Arrangement" in this section;

(iii) *International sanctions*. Please refer to the paragraph headed "Business Activities in Countries Subject to International Sanctions — Our Undertakings and Internal Control Procedures" in this section;

(iv) *Third party payment*. Please refer to the paragraph headed "Third Party Payments — Internal Control Measures and Cessation of Third Party Payment Arrangement" in this section; and

(v) *Social insurance and housing provident fund contribution*. Please refer to the paragraph headed "Legal and Regulatory Compliance" in this section.

OUR CONTROLLING SHAREHOLDER

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Mr. Fei will hold and be entitled to exercise in general meetings voting rights attached to Shares representing approximately 49.87% of the issued share capital of our Company. Accordingly, Mr. Fei will continue to be our Controlling Shareholder under the Listing Rules.

COMPETITION

None of our Directors, Controlling Shareholder or any of his respective close associates is a director or a shareholder of any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

Mr. Fei has entered into the Non-competition Undertaking on 22 November 2021 with and in favor of our Company (for ourselves and as trustee for each of our subsidiaries), under which he, as the Controlling Shareholder, has undertaken to our Company (for ourselves and as trustee for each of our subsidiaries) that he, as the Controlling Shareholder, will not and will procure his close associates (except for our Company and (if any) the subsidiaries of our Company) not to carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved or interested in any business which compete or are likely to compete, alone or with other persons, directly or indirectly, representing or assisting or acting in concert with other persons, with our businesses (the "**Restrained Businesses**") within the PRC, Japan, the United States and Mexico (the "**Restrained Area**").

The Non-competition Undertaking does not apply to (i) the holding of any equity interests in our Company and (if any) the subsidiaries of our Company; and (ii) the holding of securities in a company that is engaged in the Restrained Businesses and whose securities are listed on any stock exchange, provided that Mr. Fei or his close associates do not individually or in aggregate hold or control the voting rights in respect of 10% or more of the issued share capital of such company.

Option for New Business Opportunities

Mr. Fei has undertaken in the Non-competition Undertaking that during the term of the Non-competition Undertaking and within the Restrained Area, if Mr. Fei or his close associates (except for our Company and (if any) the subsidiaries of our Company) become aware of, notice, are recommended or provided with a new business opportunity which will directly or indirectly compete or is likely to compete with the Restrained Businesses, including but not limited to the opportunities which are the same or similar to the Restrained Businesses (the "**New Business Opportunities**"), Mr. Fei shall and shall procure his close associates (except for our Company and (if any) the subsidiaries of our Company) to refer or recommend the New Business Opportunities to our Company, subject to relevant laws, regulations and contractual arrangements with third parties, based on the following procedures:

(i) Mr. Fei and his close associates (except for our Company and (if any) the subsidiaries of our Company) shall provide us with a written notification, which includes all reasonable and necessary information known by Mr. Fei or his close associates (except for our Company and (if any) the subsidiaries of our Company) (including the nature of the New Business Opportunities and necessary information relating to the cost of relevant investment or acquisition), for us to consider whether the New Business Opportunities constitute competition or potential competition to the Restrained Businesses and whether engaging in such New Business Opportunities would be in the interests of our Company and our Shareholders as a whole (the "**Offer Notice**"). When considering whether or not to take up any New Business Opportunities, we will take into account a range of factors including but not limited to their feasibility, counterparty risk, estimated profitability, investment value and permits and approval requirements. Mr. Fei and his close associates (except for our Company and (if any) the subsidiaries of our Company) will abstain from such decision-making process; and

(ii) we shall respond to Mr. Fei and his close associates (except for our Company and (if any) the subsidiaries of our Company) within 30 days upon receipt of the Offer Notice. If we fail to reply within the above period, we shall be deemed to have abandoned such New Business Opportunities. If we determine to take up the New Business Opportunities, Mr. Fei or his close associates (except for our Company and (if any) the subsidiaries of our Company) would be obliged to offer such New Business Opportunities to us and would make their best efforts to assist us to acquire such New Business Opportunities with the same or more preferential terms.

Mr. Fei's Further Undertaking

Mr. Fei has further undertaken that, subject to relevant laws, regulations and contractual arrangements with third parties:

(i) upon our request, he and his close associates (except for our Company and (if any) the subsidiaries of our Company) shall provide us (including our independent non-executive Directors) all necessary information in his and his close associates' possession for the implementation of the Non-competition Undertaking;

(ii) he will allow our authorised representatives or our auditors to have reasonable access to the financial and corporate information necessary for his transactions with third parties, which would assist with our judgments in respect of whether Mr. Fei and his close associates (except for our Company and (if any) the subsidiaries of our Company) have complied with the Non-competition Undertaking; and

(iii) he will ensure that, within ten working days of receipt of our written request, necessary confirmation to us shall be made in writing as to the performance by Mr. Fei and his close associates (except for our Company and (if any) the subsidiaries of our Company) under the Non-competition Undertaking and Mr. Fei and his close associates (except for our Company and (if any) the subsidiaries of our Company) shall allow such confirmation to be included in our annual reports.

Termination of the Non-competition Undertaking

The Non-competition Undertaking will become effective upon the Listing Date and remain in force. It will be terminated upon the earlier of:

(i) our H Shares no longer being listed on the Stock Exchange; or

(ii) Mr. Fei and his close associates (except for our Company and (if any) the subsidiaries of our Company) individually or in aggregate, directly and/or indirectly, holding less than 30% of the voting rights or control of exercising voting rights in our Shareholders' meeting, or Mr. Fei ceasing to be regarded as the Controlling Shareholder under the Listing Rules.

Based on the legally binding obligations of Mr. Fei and his close associates (except for our Company and (if any) the subsidiaries of our Company) as set out in the Non-competition Undertaking and the related grant of the options for New Business Opportunities, as well as the information sharing and other mechanisms in place as described above to monitor compliance by Mr. Fei and/or his close associates (except for our Company and (if any) the subsidiaries of our Company), our Directors are of the view that we have taken all appropriate and practicable measures to ensure compliance by Mr. Fei and its close associates (except for our Company and (if any) the subsidiaries of our Company) with his obligations under the Non-competition Undertaking.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholder and his respective close associates after the Listing.

Management Independence

The day-to-day management of the business of the Group rests primarily with our Board and our senior management as at the Latest Practicable Date. Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Fei is chairman of the Board and an executive Director, our management and operational decisions are made by all our executive Directors and senior management, most of whom have served our Group for a long time and all of whom have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. The balance of power and authority is ensured by the operation of the senior management and our Board. See "Directors, Supervisors and Senior Management" for further details.

Each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. Further, we believe our independent non-executive Directors will bring independent judgement to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently notwithstanding that Mr. Fei being our Controlling Shareholder, is our executive Director.

Operational Independence

Although our Controlling Shareholder will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licences necessary to carry on our business, and has sufficient capital, equipment, access to customers and suppliers, and employees to operate our business independently from our Controlling Shareholder. In addition, our organisational structure is made up of individual departments, comprising, amongst others, administration and finance department, production department, sales and marketing department, inventory and procurement department, quality control department, research and development department, etc. Each department takes specific areas of responsibilities in our Group's operations. We have also established a set of internal control measures to facilitate the effective operation of our business.

Our Directors do not expect that there will be any significant transaction between our Group and our Controlling Shareholder upon or shortly after the Listing.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholder and his close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system and we make financial decisions according to our own business needs.

We received financial assistance from our Controlling Shareholder by way of guarantee of certain bank and other borrowings of up to RMB46.5 million as at 31 May 2021. In July 2021, the guarantee with respect to RMB20.0 million of such bank and other borrowings had been terminated as such loan had been repaid. In respect of the guarantee provided by our Controlling Shareholder with respect to the remaining RMB26.5 million bank and other borrowings, the creditor had released such guarantee in October 2021. Except for the foregoing, our Directors confirm that, as at the Latest Practicable Date, there were no subsisting loans, guarantees or pledges provided by our Controlling Shareholder and/or his close associates to our Group. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholder.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholder and his close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholder and his close associates.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholder has confirmed that he fully comprehends his obligations to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public

Shareholders. Details of our independent non-executive Directors are set out in "Directors, Supervisors and Senior Management — Directors — Independent Non-executive Directors";

(d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholder and/or our Directors on the other hand, our Controlling Shareholder and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements; and

(e) we have appointed Guotai Junan Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

DIRECTORS

Our Board currently consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of our Board include convening general meetings, implementing the resolutions passed at general meetings, determining business and investment plans, formulating our annual financial budget and financial accounts, and formulating our proposals for profit distributions as well as exercising other powers, functions and duties as conferred by the Articles of Association.

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management members
Mr. Fei Zhengxiang (費錚翔)	61	Chairman of our Board and general manager	25 December 2006	20 June 2018	Formulating the overall development strategies and overseeing the operation of our Group	None
Mr. Zheng Yuhong (鄭育紅)	53	Executive Director and deputy general manager	25 December 2006	22 February 2021	Formulating the overall development strategies and overseeing the Shanghai operation of our Group	None
Mr. Xia Guoping (夏國平)	62	Executive Director and deputy general manager	1 April 2010	22 February 2021	Formulating the overall development strategies and overseeing the Jiangsu operation of our Group	None
Mr. Chen Junhua (陳俊華)	54	Executive Director and deputy general manager	9 October 2009	22 February 2021	Overseeing the marketing operations of our Group	None
Dr. Takamatsu Ken (高松健)	65	Non-executive Director	2 May 2019	22 February 2021	Supervising our Group's Japan operation, production and management	None
Dr. Xiao Fei (肖斐)	59	Independent non-executive Director	22 February 2021	22 February 2021	Providing independent advice and judgement to our Board	None

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management members
Mr. Chen Yi (陳一)	36	Independent non-executive Director	22 February 2021	22 February 2021	Providing independent advice and judgement to our Board	None
Mr. Jin Yiting (金益亭)	44	Independent non-executive Director	22 February 2021	22 February 2021	Providing independent advice and judgement to our Board	None

Executive Directors

Mr. Fei Zhengxiang (費錚翔), formerly named Fei Zengxiang (費增祥), aged 61, is our Controlling Shareholder and the founder of our Group. Mr. Fei was appointed as our Director on 20 June 2018, and was redesignated as an executive Director on 22 February 2021. Mr. Fei was appointed as the general manager of our Company on 20 June 2018 and is primarily responsible for formulating the overall development strategies and overseeing the operation of our Group. Mr. Fei is also the executive director of Shanghai Conant, Jiangsu Conant and Jiangsu Asahi, the chairman of board of directors of Conant Eyewear and a director of Asahi Holdings and Asahi Optical. As of the Latest Practicable Date, Mr. Fei held approximately 69.75% of the total issued share capital in our Company.

Mr. Fei has over 24 years of experience in the eyewear industry. He founded Qitian Technology on 5 December 1996 which was listed on the SZSE (stock code: 300061) in March 2010. Mr. Fei acted as the chairman of board of directors of Qitian Technology from March 2008 to November 2019 and was re-designated as a director of Qitian Technology from November 2019 to May 2020. Since then, Mr. Fei has served as a supervisor of Qitian Technology. The resin spectacle lens manufacturing business of Qitian Technology was agreed to be transferred to our Company in June 2018. For details, see "History and Development — Evolution of our Group". He obtained a bachelor's degree in chemistry from the department of chemistry of Zhejiang University (浙江大學, formerly known as Hangzhou University (杭州大學)) in Zhejiang province, the PRC in April 1982. Prior to joining our Group, Mr. Fei was a post-doctoral fellow at Emory University in Georgia, the United States from 1989 to 1991. Mr. Fei was awarded as one of the 2010 Shanghai Leading Talents (2010年上海領軍人才) in December 2010 by the Organisational Department of the CPC Shanghai Municipal Committee and Shanghai Human Resources and Social Insurance Bureau. He is also the vice president of Shanghai Overseas Chinese Chamber of Commerce (上海市僑商會) and a standing member of the Chinese People's Political Consultative Conference of Pudong New Area, Shanghai.

On 2 September 2019, Qitian Technology and Mr. Fei were publicly criticised by the SZSE for (i) the significant discrepancies in the net profit figure as disclosed in the 2018 annual results' estimate and the 2018 preliminary results announcement as comparing to that in the 2018 annual report, and (ii) failing to make clarification announcement timely, which constituted a breach of certain rule requirements under the Rules Governing the Listing of Stocks on the ChiNext Board of the SZSE (the "**ChiNext Listing Rules**").

The significant discrepancies in the net profit figure were a result of the differences in the determination of goodwill impairment relating to Qitian Technology's acquisition of Qiji Intelligent in October 2016. In January 2019, Mr. Fei discussed with the professional advisers of Qitian Technology including its independent auditors on the application of the Risk Warning for Accounting Supervision No. 8 — Goodwill Impairment issued by the CSRC in November 2018 on the impairment of goodwill of Qiji Intelligent. It is because, while as detailed in "History and Development — Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities", the revenue of Qitian Technology generated from Qiji Intelligent and its related big data technology business recorded significant overall growth after its acquisition, the performance was mainly attributable to its internet traffic value-added distribution business, a new business segment commenced after the acquisition that also involves big data technology (the "**New Business Segment**"). After discussing with the professional advisers of Qitian Technology including its independent auditors, no concrete conclusion could be reached on the determination of asset group for goodwill impairment assessment. At the time, the preliminary understanding of Mr. Fei was that the assets acquired and reinvested by Qiji Intelligent (i.e. the assets of the New Business Segment) (the "**Reinvested Assets**") could be included in the asset group, as the New Business Segment involves big data technology. In light of the uncertainties over the accounting treatment of the Reinvested Assets and the extent of its effect on Qitian Technology's results, the management of Qitian Technology determined to include the Reinvested Assets under the goodwill impairment assessment until the independent auditors offer their final view and to publish its annual results' estimate and preliminary results announcement on such basis in accordance with the deadlines under the SZSE listing rules to avoid unnecessary fluctuation in Qitian Technology's stock price. On 31 January 2019, Qitian Technology announced its 2018 annual results' estimate, where it was disclosed that the net profit attributable to the shareholders of Qitian Technology for 2018 was estimated to be between RMB303.0 million and RMB353.0 million. In the 2018 preliminary results announcement published on 28 February 2019, the figure was adjusted to RMB306.4 million.

Subsequently, as the audit progressed, Mr. Fei was advised by the independent auditors that, based on the prudence principle, the Reinvested Assets should instead not form part of the asset group, and that provision for goodwill impairment of RMB1,190.0 million should be made, for the New Business Segment only commenced after the acquisition. While Qitian Technology and the independent auditors agreed that the application of the relevant accounting principles was difficult due to the lack of regulatory guidance and precedent, after extensive discussion, Qitian Technology agreed with the judgement of the independent auditors to take a prudent view. As soon as the accounting treatment was confirmed, on 19 April 2019, Qitian Technology made a clarification announcement to the 2018 annual results' estimate and the 2018 preliminary results announcement, in which the estimated net profit for 2018 was revised to a net loss attributable to the shareholders of Qitian Technology of RMB787.9 million. On 26 April 2019, Qitian Technology released the summary of 2018 annual report, where the audited net loss attributable to the shareholders of Qitian Technology for 2018 was disclosed as RMB793.5 million.

The SZSE ruled that Qitian Technology was in breach of Rules 1.4, 2.1 and 11.3.4 of the ChiNext Listing Rules, pursuant to which Qitian Technology is required to disclose all material information in a timely and fair manner, and ensure that the information disclosed is true, accurate and complete. In particular, it is required to publish its annual results' estimate and preliminary results announcement in a reasonable, prudent, objective and accurate manner. Should Qitian Technology expect its results to be significantly different from what was previously disclosed, a clarification announcement should be made in a timely manner. The SZSE further ruled that Mr. Fei, being Qitian Technology's chairman of the board at the time, was in breach of Rules 1.4, 2.2 and 3.1.5, pursuant to which directors of Qitian Technology are obligated to ensure its compliance with the ChiNext Listing Rules, including that all information disclosed by Qitian Technology must be true, accurate, complete, timely and fair (the "**Breaches**"). For the reasons above, Qitian Technology and Mr. Fei were publicly criticized by the SZSE.

Since 1 January 2019 until the publication of the clarification announcement, Mr. Fei and his related parties had not dealt with Qitian Technology's shares.

As soon as the accounting treatment is confirmed, Qitian Technology made a clarification announcement to rectify the figures discussed in the 2018 annual results' estimate and the 2018 preliminary results announcement and explain the circumstances to public investors. As advised by Mr. Fei, Qitian Technology also strengthened its internal management efforts to improve the alertness and competence of the management including Mr. Fei to better understand the disclosure requirements and avoid recurrence of similar breaches. For example, after receiving the public criticism, Qitian Technology began providing training to responsible employees including Mr. Fei on the disclosure requirements under the ChiNext Listing Rules.

Despite the public criticism against Mr. Fei, our Directors (other than Mr. Fei) are of the view and concurred by the Sole Sponsor, that Mr. Fei is suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules having considered the following reasons:

- as advised by our PRC Legal Advisers, the SZSE may impose sanctions including without limitation (i) public criticism; (ii) public censure; and (iii) disqualification from acting as a director, supervisor or senior management of listed companies. According to the Law of the People's Republic of China on Administrative Penalty ("**Administrative Penalty Law**"), an administrative penalty means the action of an administrative authority seeking penalty against a citizen, legal person, or other organization for violation of the administrative order in accordance with the law by reducing rights and interests or increasing obligations; and an administrative penalty that needs to be imposed upon a citizen, legal person or organization for violation of the administrative order shall be prescribed in the laws, regulations and rules according to the Administrative Penalty Law and be enforced by the administrative authority under the procedures prescribed in the Administrative Penalty Law. The SZSE is not an administrative authority under the Administrative Penalty Law; and the rules formulated by the SZSE do not constitute laws, rules or regulations under the Administrative Penalty Law. Therefore, the circulation of a notice of criticism imposed by the SZSE and its inclusion in the credit files do not constitute administrative penalty, but rather a disciplinary sanction imposed by the SZSE. According to the Measures of the Shenzhen Stock Exchange for the Implementation of Self-Regulatory Measures and Disciplinary Action (Revised in 2020) and the Standards of the Shenzhen Stock Exchange for Imposition of Disciplinary Action on Listed Companies (for Trial Implementation) (the "**Standards**"), where a listed company or relevant party violates the Listing Rules or other business rules of SZSE, it may take the following disciplinary actions: (1) public criticism, (2) public censure, (3) publicly determining unsuitability for holding the relevant position, (4) recommending that the court replace the bankruptcy administrator of the listed company or any member of the bankruptcy administrator, (5) temporarily rejecting relevant business documents issued by a professional institution or any of its employees, (6) claiming punitive liquidated damages, (7) other disciplinary action specified by the SZSE. The Standards specify the criteria for the imposition of public criticism, public censure and other severer disciplinary actions according to the severity of the misconduct. According to the Standards, when a listed company fails to disclose its earnings pre-announcement and a restatement thereof within the prescribed period, or the disclosed earnings pre-announcement and a restatement thereof are materially different from the financial data disclosed in the periodic report, the SZSE will publicly censure the listed company and relevant responsible persons, if the circumstances are serious; or in the absence of serious circumstances, the SZSE may impose a public criticism on the listed company and relevant responsible persons accordingly. Based on the above, the public criticism was not an administrative penalty, but a relatively minor disciplinary action imposed by the SZSE;

- as advised by our PRC Legal Advisers, pursuant to the requirements on the director's qualification under the Company Law of the People's Republic of China (Revised in 2018) (the "**Company Law**"), a one-time public criticism by the stock exchange would not render a person not legally qualified to act as a director. Under the Company Law, there are five circumstances that would affect a person's eligibility for appointment of directors, supervisors and senior officers, namely (1) any person who does not have civil capacity or who has limited civil capacity; (2) any person who has been convicted of any criminal offence in the nature of corruption, bribery, disseizing, misappropriation or disrupting the economic order of the socialist market and the five-year period has not elapsed since any penalty imposed has been completed, or any person who has ever been deprived of his political rights due to any crime and a five-year period has not elapsed since the penalty imposed was completed; (3) any former director, factory director or manager of a company or enterprise which has been declared bankrupt and liquidated in circumstances where he was personally responsible for the bankruptcy of the company or enterprise, and a three-year period has not elapsed since the bankruptcy and liquidation of the company or enterprise was completed; (4) any former legal representative of a company or enterprise which has had its business license revoked and has been ordered to close its business operations due to any violation of law in circumstances where the former legal representative was personally liable for the revocation of the business license and a three-year period has not elapsed since the date of revocation; or (5) any person who has significant unpaid due debts. Since a public criticism from the SZSE does not fall into any of the above, the Breaches were relatively minor in nature with respect to its impact on the eligibility of a person being a director, supervisor or senior management member of a PRC company;

- the Breaches were primarily due to the change of accounting judgement in relation to the impairment of goodwill of Qitian Technology as advised by the external independent auditors specifically engaged by Qitian Technology resulting in significant adjustment on the net profit subsequent to the release of 2018 preliminary results announcement as advised by Mr. Fei. As such, Mr. Fei was informed by the aforesaid independent auditors in respect of such accounting adjustment and the Breaches did not involve dishonesty or raise concern on Mr. Fei's integrity;

- no monetary fine or other penalty was imposed on Qitian Technology or Mr. Fei and Mr. Fei remained to be qualified to serve as a director of Qitian Technology;

- there has not been any occurrence of similar events in Qitian Technology when Mr. Fei served as a director or a supervisor of Qitian Technology; and

- Mr. Fei received directors' training from our Hong Kong legal counsel and he has confirmed that he fully understands his obligations as a director of a company listed on the Stock Exchange, in particular the directors' fiduciary duties and the relevant disclosure requirements under the Listing Rules.

Considering that (i) even though there was an overlapping accounting period between Qitian Technology and the Group in 2018, the aforesaid incident in relation to the significant discrepancies in the net profit figure of Qitian Technology only related to the big data technology business segment of Qitian Technology and did not relate to the business segment of the Group; and (ii) Ernst & Young, the reporting accountants of the Company (the "**Reporting Accountants**"), have conducted their works in relation to the consolidated financial statements of the Group during the Track Record Period in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the HKICPA, the Reporting Accountants are of the view that no significant adjustment is expected to be made to the Accountants' Report in Appendix I to this prospectus in relation to all material respects and their opinion on the consolidated financial statements of the Group during the Track Record Period set out therein will not be changed in this regard.

The Reporting Accountants have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. The Reporting Accountants have conducted reviews of the effectiveness of the internal controls in respect of financial reporting of the Group in material aspects. Based on the aforesaid procedures performed and the representation from the Company's directors, the Reporting Accountants are not aware of any areas of concern that would have a significant impact on the internal control in relation to the Group's financial reporting.

On 13 October 2021, Mr. Fei received a supervision letter (監管函) from the SZSE in relation to his sale of 366,150 shares of Qitian Technology at the total consideration of RMB2,379,608.85 on 8 October 2021, which was within the period of 30 days immediately preceding the intended publication date of Qitian Technology's quarterly report on 29 October 2021 and such shares sale constituted breaches of Rules 1.4 and 2.3.1 under the ChiNext Listing Rules and paragraph 3.8.15 of the Guidelines for the Standardized Operation of Listed Companies on the ChiNext Market of Shenzhen Stock Exchange (2020 Revision) (the "**ChiNext Guideline**"). Under Rule 1.4 of the ChiNext Listing Rules, among other things, listed companies, their directors, supervisors, senior managers and shareholders shall abide by laws, administrative regulations, departmental rules, regulatory documents, rules, notices, methods, and guidelines issued by the SZSE. Rule 2.3.1 of the ChiNext Listing Rules sets out the restrictions and relevant rules and regulations on the sale of shares held by shareholders, directors, supervisors, and senior management of listed companies. In particular, under paragraph 3.8.15 of the ChiNext Guideline, it states that, among other things, directors, supervisors and senior management are prohibited from dealing in any securities of the listed company within the period of 30 days immediately preceding the publication of the listed company's periodic reports.

Since Mr. Fei did not have sufficient time to closely monitor his personal investment given his hectic schedule as he was occupied by the daily management of the Group's operation, which required him to travel overseas, and the preparation of the Listing, he had, on 26 September 2021, entrusted his close confidant, namely Mr. Yang Taiping (楊太平) ("**Mr. Yang**"), an entrepreneur whom has investment in an asset management company and a consultancy company as well as is a director at a trading company, and is and was independent from, and has not held any position (including director, supervisor, senior management or employee) in, both our Group and Qitian Technology, to handle his securities trading account for a limited period of time from 27 September until the commencement of the blackout period in relation to Qitian Technology's 2021 third quarterly results, i.e. 29 September 2021, while he was on a business trip abroad during that period of time. Mr. Fei became acquainted with Mr. Yang through a common friend in an event organized by chamber of commerce in around 2016. Mr. Fei, at the time when entrusting Mr. Yang with the securities trading matters, had reminded him of the general trading restrictions under the ChiNext Listing Rules and had also mentioned about the commencement date of the relevant blackout period. The entrustment arrangement was informal in nature, where Mr. Fei provided Mr. Yang with account details and password to login and operate his securities trading account via online trading platform. There was no written agreement between Mr. Fei and Mr. Yang in respect of the entrustment arrangement. As advised by our PRC Legal Advisers, such personal entrustment arrangement is not prohibited under any applicable PRC laws and regulations. Pursuant to the entrustment arrangement, Mr. Yang also helped Mr. Fei execute sale of shares in Qitian Technology on 28 September before the commencement of the blackout period. Nevertheless, Mr. Fei did not specifically remind Mr. Yang not to continue to deal in the shares of Qitian Technology as and when the relevant blackout period already commenced due to the intervening National Holidays in the PRC in early October. Mr. Yang overlooked the trading restrictions and, with access to Mr. Fei's securities trading account, inadvertently continued to handle the securities trading account and placed sale orders of the shares of Qitian Technology for and on behalf of Mr. Fei on 8 October 2021, the first business day after the National Holidays in the PRC, notwithstanding that Mr. Fei only entrusted him to handle his securities trading account until 29 September 2021 during which Mr. Fei was still on business trip aboard. Once Mr. Fei realized that there occurred a breach, he informed the board of directors of Qitian Technology the details of the share disposal for Qitian Technology to publish an apology announcement and report to the SZSE, as appropriate. Qitian Technology published an apology announcement dated 13 October 2021 after the trading hours on 12 October 2021 disclosing the details of such shares sale in full. Mr. Fei recorded gains from the shares sale as he has been holding such shares for a long period of time and the costs of such shares would be rather low comparing to the current share prices. Mr. Fei confirms that the proceeds from the shares sale on 8 October 2021 in the sum of RMB2,379,608.85 remain unused and he has no specific plan for the use of such proceeds from the shares sale.

Despite the abovementioned shares sale during the blackout period, our Directors (other than Mr. Fei) are of the view and concurred by the Sole Sponsor, that Mr. Fei is suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules having considered the following reasons:

- as advised by our PRC Legal Advisers, the supervision letter from the SZSE dated 13 October 2021 was neither an administrative penalty nor a disciplinary sanction imposed by the SZSE. Instead, it was only a reminder issued by the SZSE to Mr. Fei for the purpose of reminding him of the relevant rules and regulations under the ChiNext Listing Rules and the ChiNext Guideline. In its supervision letter, the SZSE required Mr. Fei to pay full attention to the issues, learn the lesson and rectify in a timely manner to prevent recurrence of similar breaches and there was no mention of any further action will be taken against Mr. Fei. Mr. Fei had publicly apologized for the breaches and undertook to study the relevant laws, regulations and rules to prevent recurrence of similar breaches. In addition, as confirmed by Mr. Fei, he had not been provided, nor made aware of, any insider information in relation to Qitian Technology including the financials in the third quarterly report at the time of the shares sale, it did not involve dealing with insider information. According to Article 6 of the Measures for the Implementation of Self-Disciplinary Supervision Measures and Disciplinary Sanctions of the Shenzhen Stock Exchange, relevant parties who are subject to self-discipline supervision measures or disciplinary sanctions implemented by the SZSE shall timely conduct self-examination and rectification as required by the SZSE, failing which the SZSE may, subject to the actual circumstances, further implement self-discipline supervision measures or disciplinary sanctions against the relevant parties. Article 32 of the Implementation Standards for Disciplinary Sanctions for Listed Companies on the Shenzhen Stock Exchange (Trial) (the "**Implementation Standards**") provides, among other things, where the directors, supervisors or members of senior management of a listed company deal in the shares of the listed company during the blackout period with the transaction amount exceeding RMB10 million and the circumstances are serious, the SZSE would publicly condemn the relevant parties; where the transaction amount exceeds RMB5 million and no public condemnation is issued, the SZSE would convey public criticism against the relevant parties. The Implementation Standards does not provide for disciplinary sanctions measures in the case where the transaction amount of the shares sale during blackout period is less than RMB5 million. According to Article 3 of the Implementation Standards, in the event that the breaches of the listed company or relevant parties do not reach the standards for the implementation of the disciplinary sanctions, SZSE may, subject to the actual circumstances, implement self-disciplinary supervision measures such as verbal reminder or written reminder. As such, as advised by our PRC Legal Advisers, since Mr. Fei had conducted self-examination and rectification in accordance with the supervision letter by way of studying the relevant ChiNext Listing Rules and ChiNext Guideline himself and making apology by way of an announcement, the possibility that the SZSE takes further action against Mr. Fei in respect of the matters stated in the supervision letter is remote.

- as advised by our PRC Legal Advisers, on the basis that the rules being breached with a resulting transaction amount less than RMB5 million do not explicitly provide for any disciplinary sanctions or penalty by themselves and it is considered that such rules are being implemented to provide some measures to prevent any occurrence of insider trading, where in the present case as no insider dealing was involved, the breach is immaterial in nature;

- as disclosed in the apology announcement by Qitian Technology, Mr. Fei had not been provided, nor made aware of, any insider information in relation to Qitian Technology including the financials in the third quarterly report at the time of the shares sale. Mr. Fei also confirmed that he was not in the possession of any price sensitive information in relation to Qitian Technology at the time of shares sale and no investigation, action or proceedings have been threatened or initiated against Mr. Fei on the basis of any market misconduct or insider dealing. The shares sale did not involve dishonesty or raise concern on Mr. Fei's integrity;

- the dealing in the shares of Qitian Technology on 8 October 2021 was the result of an inadvertent mistake committed by Mr. Yang coupled with the fact that Mr. Fei, while travelling abroad during that period of time, did not remind him again to cease dealing in the shares of Qitian Technology given the commencement of the relevant blackout period. The entrustment arrangement was intended to be ceased upon the commencement of the blackout period in relation to Qitian Technology's 2021 third quarterly results, i.e. 29 September 2021 but Mr. Yang himself forgot about the cessation of the entrustment arrangement and the trading restrictions after the National holidays. Mr. Fei has confirmed that he had ceased all the entrustment arrangement with Mr. Yang, changed the password of his securities trading account and would handle the securities trading matters by himself in the future;

- no monetary fine or other penalty was imposed on Qitian Technology or Mr. Fei and, as advised by our PRC Legal Advisers, Mr. Fei remained to be qualified to serve as a supervisor of Qitian Technology and a Director of our Company;

- there has not been any occurrence of similar events in Qitian Technology when Mr. Fei served as a director or a supervisor of Qitian Technology and Mr. Fei undertook to ensure compliance with the relevant rules and regulations to prevent recurrence of similar breaches and apologised for his inadvertent mistakes; and

- Mr. Fei received directors' training in relation to the securities trading restrictions under the Hong Kong laws and regulations and studied the relevant ChiNext Listing Rules and ChiNext Guideline himself and he has confirmed that he fully understands his obligations as a director of a company listed on the Stock Exchange under the Listing Rules and as a supervisor of a company listed on the SZSE under the ChiNext Listing Rules. The Group has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as securities trading rules and procedures. In addition to the regular training to the Directors and adoption of the Model Code for Securities Transactions by Directors of Listed Issuer, the Company will arrange to send notice to all Directors to remind them of the blackout period and the dealing restriction prior to the commencement of such period to prevent any breach of the relevant Listing Rules by the Directors. The Company's securities trading rules and procedures will also stipulate that its Directors, Supervisors and employees are not allowed to entrust any third party to deal in their shares in our Company to prevent recurrence of similar incident in the future. After considering the internal control measures above, the Sole Sponsor is not aware that the aforesaid measures are inadequate in preventing the occurrence of similar incidents in the future.

Mr. Zheng Yuhong (鄭育紅), aged 53, was appointed as our executive Director on 22 February 2021. Mr. Zheng was appointed as a deputy general manager of our Company on 1 January 2019 and is primarily responsible for formulating the overall development strategies and overseeing the Shanghai operation of our Group. Mr. Zheng is also (i) the general manager of Shanghai Conant; and (ii) the general manager and a director of Conant Eyewear. As of the Latest Practicable Date, Mr. Zheng held approximately 13.39% of the total issued share capital in Shanghai Shuyun, which held approximately 6.03% of the total issued share capital in our Company. Mr. Zheng is one of the managing partners of Shanghai Shuyun. Mr. Zheng acted as a director of Qitian Technology from April 2008 to November 2019 and as the deputy general manager of Qitian Technology from April 2008 to January 2019.

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

Mr. Xia Guoping (夏國平), aged 62, was appointed as our executive Director on 22 February 2021. Mr. Xia was appointed as a deputy general manager of our Company on 1 January 2019 and is responsible for formulating the overall development strategies and overseeing the Jiangsu operation of our Group. As of the Latest Practicable Date, Mr. Xia held approximately 20.61% of the total issued share capital in Shanghai Fengchang, which held approximately 3.92% of the total issued share capital in our Company. Mr. Xia is the managing partner of Shanghai Fengchang.

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

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

Mr. Chen Junhua (陳俊華), aged 54, was appointed as our executive Director on 22 February 2021. Mr. Chen was appointed as a deputy general manager of our Company on 1 January 2019 and is primarily responsible for overseeing the marketing operations of our Group. Mr. Chen joined our Group in October 2009 as a manufacturing manager responsible for supervising production process and improving production technology. He has served as deputy general manager of Shanghai Conant since 5 March 2014 and was a director of Asahi Optical between 22 April 2017 and 31 March 2021.

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

Non-executive Director

Dr. Takamatsu Ken (高松健), formerly named Jiang Jian (姜健), aged 65, was appointed as our non-executive Director on 22 February 2021. He has been appointed as a director of Asahi Holdings and Asahi Optical since May 2019, and is responsible for supervising our Group's Japan operation, production and management.

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

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

Independent Non-executive Directors

Dr. Xiao Fei (肖斐), aged 59, was appointed as our independent non-executive Director on 22 February 2021. Dr. Xiao is responsible for providing independent advice and judgement to our Board.

Dr. Xiao has at least 15 years of experience in education and academic research in material science. Dr. Xiao commenced his career as a lecturer in Fudan University (復旦大學) in March 1992 and has served as a professor for materials science since June 1997 prior to joining our Group. He is primarily responsible for teaching classes, mentoring graduate students and conducting academic researches. Prior to that, Dr. Xiao was a visiting scholar focusing on electronic packaging material in Eastern Michigan University and Georgia Institute of Technology respectively.

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

Mr. Chen Yi (陳一), aged 36, was appointed as our independent non-executive Director on 22 February 2021. Mr. Chen is responsible for providing independent advice and judgement to our Board.

Mr. Chen has over 14 years of experience in financial industry. Prior to joining our Group, from October 2007, Mr. Chen served as an auditor and a senior advisor on merger and acquisition in PricewaterhouseCoopers Hong Kong (香港羅兵咸永道會計師事務所). From October 2011, Mr. Chen served as a senior executive in The Bank of East Asia (China) Limited (東亞銀行(中國)) responsible for strategic planning. From July 2016, he worked at China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司), whose principal business is investment management, as the manager of strategy and investment department and was responsible for strategic planning. From April 2017, Mr. Chen served as the chief financial officer and secretary of board of directors in Jiangsu PayEgis Co., Ltd (江蘇通付盾科技有限公司), an intelligent network service provider focusing on digital identity authentication, responsible for the financial management of the company. Since January 2018, Mr. Chen has served as the financial director in Guangdong Te-pemic Medical Co., Ltd (廣東騰湃醫療股份有限公司), which provides preventive medical services, responsible for financial management.

Mr. Chen obtained his bachelor's degree in economics and finance from the University of Hong Kong (香港大學) in November 2007. He was admitted as a certified public accountant of Hong Kong Institute of Certified Public Accountants (香港會計師公會) in January 2011.

Mr. Jin Yiting (金益亭), aged 44, was appointed as our independent non-executive Director on 22 February 2021. Mr. Jin is responsible for providing independent advice and judgement to our Board.

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

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

SUPERVISORY COMMITTEE

Our Supervisory Committee consists of three Supervisors. The following table sets forth certain information regarding our Supervisors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Supervisor	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management members
Mr. Zhang Huixiang (張惠祥)	62	Chairman of the Supervisory Committee	18 July 2007	22 February 2021	Supervising the performance of our Board and members of the senior management in performing their duties to the Company	None
Mr. Xu Jingming (徐敬明)	58	Supervisor	25 December 2006	22 February 2021	Supervising the performance of our Board and members of the senior management in performing their duties to the Company	None
Mr. Tang Baohua (唐寶華)	40	Employee representative Supervisor	December 2014	22 February 2021	Supervising the performance of our Board and members of the senior management in performing their duties to the Company	None

Mr. Zhang Huixiang (張惠祥), aged 62, was appointed as a Supervisor and elected as the chairman of our Supervisory Committee on 22 February 2021. He is responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company. Mr. Zhang served as the chief financial officer of Qitian Technology from July 2007 to December 2007. He served as the chief financial officer and deputy general manager of Qitian Technology from December 2007 to April 2008. He served as the director, chief financial officer, deputy general manager and secretary of board of directors of Qitian Technology from April 2008 to January 2019. He served as the director of Qitian Technology from January 2019 to November 2019. He served as the chief financial officer and deputy general manager of our Company from February 2019 to February 2021. Mr. Zhang was appointed as a director of Asahi Holdings on 25 October 2013. As of the Latest Practicable Date, Mr. Zhang held approximately 15.73% of the total issued share capital in Shanghai Shuyun, which held approximately 6.03% of the total issued share capital in our Company. Mr. Zhang is one of the managing partners of Shanghai Shuyun.

From July 2003 to June 2006, Mr. Zhang served in several roles including head of financial department in Shanghai Shipyard Co., Ltd in Pudong (上海浦東船廠), a ship-manufacturing company, and was responsible for the financial management of the company during the time. Mr. Zhang also worked part-time as a lecturer for accounting in several educational institutions, such as Shanghai Open University (上海開放大學) (formerly known as Shanghai Television University (上海電視大學)), Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院) (formerly known as Shanghai Lixin Accounting School (上海立信會計學校) and Shanghai Guangbo Additional Studies College (上海廣博進修學院), etc. from April 2002, where he also participated in compiling teaching materials.

Mr. Zhang is a qualified accountant recognised by Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in October 1994. He is also a qualified secretary of board of directors recognised by Shanghai Stock Exchange and SZSE. Mr. Zhang was appointed as a tutoring expert by Shanghai Small and Medium Enterprise Development Work Unit (上海市促進中小企業發展工作領導小組) in February 2011. Mr. Zhang was awarded the excellent financial director among the listed companies in the Yangtze River Delta region by Shanghai Securities Press Co., Ltd. (上海證券報社有限公司) and the Associations of Public Companies in Shanghai, Jiangsu, and Anhui in January 2018 and the Listing Company Golden Bull Secretary of Board of Directors (上市公司金牛董秘獎) by China Securities Journal (中國證券報) in 2017.

Mr. Zhang obtained a college degree majoring in accounting from Shanghai University of Finance and Economics (上海財經大學), in Shanghai, the PRC in October 1997. He graduated with a bachelor's degree majoring in economic management from Chinese People's Liberation Army Nanjing Institute of Politics (中國人民解放軍南京政治學院) in Jiangsu province, the PRC in June 2006.

Mr. Xu Jingming (徐敬明), aged 58, was appointed as a Supervisor on 22 February 2021. He is responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company. As of the Latest Practicable Date, Mr. Xu held approximately 12.58% of the total issued share capital in Shanghai Shuyun, which held approximately 6.03% of the total issued share capital in our Company.

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

Mr. Tang Baohua (唐寶華), aged 40, was appointed as a Supervisor on 22 February 2021. He is responsible for supervising the performance of our Board and members of the senior management in performing their duties to the Company. Since January 2016, Mr. Tang has served in Shanghai Conant as a human resources manager assistant, where he is primarily responsible for facilitating the manager of the human resources department and managing the administrative work of the department. He was appointed as a supervisor of Qitian Technology from December 2014 to May 2017 and from March 2018 to November 2019, respectively.

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

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Mr. Fei, the chairman of the Board, an executive Director and the general manager of the Company, was a director or a manager of the following companies prior to its dissolution:

Name of the relevant company	Place of Incorporation	Principal business activity	Means of dissolution/status	Reason for dissolution	Date of dissolution	Mr. Fei's position
Shanghai Dong Kang Jun Shi Optics Technology Co., Ltd. 上海東康雋視光學科技有限公司	PRC	Sales of resin spectacle lenses	Deregistration	Business restructuring	21 October 2015	Legal representative, executive director and general manager
Hangzhou Conant Optical Co., Ltd. 杭州康耐特眼鏡有限公司	PRC	Sales of resin spectacle lenses	Deregistration	Business restructuring	19 May 2015	Legal representative and executive director
Guangzhou Yuexiu District Conant Optical Shop 廣州市越秀區康耐特眼鏡店	PRC	Sales of resin spectacle lenses	Deregistration	Business restructuring	29 April 2004	Manager
Shanghai Conant Optics Co., Ltd. Guangzhou Branch 上海康耐特光學股份有限公司廣州分公司	PRC	Sales of resin spectacle lenses	Deregistration	Business restructuring	25 February 2011	Manager
Max Sun (Hong Kong) Investment Limited 耀豐(香港)投資有限公司	Hong Kong	N/A	Dissolved	Not in operation	13 June 2014	Director
Big Islands Incorporated	United States	Sales of resin spectacle lenses	Dissolved	Not in operation	29 December 2010	Chief executive officer and registered agent

Mr. Fei confirmed that, to the best of his knowledge, (i) each of the dissolved companies above was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) he has not received any notification in respect of penalty, acting or proceeding from the PRC authorities as a result of the dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Mr. Zheng Yuhong, our executive Director and the deputy general manager of the Company, was a supervisor or a manager of the following companies which was established in the PRC prior to its dissolution:

Name of the relevant company	Principal business activity	Means of dissolution	Reason for dissolution	Date of dissolution	Mr. Zheng's position
Shanghai Conant Optics Co., Ltd. First Branch 上海康耐特光學股份有限公司第一分公司	Sales of resin spectacle lenses	Deregistration	Business restructuring	31 January 2011	Manager
Shanghai Conant Optics Sales Co., Ltd. Nanjing East Road Store 上海康耐特光學銷售有限公司南京東路店	Sales of resin spectacle lenses	Deregistration	Business restructuring	11 May 2016	Manager
Shanghai Weihedi Optical Technology Co., Ltd. 上海威合迪光學科技有限公司	E-commerce business in relation to the sales of resin spectacle lenses	Deregistration	Business restructuring	21 December 2015	Supervisor

Mr. Zheng confirmed that, to the best of his knowledge, (i) each of the dissolved companies above was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) he has not received any notification in respect of penalty, acting or proceeding from the PRC authorities as a result of the dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Mr. Xia Guoping, our executive Director and the deputy general manager of the Company, was a manager of the following companies which was established in the PRC prior to its dissolution:

Name of the relevant company	Principal business activity	Means of dissolution	Reason for dissolution	Date of dissolution	Mr. Xia's position
Xinchang County Xinwang Agriculture Co., Ltd. 新昌縣新望農業有限公司	Planting and sales of flowers	Revocation and deregistration	Cessation of business due to underperformance of the company	10 December 2019	General manager and shareholder
Xinchang County Xinwang Agriculture Co., Ltd. Shengmeiyuan Branch 新昌縣新望農業有限公司聖玫瑰苑分公司	Planting and sales of flowers	Revocation and deregistration	Cessation of business due to underperformance of the company	3 November 2020	Manager

Mr. Xia confirmed that, to the best of his knowledge, (i) each of the dissolved companies above was solvent immediately prior to its dissolution and had no outstanding claim or liabilities; (ii) he has not received any notification in respect of penalty, acting or proceeding from the PRC authorities as a result of the dissolution; and (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution.

Save as disclosed above and in this prospectus, each of our Directors and Supervisors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, Supervisors, senior management or substantial shareholders of our Company as of the Latest Practicable Date; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management are responsible for the day-to-day management and operation of our business. The table below sets out certain information regarding our senior management:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management members
Mr. Fei Zhengxiang (費錚翔)	61	Chairman of our Board and general manager	25 December 2006	20 June 2018	Formulating the overall development strategies and overseeing the operation of our Group	None
Mr. Zheng Yuhong (鄭育紅)	53	Executive Director and deputy general manager	25 December 2006	1 January 2019	Formulating the overall development strategies and overseeing the Shanghai operation of our Group	None
Mr. Xia Guoping (夏國平)	62	Executive Director and deputy general manager	1 April 2010	1 January 2019	Formulating the overall development strategies and overseeing the Jiangsu operation of our Group	None
Mr. Chen Junhua (陳俊華)	54	Executive Director and deputy general manager	9 October 2009	1 January 2019	Overseeing the marketing operations of our Group	None
Mr. Xu Huyin (許胡寅)	35	Financial controller	11 February 2011	22 February 2021	Overseeing the accounting and financial management of our Group	None

Mr. Fei Zhengxiang (費錚翔), aged 61, is the general manager of our Company. For further details, see "— Directors — Executive Directors".

Mr. Zheng Yuhong (鄭育紅), aged 53, is a deputy general manager of our Company. For further details, see "— Directors — Executive Directors".

Mr. Xia Guoping (夏國平), aged 62, is a deputy general manager of our Company. For further details, see "— Directors — Executive Directors".

Mr. Chen Junhua (陳俊華), aged 54, is a deputy general manager of our Company. For further details, see "— Directors — Executive Directors".

Mr. Xu Huyin (許胡寅), aged 35, was appointed as the financial controller of our Company on 22 February 2021 and is primarily responsible for overseeing the accounting and financial management of our Group. Mr. Xu was also appointed as the financial director of Shanghai Conant in January 2019. As of the Latest Practicable Date, Mr. Xu held approximately 3.61% of the total issued share capital in Shanghai Shuyun, which held approximately 6.03% of the total issued share capital in our Company.

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

Mr. Xu obtained a bachelor's degree in accounting from Shanghai Sanda University (上海杉達學院) in Shanghai, the PRC in July 2008. Mr. Xu is a member of the Chinese Institute of Certified Public Accountants, the China Certified Tax Agents Association (中國註冊稅務師協會) and the China Appraisal Society (中國資產評估協會). He was admitted as a member of 2020 Shanghai Senior Accounting (reserve) Talents (2020年度上海市會計高級(後備)人才) recognised by Shanghai Finance Bureau.

Mr. Xu did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas.

JOINT COMPANY SECRETARIES

Mr. Wong Shing Cheung (王承鐘), aged 34, has been appointed as one of our joint company secretaries with effect from the Listing.

Mr. Wong has been a senior manager of SWCS Corporate Services Group (Hong Kong) Limited since March 2020, mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, Mr. Wong worked at international accounting firm KPMG, Huajun Holdings Limited (now known as China Huajun Group Limited (中國華君集團有限公司), a company listed on the Stock Exchange (stock code: 0377)) and the Listing Division of the Stock Exchange. Mr. Wong obtained a bachelor's degree in finance, accounting and management from University of Nottingham in the United Kingdom in July 2009. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Cao Xue (曹雪), aged 30, has been appointed as one of our joint company secretaries with effect from the Listing. Ms. Cao was appointed as the secretary of the Board on 22 February 2021.

Ms. Cao has over seven years of experience in the resin spectacle lens industry. She has extensive knowledge about the business operations, corporate culture and matters concerning the corporate governance of the Company. Ms. Cao joined our Group in October 2013 and was responsible for the accounting and financial management of Shanghai Conant until December 2015. She served as a financial supervisor of Shanghai Conant from January 2016 to December 2020 and was appointed as the manager of overseas asset management department of Shanghai Conant in January 2021. She has also served as a director of Asahi Holdings since May 2017 and a director of Asahi Optical since April 2021. Ms. Cao obtained a bachelor's degree in literature majoring in Japanese from Tongji University (同濟大學) in July 2013.

BOARD COMMITTEES

In accordance with the relevant PRC laws, regulations, the Articles and the corporate governance practise prescribed in the Listing Rules, we have formed six board committees, namely, the strategy committee of the Board (the "**Strategy Committee**"), the audit committee of the Board (the "**Audit Committee**"), the remuneration committee of the Board (the "**Remuneration Committee**"), the nomination committee of the Board (the "**Nomination Committee**"), the risk management committee of the Board (the "**Risk Management Committee**") and the ESG Committee.

Strategy Committee

The Strategy Committee consists of three Directors, namely Mr. Fei, Dr. Takamatsu Ken and Dr. Xiao Fei. Mr. Fei has been appointed as the chairman of the Strategy Committee. The primary duties of the Strategy Committee are to study and advise on the long-term strategy and major investments of our Group.

Audit Committee

Our Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three members, namely Dr. Xiao Fei, Mr. Chen Yi and Mr. Jin Yiting, our independent non-executive Directors. Mr. Chen Yi has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of two independent non-executive Directors, being Mr. Jin Yiting and Dr. Xiao Fei, and one executive Director, being Mr. Chen Junhua. Mr. Jin Yiting, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

Our Company established a Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of two independent non-executive Directors, being Dr. Xiao Fei and Mr. Chen Yi, and one executive Director, being Mr. Xia Guoping. Dr. Xiao Fei, our independent non-executive Director, has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

Risk Management Committee

Our Company has established a Risk Management Committee. The functions of our Risk Management Committee are to monitor our exposure to sanctions risks and our implementation of the related internal control procedures. For details, see "Business — Business Activities in Countries Subject to International Sanctions". The Risk Management Committee comprises three executive Directors, namely Mr. Fei, Mr. Chen Yi and Mr. Zheng Yuhong. Mr. Fei is the chairman of our Risk Management Committee.

ESG Committee

Our Company has established a ESG Committee with written terms of reference. The functions of our ESG Committee are to assist the Board in guiding and supervising the development and implementation of environmental, social and governance works of the Group to ensure compliance with relevant legal and regulatory requirements. The ESG Committee comprises three executive Directors, namely Mr. Fei, Mr. Zheng Yuhong and Mr. Xia Guoping. Mr. Fei is the chairman of our ESG Committee.

BOARD DIVERSITY

We have adopted our Board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. Our Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy.

Pursuant to our Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code. After Listing, our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on annual basis.

Our Company values gender diversity and the benefits it may bring to the Board. Though we are yet to have gender diversity on our Board, we intend to increase the proportion of female members of the Board over time. The Nomination Committee will take opportunities to increase female representation on our Board when selecting and recommending suitable candidates for Board appointments. It will identify and recommend at least one suitable female candidate for the Board's consideration and the Company will appoint at least one female Director before the effective date of the relevant applicable Listing Rules changes or within one year from the Listing Date, whichever is earlier. In addition to the Board level, we will also promote gender diversity when recruiting staff at the mid to senior level to develop a pipeline of female senior management and potential successors to the Board. We plan to provide career opportunities and training programmes to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business.

Our Board comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Board has a wide range of age, ranging from 36 years old to 65 years old. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Rules 8.12 and 19A.15 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules — Waiver in Relation to Management Presence in Hong Kong".

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Rules 3.28 and 8.17 of the Listing Rules in relation to the academic or professional qualifications of our Company's joint company secretaries. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules — Waiver in Respect of Joint Company Secretaries".

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the CG Code, except for the deviation from the code provision A.2.1 of the CG Code. Mr. Fei is the chairman of our Board and the general manager of our Company and he has been managing our Group's business and supervising the overall operations of our Group since 2006. Our Directors consider that vesting the roles of the chairman of our Board and the general manager of our Company in Mr. Fei is beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the general manager at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save for disclosed in this section, our Group is in compliance with all the code provisions of the CG Code.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive compensation from our Company in the form of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind.

The aggregate amount of remuneration our executive and non-executive Directors and Supervisors received (including fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind) for the three years ended 31 December 2020 and the five months ended 31 May 2021 was approximately RMB4.9 million, RMB5.9 million, RMB5.4 million and RMB2.4 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, allowances and other benefits in kind paid to our five highest paid individuals of our Company, including Directors and Supervisors, during the three years ended 31 December 2020 and the five months ended 31 May 2021 was approximately RMB4.2 million, RMB4.4 million, RMB4.1 million and RMB1.8 million, respectively.

It is estimated that remuneration and benefits in kind equivalent to approximately RMB5.1 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending 31 December 2021 under arrangements in force at the date of this prospectus.

No remuneration was paid by us to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by our Group to the Directors or Supervisors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and Supervisors and performance of our Group.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser ("**Compliance Adviser**") upon listing of our H Shares on the Stock Exchange in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice to us when consulted by us in the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the H Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			As at the date hereof and immediately prior to the Global Offering			Immediately after the Global Offering (assuming the Over-allotment Option is not exercised)[2]		
Name of shareholder	Nature of interest	Class of Shares	Number of Shares[1]	Approximate percentage of interest in our Company	Approximate percentage of the relevant class of Shares	Number of Shares[1]	Approximate percentage of interest in our Company	Approximate percentage of the relevant class of Shares
Mr. Fei	Beneficial owner	Domestic Shares (as at the date hereof) H Shares (after the Global Offering)[3]	212,740,030	69.75%	69.75%	212,740,030	49.87%	49.87%
Shen Zhoubo[4]	Interest of spouse	Domestic Shares (as at the date hereof) H Shares (after the Global Offering)[3]	212,740,030	69.75%	69.75%	212,740,030	49.87%	49.87%

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 426,600,000 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

3. Subject to the approvals by the CSRC and the Stock Exchange, the Domestic Shares held by Mr. Fei will be converted into Converted H Shares and listed on the Stock Exchange immediately upon Listing.

4. Shen Zhoubo, the spouse of Mr. Fei, is deemed under the SFO to be interested in these 212,740,030 Shares in which Mr. Fei is deemed to be interested upon Listing.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL OF OUR COMPANY

As at the Latest Practicable Date, the registered share capital of our Company was RMB305,000,000 divided into 305,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the total issued share capital of our Company will be as follows:

Class of Shares	Number of Shares	Approximate % of total share capital
Converted H Shares *(Note)*	305,000,000	71.50%
H Shares to be issued pursuant to the Global Offering	121,600,000	28.50%
Total	426,600,000	100.00%

Note: Subject to the approvals by the CSRC and the Stock Exchange, a total of 305,000,000 Domestic Shares held by each of our existing Shareholders as at the Latest Practicable Date will be converted into Converted H Shares and listed on the Stock Exchange immediately upon Listing. For further details, see "— Conversion of the Domestic Shares into H Shares" below.

Immediately following the completion of the Global Offering and assuming the Over-allotment Option is exercised in full, the total issued share capital of our Company will be as follows:

Class of Shares	Number of Shares	Approximate % of total share capital
Converted H Shares *(Note)*	305,000,000	68.56%
H Shares to be issued pursuant to the Global Offering	139,840,000	31.44%
Total	444,840,000	100.00%

Note: See the note above.

SHARES OF OUR COMPANY

Pursuant to the Articles of Association, our Company has two classes of Shares, namely Domestic Shares and H Shares (including Converted H Shares), both of which are ordinary Shares in our share capital. However, the H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC, other than certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold the H Shares pursuant to relevant PRC laws and regulations or upon approval by any competent authorities. On the other hand, Domestic Shares may only be subscribed for by, and traded between, legal or natural persons of the PRC, certain qualified foreign institutional investors and qualified foreign strategic investors. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and transferred in Renminbi.

The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the Shareholders at a Shareholders' general meeting and by holders of such affected class of Shares at a separate Shareholders' general meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class of Shareholders are listed in "Summary of Articles of Association" in Appendix VI to this prospectus. However, the procedures for approval by separate classes of Shareholders do not apply where: (i) our Company issues Shares representing no more than 20.0% of each of the existing issued Domestic Shares and H Shares upon approval by a special resolution of the Shareholders at a Shareholders' general meeting, either separately or concurrently once every 12 months; (ii) our Company's plan to issue Domestic Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval by the securities regulatory authorities of the State Council; or (iii) our Company converts our unlisted Shares into overseas listed Shares upon the approval by the securities regulatory authorities of the State Council.

RANKING

Pursuant to the Articles of Association, the Domestic Shares and the H Shares are categorised as different classes of Shares. Their differences and the provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of members, the method of share transfer and appointment of dividend receiving agents are set forth in the Articles of Association and summarised in "Summary of Articles of Association" in Appendix VI to this prospectus.

Except for the differences above, the Domestic Shares and the H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be declared in Renminbi and paid by our Company in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by our Company in Renminbi. In addition to cash, dividends may be distributed in the form of shares.

CONVERSION OF THE DOMESTIC SHARES INTO H SHARES

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council and the Articles of Association, the unlisted Shares may be converted into overseas-listed Shares. Such converted Shares could be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval process has been duly completed and the approvals from the relevant regulatory authorities, including CSRC, have been obtained. In addition, such conversion and trading shall comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any Domestic Shares are to be converted into H Shares and traded on the Stock Exchange, such conversion will require the approval of the relevant PRC regulatory authorities, including CSRC. The listing and trading of such converted H Shares on the Stock Exchange will also require the approval of the Stock Exchange.

Arrangements for conversion and registration of Converted H Shares

On 14 November 2019, the CSRC announced to fully promote its "full circulation" reform of the H shares by covering both qualified H share companies already listed on the Stock Exchange and companies planning initial public offerings of the H shares on the Stock Exchange.

Based on the procedures for the conversion of Domestic Shares into H Shares as disclosed below, our Company may apply for the listing of all or any portion of the Domestic Shares on the Stock Exchange as H Shares before any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No approval by separate class meeting is required for the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform the Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the relevant Domestic Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited ("**CSDC**") and our Company will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (i) our H Share Registrar lodged with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange in compliance with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares will not be listed as H Shares.

Application made regarding the conversion of Domestic Shares

As approved by our Shareholders at a general meeting held on 20 March 2021, an application has been made by our Company to the CSRC for the circulation of a total of 305,000,000 Domestic Shares which will be converted into Converted H Shares on a one-on-one basis and to be listed on the Stock Exchange immediately upon the Global Offering. Subject to the approvals by the CSRC and the Stock Exchange, holders of these Domestic Shares and their respective shareholdings are set out below:

Shareholder	Number of Converted H Shares	Percentage of shareholding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) *(Note)*
Mr. Fei	212,740,030	49.87%
Shanghai Shuyun	18,396,670	4.31%
Zhourong Lianer	14,945,000	3.50%
Jiaxing Huiyi	14,945,000	3.50%
Mr. Fan	12,200,000	2.86%
Shanghai Fengchang	11,948,300	2.80%
Qian Yaoming (錢耀明)	10,980,000	2.58%
Huang Anfen (黃安芬)	6,100,000	1.43%
Lan Zhiping (蘭志平)	2,745,000	0.65%
	305,000,000	71.50%

Note: The shareholding figures of the Shareholders have been subject to rounding adjustments such that the total is the arithmetic aggregation the preceding figures.

As advised by our PRC Legal Advisers, according to the Securities Law of the PRC, any domestic enterprise that directly or indirectly issues any shares abroad or lists its shares abroad shall comply with the relevant provisions of the State Council. The Domestic Shares are allowed to be converted into Converted H Shares and listed on the Stock Exchange after the approval from the CSRC has been obtained. We have obtained the approval from the CSRC for the conversion of 305,000,000 Domestic Shares into Converted H Shares, and the Converted H Shares may be listed on the Stock Exchange upon completion of the conversion. As advised by our PRC Legal Advisers, our proposed scheme for the circulation of the Domestic Shares to Converted H Shares complies with all applicable PRC laws and regulations. Subject to the approval by the Stock Exchange, after the conversion and upon completion of the Global Offering, our issued capital will consist entirely of H Shares (including Converted H Shares). We will perform the following procedures for the conversion of domestic unlisted shares into H Shares after receiving the approval of the Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the Converted H Shares; and (2) enabling the Converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS. The domestic participating Shareholders of our Company (the "**Domestic Participating Shareholders**") may only deal in the Shares upon completion of following domestic procedures.

Domestic Procedures

The Domestic Participating Shareholders may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and listing:

(a) we will appoint CSDC as the nominal holder to deposit the relevant securities at China Securities Depository and Clearing (Hong Kong) Limited ("**CSDC (Hong Kong)**"), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Domestic Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-broader settlement and corporate actions, etc. relating to the Converted H Shares for the Domestic Participating Shareholders;

(b) we will engage a domestic securities company (the "**Domestic Securities Company**") to provide services such as the transmission of sell orders and trading messages in respect of the Converted H Shares. The Domestic Securities Company will engage a Hong Kong securities company (the "**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the Converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by SZSE;

(c) the SZSE shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and trading messages in respect of the Converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

(d) according to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Domestic Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share "Full Circulation" at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the H Share "Full Circulation" at the Hong Kong Securities Company; and

(e) the Domestic Participating Shareholders shall submit trading orders of the Converted H Shares through the Domestic Securities Company. Trading orders of the Domestic Participating Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Domestic Participating Shareholders, will all be conducted separately.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

See "Summary of Articles of Association — 7. General Meeting" in Appendix VI to this prospectus for details of the circumstances under which our Shareholders' general meeting and Shareholders' class meeting are required.

*You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our audited consolidated financial statements as of and for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, including notes thereto set forth in the Accountants' Report included as Appendix I to this prospectus (the "**Consolidated Financial Information**"). Our Consolidated Financial Information have been prepared in accordance with the IFRS. You should read the whole Accountants' Report and not merely rely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historic trends, current conditions and expect future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For further information, you should refer to the section "Risk factors" and "Forward-looking statements" in this prospectus.

OVERVIEW

We are a leading resin spectacle lens manufacturer in the PRC with sales to over 80 countries during the Track Record Period, including but not limited to the PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil. According to the Frost & Sullivan Report, whilst glass is the traditional material for lens, in view of the much higher impact resistance of resin lens which makes it safe for wearer, resin lens accounted for approximately 95% by production value of spectacle lens in the PRC in 2020. Further, according to the Frost & Sullivan Report, the market size of resin spectacle lens in terms of production value in the PRC spectacle lens industry in 2020 was RMB11,633.3 million. In 2020, we ranked the first among resin lens manufacturers in the PRC in terms of production volume of resin spectacle lens manufacturing, with a market share of around 8.5% while the production volume of resin spectacle lens in the PRC was 1,508.7 million pieces in 2020. According to the Frost & Sullivan Report, due to the business cycle and inventory cycle of the global market, the resin lens manufacturing market in terms of total production volume in the PRC decreased from 1,598.7 million pieces in 2015 to 1,508.7 million pieces in 2020, with an overall growing trend of the total production volume of resin lens in the PRC from 2016 to 2020. We recorded an increase in our production volume for the year ended 31 December 2019 as compared with that for the year ended 31 December 2018, mainly attributable to the increase in our overall sales volume for the relevant period, while we recorded a decrease in our production volume for the year ended 31 December 2020 as compared with that for the year ended 31 December 2019, due to the decrease in our overall sales volume for the relevant period, which was mainly attributable to the decrease in our overseas sales volume of standardised lenses in 2020 which was caused by the COVID-19 pandemic. Driven by the recovery of global economy after the pandemic of COVID-19 and the increasing number of individuals with ametropia, it is expected the total production volume in the PRC to increase to 1,559.0 million pieces in 2025. We are the largest exporter in the PRC in terms of resin spectacle lens export value in 2020, with a market share of around 7.3%. On a global scale, we ranked the ninth in terms of revenue from resin spectacle lens in 2020, with a market share of around 0.4%, and is the only group with its headquarter based in the PRC among the top ten market players.

For the three years ended 31 December 2018, 2019 and 2020, we recorded revenue of RMB853.8 million, RMB1,058.8 million and RMB1,093.2 million, respectively, and our net profit was RMB78.5 million, RMB111.9 million and RMB128.5 million, respectively. Our business experienced continuous growth, our revenue increased by 47.7% from RMB364.1 million for the five months ended 31 May 2020 to RMB537.9 million for the five months ended 31 May 2021. Our net profit increased by 98.8% from RMB32.5 million for the five months ended 31 May 2020 to RMB64.6 million for the five months ended 31 May 2021.

For further details of our business and operations, please refer to the section headed "Business" in this prospectus.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the regrouping of our Group's entities (the "**Regrouping**"), as more fully explained in the section headed "History and Development — Evolution of Our Group — Spin-off from Qitian Technology and Regrouping of Our Business Entities" in this prospectus, the Company became the holding company of the companies now comprising our Group on 31 December 2018. The companies now comprising our Group were under the common control of the Controlling Shareholder before and after the Regrouping. Accordingly, the financial information for the Track Record Period has been prepared by applying the principles of pooling of interests method as if the Regrouping had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period included the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of our Group as of 31 December 2018, 2019 and 2020 and 31 May 2021 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Regrouping. All intra-group transactions and balances have been eliminated on combination.

Our historical financial information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the historical financial information throughout the Track Record Period.

Our historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The results of operations and financial condition of our Group have been and will continue to be, affected by a number of factors, including those discussed below and under the section headed "Risk Factors" in this prospectus.

Macroeconomic conditions and level of customer consumption

Our results of operations depend on a number of macroeconomic factors, including the global economic conditions, development of global trade policies and changes in the regulatory environment and economic condition of the jurisdictions where we operate.

Our revenue and growth are influenced by the global economic conditions, which drive the level of disposable income and consumer sentiment, which in turn drives consumer spending in our spectacle lenses products. Any worsening of the economic conditions in our target geographical markets may result in the decrease or delay in consumer purchases of spectacle lenses products and potential delay or default in payment by our customers. Additionally, any change of the economic conditions in the jurisdictions where we operate may result in inflation, rent hikes and increased labour cost, which may increase our operating costs in those regions and thus have an adverse impact on our profitability and financial results.

Our business also relies on the development of global trade policies. Any change in global trade policies, including both import and export trades for our target geographical markets and the jurisdictions where we operate, could have a significant impact on the demand for our products, our overall sales volume as well as our market share.

Management and expansion of our production capacity

Growth in our revenue and market share largely depends on our ability to manage and expand our production capacity in our production bases. During the Track Record Period, the utilisation rate of all of our production bases generally exceeded 85%. In view of high utilisation of our existing production capacity and the continuous growth of the demand for resin spectacle lenses, we have planned to enhance the production capacity of our Shanghai Production Base and Jiangsu Production Base. Please refer to the section headed "Business — Business Strategies — Enhancing Our Production Capacity" in this prospectus for details.

Relationship with our customers and ability to maintain our sales network

Our ongoing growth and profitability are significantly dependent on our ability to maintain close and mutually beneficial relationship with our key customers. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, the aggregate revenue attributable to our top five customers were RMB291.1 million, RMB371.7 million, RMB354.4 million and RMB170.5 million, respectively, which accounted for 34.1%, 35.1%, 32.4% and 31.7% of our total revenue, respectively. For the same periods, revenue attributable to our largest customer was RMB131.8 million, RMB155.2 million, RMB132.5 million and RMB55.5 million, which accounted for 15.4%, 14.7%, 12.1% and 10.3% of our total revenue, respectively. As at the Latest Practicable Date, we had established relationship with our five largest customers ranging from four to ten years. Any significant reduction in purchase from our key customers as a result of the deterioration of business relationship created by factors such as unsatisfaction of our products or services, miscommunication and poor experiences in conflict resolution and disagreement in the pricing of our Group's products, may adversely affect our business, financial conditions and results of operations.

Change in product mix and customer portfolio

Our revenue and profitability are affected by our product mix as selling prices and profitability vary with different types of products. In general, the selling price and gross profit margin of our customised lens are higher than that of standardised lens. In addition, according to the Frost & Sullivan Report, spectacle lens manufacturers are intending to eliminate the intermediaries (such as wholesalers) in the distribution process in order to shorten the reaching path to end-users to enhance the selling prices of the lens products. As such, our business, financial conditions and results of operations could be significantly affected by our product mix and customer portfolio.

Relationship with our suppliers and cost of raw materials and direct labour costs

During the Track Record Period, our major raw materials for the manufacturing of our resin spectacle lenses products include resin monomers, ancillary materials, packaging materials and lens moulds roughcast. The cost of raw materials amounted to RMB357.9 million, RMB450.0 million, RMB470.9 million and RMB241.1 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 respectively, and accounted for 60.4%, 63.5%, 66.2% and 67.9% of our total cost of sales for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively.

We cannot assure that we can fully pass the cost of increase in raw materials onto our customers. Future price increases in raw materials or changes in the supply of raw materials may materially and adversely affect our business, financial condition and results of operation.

During the Track Record Period, the amount of purchases of our five largest suppliers of our Group in aggregate amounted to RMB267.8 million, RMB345.2 million, RMB336.4 million and RMB161.6 million, respectively, for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, which accounted for 64.5%, 66.3%, 62.4% and 65.5% of our total purchases during the same period. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our amount of purchases from our largest supplier amounted to RMB168.1 million, RMB217.6 million, RMB223.7 million and RMB102.8 million, respectively, which accounted for 40.5%, 41.8%, 41.5% and 41.6% of our total purchases, respectively. Please refer to the section headed "Business — Raw Materials Procurement" in this prospectus for further details of our major suppliers.

Our direct labour costs was the second largest component of our cost of sales. Our direct labour costs amounted to RMB134.8 million, RMB143.3 million, RMB134.6 million and RMB69.3 million, respectively, for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, representing 22.8%, 20.2%, 18.9% and 19.5% of our cost of sales for the respective periods. Our Directors believe that in the event that our direct labour costs continue to rise and our Group is unable to increase the price of our products to the same or higher extend, our Group's profitability may be adversely affected.

Sensitivity analysis

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of raw materials and direct labour costs on our profit before tax during the Track Record Period.

	Increase/decrease in the cost of raw materials		
	–/+ 5%	**–/+ 10%**	**–/+ 15%**
	RMB'000	*RMB'000*	*RMB'000*
Increase/decrease in profit before tax			
Year ended 31 December 2018	17,893	35,786	53,679
Year ended 31 December 2019	22,498	44,996	67,494
Year ended 31 December 2020	23,546	47,092	70,638
Five months ended 31 May 2021	12,055	24,109	36,164

	Increase/decrease in the direct labour costs		
	–/+ 5%	**–/+ 10%**	**–/+ 15%**
	RMB'000	*RMB'000*	*RMB'000*
Increase/decrease in profit before tax			
Year ended 31 December 2018	6,742	13,484	20,226
Year ended 31 December 2019	7,163	14,326	21,489
Year ended 31 December 2020	6,729	13,458	20,187
Five months ended 31 May 2021	3,463	6,927	10,390

Prospective investors should note that the above analysis on the historical financial information is for reference only and should not be viewed as actual effect.

Exposure to foreign exchange fluctuations

We have a significant amount of overseas sales from overseas customers and purchases of raw materials from overseas suppliers. During the Track Record Period, most of our overseas sales are denominated in USD. Our sales or purchases may also be denominated in USD, JPY, RMB or EUR, which is the currency other than local currency adopted by our relevant subsidiaries. As such, we are exposed to foreign currency risk. If there is any material fluctuation of the aforesaid currencies against the local currency adopted, our results of operations may be materially affected.

Interest rates

We are exposed to interest rate risk arising from bank and other borrowings during the Track Record Period. As at 31 December 2018, 2019 and 2020 and 31 May 2021, our interest-bearing bank and other borrowings amounted to RMB365.8 million, RMB671.6 million, RMB674.3 million and RMB592.7 million, respectively. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our finance costs attributable to bank and borrowings loans amounted to RMB6.7 million, RMB28.0 million, RMB40.4 million and RMB14.6 million, respectively. The effective interest rate of our interest-bearing bank and other borrowings mainly ranged from 1.48–6.86%, 1.48–6.37%, 1.48–6.37% and 1.48–6.37% for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively. Therefore, our results of operations will be affected by changes in interest rates. For detailed information on the impact on our profit before tax arising from change in interest rate, please refer to note 39 to the Accountant's Report set forth in Appendix I to this prospectus.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our Group's consolidated financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Set out below are some of our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations. For details of our accounting policies, estimates and judgements, please refer to note 2.4 and note 3 to the Accountants' Report in Appendix I to this prospectus.

Significant Accounting Policies

Revenue recognition

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

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life.

Research and development costs

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

Inventories

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

Provisions

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

Impairment

For non-financial assets, an impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Critical Estimates and Judgments

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

Provision for expected credit losses on trade receivables

Our Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating). The provision matrix is initially based on our Group's historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, our Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of our Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each year based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the Accountant's Report in Appendix I to this prospectus.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets out the summary of our Group's consolidated results for the Track Record Period, which are derived from, and should be read in conjunction with the consolidated financial information contained in the Accountants' Report set out in Appendix I to this prospectus:

	For the year ended 31 December			For the five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	853,760	1,058,846	1,093,164	364,142	537,923
Cost of sales	(592,419)	(708,968)	(711,113)	(243,701)	(355,267)
GROSS PROFIT	261,341	349,878	382,051	120,441	182,656
Other income and gains	19,471	20,592	22,898	6,123	9,851
Selling and distribution expenses	(62,867)	(75,305)	(67,101)	(23,857)	(32,573)
Administrative expenses	(98,719)	(107,930)	(112,287)	(34,290)	(53,875)
(Impairment)/reversal on impairment on financial assets	(13,378)	2,655	(1,495)	(3,667)	(3,155)
Other expenses	(3,439)	(2,975)	(21,682)	(1,436)	(7,155)
Finance costs	(9,448)	(47,447)	(47,079)	(21,362)	(14,708)
Share of losses of a joint venture	—	(152)	(42)	(6)	(80)
Share of losses of an associate	—	—	—	—	(735)
PROFIT BEFORE TAX	92,961	139,316	155,263	41,946	80,226
Income tax expense	(14,499)	(27,415)	(26,801)	(9,444)	(15,644)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	78,462	111,901	128,462	32,502	64,582
Attributable to:					
Owners of the parent	78,462	111,901	128,462	32,502	64,582

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, we recorded revenue of RMB853.8 million, RMB1,058.8 million, RMB1,093.2 million, RMB364.1 million and RMB537.9 million respectively and such revenue was principally generated from the sales of our resin spectacle lenses. Based on the geographical location of our customers, we principally sold our products to the customers in the PRC, other Asian countries such as India and Japan, the United States, Europe such as the Netherlands, Germany and Italy during the Track Record Period.

Revenue by geographical location

The following table sets out information about our revenue by our customer's geographical location during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
• Asia (except the PRC)(Note 1)	314,528	36.9	397,903	37.5	291,541	26.7	115,604	31.7	135,763	25.2
• PRC	125,649	14.7	168,917	16.0	260,376	23.8	84,933	23.3	135,151	25.1
• United States	153,173	17.9	159,035	15.0	203,758	18.6	67,225	18.5	101,790	18.9
• Europe(Note 2)	129,981	15.2	148,212	14.0	144,886	13.3	38,669	10.6	69,060	12.8
• Americas (except the United States)(Note 3)	76,797	9.0	99,152	9.4	101,800	9.3	27,130	7.5	50,445	9.4
• Africa(Note 4)	34,670	4.1	49,393	4.7	52,986	4.8	18,500	5.1	24,967	4.6
• Oceania(Note 5)	18,962	2.2	36,234	3.4	37,817	3.5	12,081	3.3	20,747	4.0
Total	853,760	100.0	1,058,846	100.0	1,093,164	100.0	364,142	100.0	537,923	100.0

Notes:

1. Our sales to the Asia include, among others, sales to India, Thailand, Japan, South Korea and Philippines but exclude the PRC.

2. Our sales to Europe include, among others, sales to Spain, Russia, Netherlands, Germany and Italy.

3. Our sales to the Americas include, among others, sales to Mexico, Argentina and Brazil but exclude the United States.

4. Our sales to Africa, include, among others, sales to South Africa.

5. Our sales to Oceania include, among others, sales to Australia.

Revenue by product category

The following table sets out a breakdown of our revenue by product category and its percentage in terms of our total revenue during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Resin spectacle lenses										
Standardised lenses	702,997	82.3	879,459	83.1	887,851	81.2	294,591	80.9	418,685	77.8
Customised lenses	139,978	16.4	168,656	15.9	197,837	18.1	66,713	18.3	116,403	21.6
Others *(Note)*	10,785	1.3	10,731	1.0	7,476	0.7	2,838	0.8	2,835	0.6
Total	853,760	100.0	1,058,846	100.0	1,093,164	100.0	364,142	100.0	537,923	100.0

Note: Revenue from others mainly comprised revenue from (i) sales of spectacle frames and spare parts; (ii) sales of packaging materials and lens moulds sold together with our lens products; and (iii) sales of spectacle lenses which we do not produce but source from third party suppliers.

Sales volume and average selling price

The table below sets out the sales volume and average selling price of our products during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	Sales volume *(thousand pieces)*	Average selling price *(RMB)*	Sales volume *(thousand pieces)*	Average selling price *(RMB)*	Sales volume *(thousand pieces)*	Average selling price *(RMB)*	Sales volume *(thousand pieces)*	Average selling price *(RMB)*	Sales volume *(thousand pieces)*	Average selling price *(RMB)*
Resin spectacle lenses										
Standardised lenses	98,732	7.12	109,325	8.04	105,235	8.44	35,135	8.38	51,159	8.14
Customised lenses	2,451	57.11	3,084	54.68	3,900	50.72	1,232	54.15	2,166	53.72
Total	101,183	8.33	112,409	9.32	109,135	9.95	36,367	9.93	53,325	9.99

For the analysis of the sales volume and average selling price of standardised lenses, please refer to the paragraph titled "Description of Selected Items of Consolidated Statements of Comprehensive Income — Revenue — Revenue, Sales Volume and Average Selling Price of Standardised Lenses by Refractive Index" in this section.

The average selling price of our customised lens decreased from RMB57.11 for the year ended 31 December 2018 to RMB54.68 for the year ended 31 December 2019 and further decreased to RMB50.72 for the year ended 31 December 2020. The average selling price of our customised lens decreased from RMB54.15 for the five months ended 31 May 2020 to RMB53.72 for the five months ended 31 May 2021. During the Track Record Period, the average selling price of customised lenses fluctuated and was mainly dependent on (i) the price of raw materials such as resin monomers; (ii) the additional functions such as photochromic, blue-ray blocking, anti-scratch, anti-reflection and anti-smudge and complexity of the lens; and (iii) customer type. In general, the closer it is for our direct sales to the end customers down the value chain, the higher is our average selling price. Despite the general increase in the average selling price of customised lenses in the market, we evaluate and adjust the price of our customised lenses from time to time in order to strike a balance between our profit margin and maintaining our market competitiveness among our industry peers as well as our market share. As a result, we recorded a decrease in the average selling price of our customised lens for the three years ended 31 December 2018, 2019 and 2020 and a rebound in the average selling price for the five months ended 31 May 2021.

The sales volume of customised lenses was higher than the production volume for the two years ended 2019 and 2020 and the five months ended 31 May 2021 mainly due to the reason that sometimes we may use standardised lenses to fulfil the customers' orders for customised lenses. As such, approximately 0.4 million pieces, 0.3 million pieces and 0.2 million pieces of lenses are grouped as standardised lenses when we calculate the production volume, but are grouped as customised lenses when we calculate the sales volume for the two years ended 2019 and 2020 and the five months ended 31 May 2021, respectively.

Revenue, sales volume and average selling price of standardised lenses by refractive index

A majority of our revenue was derived from the sales of standardised lens during the Track Record Period. Our standardised lens can be broadly divided into five categories based on their respective refractive indices. For a given corrective power and without considering the other functions added to the lenses, the higher the refractive index, the higher is the selling price based on the Frost & Sullivan Report. The following table sets out the breakdown of our revenue, sales volume and average selling price of standardised lenses by refractive index during the Track Record Period:

Refractive Index	For the year ended 31 December															For the five months ended 31 May									
	2018					2019					2020					2020					2021				
	Sales volume	%	Average selling price	Revenue	%	Sales volume	%	Average selling price	Revenue	%	Sales volume	%	Average selling price	Revenue	%	Sales volume	%	Average selling price	Revenue	%	Sales volume	%	Average selling price	Revenue	%
	(thousand pieces)	%	*RMB*	*RMB'000*	%	*(thousand pieces)*	%	*RMB*	*RMB'000*	%	*(thousand pieces)*	%	*RMB*	*RMB'000*	%	*(thousand pieces)*	%	*RMB*	*RMB'000* (unaudited)	%	*(thousand pieces)*	%	*RMB*	*RMB'000*	%
– 1.499	55,914	56.6	4.89	273,664	38.9	52,247	47.8	5.56	290,691	33.1	53,391	50.7	5.56	297,021	33.5	18,942	53.9	5.19	98,325	33.4	27,822	54.4	4.93	137,115	32.7
– 1.56	15,906	16.1	6.84	108,775	15.5	17,713	16.2	8.00	141,782	16.1	19,079	18.1	6.43	122,743	13.8	4,737	13.5	7.74	36,666	12.4	8,185	16.0	6.56	53,814	12.9
– 1.60	21,148	21.4	6.11	129,304	18.4	32,388	29.6	5.73	185,536	21.1	24,576	23.4	8.09	198,727	22.4	8,764	24.9	7.73	67,785	23.0	10,770	21.1	7.77	84,036	20.1
– 1.67	3,646	3.7	21.68	79,030	11.2	4,216	3.9	23.37	98,539	11.2	5,273	5.0	21.09	111,202	12.5	1,775	5.1	22.04	39,122	13.3	2,684	5.3	21.62	58,364	13.9
– 1.74	2,118	2.1	53.00	112,224	16.0	2,761	2.5	59.00	162,911	18.5	2,916	2.8	54.24	158,158	17.8	917	2.6	57.46	52,693	17.9	1,699	3.2	49.41	85,356	20.4
Total	98,732	100.0	7.12	702,997	100.0	109,325	100.0	8.04	879,459	100.0	105,235	100.0	8.44	887,851	100.0	35,135	100.0	8.38	294,591	100.0	51,159	100.0	8.14	418,685	100.0

The average selling price of our standardised lens recorded an increasing trend during the three years ended 31 December 2018, 2019 and 2020. The average selling price of our standardised lens increased from RMB7.12 for the year ended 31 December 2018 to RMB8.04 for the year ended 31 December 2019 and further increased to RMB8.44 for the year ended 31 December 2020. The average selling price of our standardised lens decreased from RMB8.38 for the five months ended 31 May 2020 to RMB8.14 for the five months ended 31 May 2021. Similar to customised lenses, the average selling price of our standardised lens with a specific refractive index is mainly dependent on (i) the price of raw materials such as resin monomers; (ii) the additional features attached to each type of lenses such as photochromic, blue-ray blocking, anti-scratch, anti-reflection and anti-smudge; and (iii) customer type. In general, the closer it is for our direct sales to the end customers down the value chain, the higher is our average selling price.

Generally, in addition to the refractive index, the more the additional features, the higher the selling price. We usually enjoy a greater pricing flexibility when a lens product is newly rolled out by our Company, but with the longer period since such lens product is introduced to the market, we will be more susceptible to the fluctuation of the market price of comparable product available in the market. For instance, the selling price of a short progressive standardised lens with the refractive index of 1.499 in 2018 ranges from RMB3.0 to RMB3.8 per piece. Subsequently, in 2020, we have marked down the selling price of such product to RMB2.8 to RMB3.6 per piece.

In general, the standardised lenses of all refractive indices (except for 1.60) recorded an increase in average selling price for the year ended 31 December 2019 and a decrease in average selling price for the year ended 31 December 2020, and a decrease in average selling price for the five months ended 31 May 2021 as compared with the five months ended 31 May 2020. Similar to customised lenses, the price of our standardised lenses will be adjusted from time to time in order to strike a balance between our profit margin and maintaining our market competitiveness among our industry peers as well as our market share. For standardised lenses of refractive index of 1.60, we recorded a slight decrease in average selling price for the year ended 31 December 2019 and an increase in the average selling price for the year ended 31 December 2020 as we sold more standardised lenses with refractive index of 1.60 containing certain features, which have higher selling prices. The average selling price of our standardised lenses with refractive index of 1.60 remained stable for the five months ended 31 May 2020 and 2021.

We recorded an increase in the sales volume of standardised lenses by 10.7% for the year ended 31 December 2019 as compared to that of 2018 but decrease in the sales volume of standardised lenses by 3.7% for the year ended 31 December 2020 as compared to that of 2019. The decrease in our sales volume of standardised lenses in 2020 was mainly due to the decrease in our overseas sales volume which was caused by the COVID-19 pandemic. The increase in the sales volume of standardised lenses by 45.6% for the five months ended 31 May 2021 as compared to that for the same period in 2020 was mainly driven by the increasing market demand on the resin spectacle lens globally as a result of improvement of consumption sentiment after the ease of adverse impact of COVID-19 during the five months ended 31 May 2021.

Revenue by customer type

The following table sets out information about our revenue by customer type during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Spectacle lens brand owners(Note 1)	448,554	52.5	570,510	53.9	562,664	51.4	185,837	51.0	259,072	48.2
Wholesalers(Note 2)	195,247	22.9	228,534	21.6	260,891	23.9	85,351	23.5	147,446	27.4
Retailers(Note 3)	145,633	17.1	176,420	16.7	206,778	18.9	72,143	19.8	104,763	19.5
Authorised distributors	60,469	7.1	78,838	7.4	58,679	5.4	19,676	5.4	24,354	4.5
Individual end-users(Note 4)	3,857	0.5	4,544	0.4	4,152	0.4	1,135	0.3	2,288	0.4
Total	853,760	100.0	1,058,846	100.0	1,093,164	100.0	364,142	100.0	537,923	100.0

Notes:

1. Spectacle lens brand owners include international ophthalmic optics companies.

2. Wholesalers primarily on-sell our products to other market players including retailers.

3. Retailers include eyewear stores and ophthalmology clinics.

4. Individual end-users include the customers originated from the e-commerce platforms and the retail shopfronts and on-site optometry services and spectacles sales to some corporations.

Cost of sales

Our cost of sales for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021 amounted to RMB592.4 million, RMB709.0 million, RMB711.1 million, RMB243.7 million and RMB355.3 million, respectively.

The following table sets out the breakdown of our cost of sales during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Cost of raw materials	357,863	60.4	449,966	63.5	470,911	66.2	157,355	64.6	241,090	67.9
Direct labour costs*(Note)*	134,840	22.8	143,268	20.2	134,583	18.9	47,347	19.4	69,267	19.5
Depreciation	26,153	4.4	27,930	3.9	28,308	4.0	11,979	4.9	13,447	3.8
Utility costs	32,641	5.5	38,171	5.4	31,326	4.4	10,789	4.4	12,387	3.5
Other manufacturing overheads	40,922	6.9	49,633	7.0	45,985	6.5	16,231	6.7	19,076	5.3
Total	592,419	100.0	708,968	100.0	711,113	100.0	243,701	100.0	355,267	100.0

Note: Direct labour costs represented salaries and other employee-related costs of our production bases including the Jiangsu Production Base, Sabae Production Base and Shanghai Production Base.

Cost of raw materials

The table below sets out a breakdown of our costs of raw material during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Resin monomers	285,693	79.8	367,101	81.6	394,621	83.8	133,559	84.9	206,704	85.7
Ancillary materials	49,957	14.0	56,641	12.6	53,991	11.5	10,306	6.6	12,012	5.0
Packaging materials	22,213	6.2	26,224	5.8	22,299	4.7	13,490	8.5	22,374	9.3
Total	357,863	100.0	449,966	100.0	470,911	100.0	157,355	100.0	241,090	100.0

Our cost of resin monomers increased by 28.5% from RMB285.7 million for the year ended 31 December 2018 to RMB367.1 million for the year ended 31 December 2019, and further increased by 7.4% to RMB394.6 million for the year ended 31 December 2020. Our cost of resin monomers increased by 54.8% from RMB133.6 million for the five months ended 31 May 2020 to RMB206.7 million for the five months ended 31 May 2021. The extent of the increase in the cost of resin monomers was larger than the increase in our sales volume by 11.1% in 2019 as compared to that in 2018 and by 46.6% for five months ended 31 May 2021 as compared to that for the same period in 2020, while sales volume decreased by 2.9% in 2020 as compared to that in 2019. This was mainly because: (i) we recorded an increase in percentage of sales volume of lens roughcasts out of the total sales volume of standardised lens, of which the percentage of sales volume of lens roughcasts sold out of the total sales volume of standardised lens sold was 28.5%, 31.2%, 34.0%, 29.7% and 31.1% for the three years ended 31 December 2018, 2019 and 2020, and the five months ended 31 May 2020 and 2021, respectively. Given the primitive nature of the lens roughcasts, details of which has been set out in the section headed "Business — Difference between standardised lenses and customised lenses", they are much thicker than other standardised lens in our product list and require more resin monomers per unit of lens produced. The amount of resin monomers required for producing a piece of lens roughcast is approximately three to six times higher than that required for producing a piece of lens across all refractive indices; and (ii) we recorded an increase in percentage of sales volume of both standardised lenses of refractive index of 1.67 and 1.74 out of the total sales volume of standardised lenses sold during the Track Record Period, the percentage of sales volume of standardised lenses of refractive index of 1.67 and 1.74 out of the total sales volume of standardised lenses sold was 5.8%, 6.4%, 7.8%, 7.7% and 8.5% for the three years ended 31 December 2018, 2019 and 2020, and the five months ended 31 May 2020 and 2021, respectively. Such increase resulted in the proportionate increase in the cost of resin monomers as price of resin monomers with higher refractive index is higher.

The table below sets out the average unit purchase cost per kg of resin monomers with difference refractive index during the Track Record Period:

Refractive index	**For the year of 31 December**			**For the five months ended 31 May**
	2018	**2019**	**2020**	**2021**
	RMB/kg	*RMB/kg*	*RMB/kg*	*RMB/kg*
– 1.499	35.8	37.1	36.5	33.4
– 1.56	40.7	41.4	45.4	42.4
– 1.60	122.1	131.4	132.5	121.5
– 1.67	211.4	231.7	220.3	229.8
– 1.74	507.8	531.5	540.3	512.9

Note: The total purchase volume of the resin monomers was 2,998,984 kg, 3,688,330 kg, 3,860,799 kg and 1,501,075 kg for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 respectively.

Gross profit and gross profit margin

Our gross profit for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021 was RMB261.3 million, RMB349.9 million, RMB382.1 million, RMB120.4 million and RMB182.7 million respectively. Our gross profit margin for the same periods was 30.6%, 33.0%, 34.9%, 33.1% and 34.0%, respectively.

By Product Category

The following table below sets out our gross profit and gross profit margin by type of products during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit Margin	Gross profit	Gross profit Margin	Gross profit	Gross profit Margin	Gross profit	Gross profit Margin	Gross profit	Gross profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Resin spectacle lenses										
Standardised lenses	191,661	27.3	255,967	29.1	256,504	28.9	83,263	28.3	119,837	28.6
Customised lenses	65,981	47.1	88,764	52.6	120,933	61.1	36,071	54.1	61,127	52.5
Others(Note)	3,699	34.3	5,147	48.0	4,614	61.7	1,107	39.0	1,692	59.7
Total	261,341	30.6	349,878	33.0	382,051	34.9	120,441	33.1	182,656	34.0

Note: Others mainly comprised gross profit from (i) sales of spectacle frames and spare parts; (ii) sales of packaging materials and lens moulds sold together with our lens products; and (iii) sales of spectacle lenses which we do not produce but source from third party suppliers.

In general, the gross profit margin of our customised lens is higher than that of our standardised lens as (i) our customised lens are tailor-made for our customers based on their requirements on the specific size, shape, curvature and corrective power of the spectacle lens; and (ii) our customised lens are principally sold to individual end-users and retailers which are generally priced higher, notwithstanding the same specification. Besides, given that customised lenses are tailor-made in nature, the fluctuation of gross profit margin is subject to various factors including the production cost and selling price depending on the customers' requirement.

During the Track Record Period, the gross profit margin of our standardised lenses remained relatively stable, while the Group's overall gross profit margin was mainly impacted by our customised lens. For details of the fluctuations in gross profit margin of our customised lens during the Track Record Period, please refer to paragraph headed "Review of Historical Results of Operation" in this section.

By Customer Type

The following table sets out our gross profit and gross profit margin by type of customers during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Spectacle lens brand owners(Note 1)	129,693	28.9	174,872	30.7	175,465	31.2	50,632	27.2	75,796	29.3
Wholesalers(Note 2)	53,701	27.5	73,993	32.4	92,161	35.3	29,289	34.3	50,492	34.2
Retailers(Note 3)	54,679	37.6	70,667	40.1	92,505	44.7	32,613	45.2	45,884	43.8
Authorised distributors	20,623	34.1	27,331	34.7	18,750	32.0	7,035	35.8	8,712	35.8
Individual end-users(Note 4)	2,644	68.5	3,015	66.4	3,169	76.3	872	76.8	1,772	77.4
Total	261,341	30.6	349,878	33.0	382,051	34.9	120,441	33.1	182,656	34.0

Notes:

1. Spectacle lens brand owners include international ophthalmic optics companies.

2. Wholesalers primarily on-sell our products to other market players including retailers.

3. Retailers include eyewear stores and ophthalmology clinics.

4. Individual end-users include the customers originated from the e-commerce platforms, the retail shopfronts and on-site optometry services and spectacles sales to some corporations.

In general, the closer it is for our direct sales to the end customers down the value chain, the higher is our gross profit margin. During the Track Record Period, we generally recorded lower gross profit margin for sales to spectacle lens brand owners, wholesalers and authorised distributors which are intermediaries. We generally recorded higher gross profit margin for sales to retailers and the highest gross profit margin for sales to individual end-users.

During the Track Record Period, our gross profit margin for sales to spectacle lens brand owners remained relatively stable. We recorded in general an increasing trend in our gross profit margin for sales to wholesalers, authorised distributors, retailers and individual end-users, which was in line with the increase in our overall gross profit margin.

Other income and gains

Our other income and gains amounted to RMB19.5 million, RMB20.6 million, RMB22.9 million, RMB6.1 million and RMB9.9 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, respectively. The following table sets out the breakdown of our other income and gains during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Gross rental income from investment property operating leases*(Note 1)*	4,134	21.2	9,056	44.0	9,567	41.8	3,912	63.9	4,076	41.4
Government grants and subsidies*(Note 2)*	4,902	25.1	7,868	38.2	9,233	40.3	1,891	30.9	3,051	31.0
Gain on bargain purchase of investment in an associate*(Note 3)*	—	—	—	—	2,150	9.4	—	—	—	—
Gains on financial assets at fair value through profit or loss*(Note 4)*	4,088	21.0	694	3.4	1,325	5.8	169	2.8	670	6.8
Foreign exchange differences, net*(Note 5)*	5,397	27.7	2,503	12.2	—	—	116	1.9	—	—
Bank interest income	344	1.8	135	0.7	100	0.4	17	0.3	73	0.7
Gains on disposal of property, plant and equipment	—	—	189	0.9	—	—	—	—	—	—
Fair value gain on derivative financial instruments*(Note 6)*	—	—	—	—	—	—	—	—	1,944	19.7
Others	606	3.2	147	0.6	523	2.3	18	0.2	37	0.4
Total	19,471	100.0	20,592	100.0	22,898	100.0	6,123	100.0	9,851	100.0

Notes:

1. This mainly represented the rental income received from the four investment properties located in Shanghai, which are leased to an Independent Third Party.

2. Government grants mainly represented (i) income received as a reward for the contribution to the local economic growth; and (ii) subsidies for investments in our production bases in the PRC and Japan, including capital expenditures incurred for technological enhancement, which were recognised in profit or loss over the useful lives of the relevant assets. Most of the government grants are non-recurring and subject to the local government's policies.

3. This represented the negative goodwill resulted from the acquisition of Jiangsu Blue in December 2020.

4. This mainly represented fair value gains from wealth management products issued by banks in the PRC. Please refer to the paragraph titled "Description of Selected Items of Consolidated Statements of Financial Position — Financial Assets at Fair Value Through Profit or Loss" in this section for details the wealth management products.

5. This mainly represented the exchange gains from the sales and purchases of our Group that were denominated in foreign currencies other than the respective subsidiaries' functional currencies. For the year ended 31 December 2020 and the five months ended 31 May 2021, the Group recorded a net foreign exchange loss. Please see the paragraph headed "Other Expenses" in this section below for details.

6. This represented the gain from changes in fair value of cross-currency interest rate swaps. Please refer to the paragraph titled "Description of Selected Items of Consolidated Statements of Financial Position — Derivative Financial Instruments" in this section for details.

Selling and distribution expenses

Our selling and distribution expenses amounted to RMB62.9 million, RMB75.3 million, RMB67.1 million, RMB23.9 million and RMB32.6 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, representing 7.4%, 7.1%, 6.1%, 6.6% and 6.1% of our revenue respectively, during the same periods. The following table sets out a breakdown of our selling and distribution expenses during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Salary and staff benefits	28,568	45.4	35,233	46.8	35,522	52.9	13,238	55.5	16,342	50.2
Logistics and transportation expenses	9,493	15.1	10,567	14.0	9,529	14.2	3,428	14.4	4,943	15.2
Office and utilities expenses	6,428	10.2	7,446	9.9	5,794	8.6	1,997	8.4	3,607	11.1
Sales commission	5,198	8.3	7,554	10.0	5,280	7.9	1,837	7.7	2,526	7.8
Marketing and advertising expenses	4,383	7.0	4,782	6.4	3,236	4.8	1,231	5.2	1,896	5.8
Travelling expenses	3,832	6.1	4,600	6.1	3,203	4.8	559	2.3	860	2.6
Insurance	2,066	3.3	2,177	2.9	1,696	2.5	705	3.0	1,342	4.1
Entertainment expenses	1,042	1.7	1,084	1.4	1,116	1.7	138	0.6	389	1.2
Rental expenses	1,146	1.8	1,046	1.4	933	1.4	423	1.8	359	1.1
Depreciation	398	0.6	451	0.6	373	0.6	152	0.6	150	0.5
Others	313	0.5	365	0.5	419	0.6	149	0.5	159	0.4
Total	62,867	100.0	75,305	100.0	67,101	100.0	23,857	100.0	32,573	100.0

Administrative expenses

Our administrative expenses amounted to RMB98.7 million, RMB107.9 million, RMB112.3 million, RMB34.3 million and RMB53.9 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, representing 11.6%, 10.2%, 10.3%, 9.4% and 10.0% of our revenue respectively, during the same periods. The following table sets out a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Research and development costs	35,263	35.7	37,135	34.4	39,579	35.2	9,645	28.1	17,139	31.8
Salary and staff benefits	32,135	32.6	38,929	36.1	35,727	31.8	13,735	40.1	15,379	28.5
Office supplies	7,703	7.8	9,294	8.6	8,705	7.8	2,800	8.2	2,570	4.8
Listing expenses	—	—	—	—	8,013	7.1	—	—	8,854	16.4
Depreciation and amortisation	7,391	7.5	7,194	6.6	6,504	5.8	2,730	8.0	3,017	5.6
Travel and entertainment expenses	4,594	4.7	4,303	4.0	2,712	2.4	1,310	3.8	999	1.9
Legal and professional fees*(Note 1)*	2,812	2.9	2,057	1.9	2,355	2.1	751	2.2	1,929	3.6
Other taxes and surcharges*(Note 2)*	2,810	2.8	2,497	2.3	2,191	2.0	754	2.2	1,024	1.9
Bank charges	1,074	1.1	1,085	1.0	1,674	1.5	297	0.9	530	1.0
Lease expenses	1,124	1.1	1,207	1.1	963	0.9	706	2.1	587	1.1
Others*(Note 3)*	3,813	3.8	4,229	4.0	3,864	3.4	1,562	4.4	1,847	3.4
Total	98,719	100.0	107,930	100.0	112,287	100.0	34,290	100.0	53,875	100.0

Notes:

1. Legal and professional fees mainly represented audit fees for statutory audits and special audits, and legal fees for initiating litigation where we are the plaintiff.

2. Other taxes and surcharges mainly represented stamp duty, property taxes and land use taxes.

3. Others mainly included security expenses, logistics and transportation expenses, utilities expenses and insurance expenses.

Other expenses

Our other expenses for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021 were RMB3.4 million, RMB3.0 million, RMB21.7 million, RMB1.4 million and RMB7.2 million, representing 0.4%, 0.3%, 2.0%, 0.4% and 1.3% of our revenue respectively, during the same periods. The following table sets out a breakdown of other expenses during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Foreign exchange loss	—	—	—	—	16,414	75.7	—	—	6,245	87.3
Loss on change in fair value of cross-currency swaps	—	—	—	—	2,361	10.9	465	32.4	—	—
Property management fees	1,343	39.1	1,476	49.6	1,477	6.8	618	43.0	614	8.6
Loss on disposal of non-current assets*(Note 1)*	753	21.9	—	—	1,202	5.5	306	21.3	286	4.0
Impairment loss on fixed assets*(Note 2)*	1,255	36.5	351	11.8	—	—	—	—	—	—
Compensations and surcharges*(Note 3)*	22	0.6	1,039	34.9	28	0.1	2	0.1	—	—
Others	66	1.9	109	3.7	200	1.0	45	3.2	10	0.1
Total	3,439	100.0	2,975	100.0	21,682	100.0	1,436	100.0	7,155	100.0

Notes:

1. Loss on disposal of non-current assets mainly represented the loss on disposal of scrap equipment.

2. Impairment loss on fixed assets for the year ended 31 December 2018 mainly represented the impairment loss on certain outdated machineries that were no longer in use as more advanced machineries were purchased at our Jiangsu Production Base.

3. The amount for the year ended 31 December 2019 mainly represented tax surcharges paid by Asahi Optical.

Impairment/reversal of impairment on financial assets

This mainly represented the impairment loss/reversal of impairment of our trade receivables calculated based on the expected credit loss rate of the Group's trade receivables as at the end of the reporting period. The expected credit loss rates are based on days past due of receivables from various customer groups with similar loss patterns (such as 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. We recorded impairment losses of RMB13.4 million, a reversal of impairment of RMB2.7 million, impairment losses of RMB1.5 million, RMB3.7 million and RMB3.2 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021 respectively.

Finance costs

Our finance costs mainly represented interest on our bank and other borrowings. Our finance costs for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021 amounted to RMB9.4 million, RMB47.4 million, RMB47.1 million, RMB21.4 million and RMB14.7 million, respectively.

Share of losses of a joint venture

Our share of losses of a joint venture for the years ended 31 December 2019 and 2020 and the five months ended 31 May 2021 represented the share of losses from Hakone Sanmaru Co., Ltd.* (箱根三丸株式會社), a stock company (kabushiki-gaisha 株式會社) incorporated in Japan with limited liability ("**Hakone Sanmaru**") which principally holds a property which we intend to utilise it as a staff dormitory. We acquired 33% interest in Hakone Sanmaru in February 2019.

Share of losses of an associate

Our share of losses of an associate amounting to RMB0.7 million for the five months ended 31 May 2021 represented the share of losses from Jiangsu Blue, which was acquired by our Group in December 2020. Jiangsu Blue is principally engaged in the sales of spectacle cases and frames in the PRC.

Income tax expense

Income tax expense primarily consisted of current and deferred tax at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong, the PRC and other jurisdictions including Japan, the United States and Mexico.

As for PRC enterprise income tax, Jiangsu Conant was granted with the qualification of High and New Technology Enterprises on 17 November 2017 and was entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2017. Jiangsu Conant was further granted with the same qualification on 2 December 2020 and is entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2020. Shanghai Conant was granted with the qualification of High and New Technology Enterprises on 27 November 2018 and was entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2018. Shanghai Conant has applied for the renewal of the qualification for a period of three years from 2021 to 2023 in August 2021 and is expected to be granted with the renewed qualification by the end of 2021. Other subsidiaries located in the PRC were subject to corporate income tax at the statutory rate of 25% under the income tax rules and regulations in the PRC.

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rates for these taxes were 34.48%, 34.26%, 34.26% and 34.26% for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively.

Hong Kong income tax was provided at the rate of 16.5% on the estimated taxable income arising in Hong Kong during the Track Record Period.

Provision for the current income tax of the subsidiary in the United States was made at the federal tax rate of 21.0% and the state corporate income tax rate of 5.75% on the estimated taxable income arising in the United States during the Track Record Period.

According to prevailing Mexican tax law, the subsidiary located in Mexico was subject to federal corporate income tax at a rate of 30% during the Track Record Period.

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, our income tax expense were RMB14.5 million, RMB27.4 million, RMB26.8 million, RMB9.4 million and RMB15.6 million, respectively. Our Group's overall effective tax rates which were calculated by dividing income tax expense with our profit before income tax, were 15.6%, 19.7%, 17.3%, 22.5% and 19.5% for the same periods.

The following table sets out a breakdown of our tax expenses for the periods indicated:

	For the year ended 31 December			**For the five months ended 31 May**	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
— PRC	2,323	12,708	14,060	6,551	8,050
— Hong Kong *(Note)*	1,198	448	637	637	515
— Japan	3,034	4,236	2,715	557	1,620
— Mexico	124	—	—	—	—
— the United States	800	736	1,046	174	994
Deferred tax	7,020	9,287	8,343	1,525	4,465
Total	14,499	27,415	26,801	9,444	15,644

Note: This represented the 5% withholding tax payable by Asahi Holdings in respect of the dividends received from Asahi Optical.

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, our deferred tax expenses were RMB7.0 million, RMB9.3 million, RMB8.3 million, RMB1.5 million and RMB4.5 million, respectively. Our deferred tax expenses were mainly related to (i) depreciation allowance in excess of the related depreciation expenses; (ii) utilisation of losses available for offsetting against future taxable profits; and (iii) impairment of financial assets, mainly trade receivables.

Our Directors confirm that they were not aware of any disputes or unresolved tax issues with any tax authorities as at the Latest Practicable Date.

REVIEW OF HISTORICAL RESULTS OF OPERATION

The five months ended 31 May 2021 as compared to the five months ended 31 May 2020

Revenue

Our revenue increased by 47.7% from RMB364.1 million for the five months ended 31 May 2020 to RMB537.9 million for the five months ended 31 May 2021, which was mainly attributable to the increase in sales volume of our lens products.

By geographical location

The increase in our revenue was mainly driven by the increase in our sales in every of the geographical locations. Our Directors believe that this was mainly due to the ease of adverse impact of COVID-19 pandemic globally, which resulted in the improvement in consumption sentiment and the gradual resumption of international logistics and transportation which our products were then more accessible to customers globally for the five months ended 31 May 2021 as compared to the five months ended 31 May 2020.

Revenue derived from Americas (except the United States) increased by 85.9% from RMB27.1 million for the five months ended 31 May 2020 to RMB50.4 million for the five months ended 31 May 2021. Such increase was mainly attributable to the increase in revenue derived from our existing customers. In particular, revenue derived from a wholesaler customer in Canada, increased from RMB1.6 million for the five months ended 31 May 2020 to RMB9.8 million for the five months ended 31 May 2021. To the best of our Directors' belief, the increase in customers' orders received by such customer was due to its business expansion with new retail shops established in the United States.

Revenue derived from Europe increased by 78.6% from RMB38.7 million for the five months ended 31 May 2020 to RMB69.1 million for the five months ended 31 May 2021. Such increase was mainly attributable to the increase in revenue derived from our existing customers. In particular, revenue derived from a distributor in Germany, increased from RMB2.2 million for the five months ended 31 May 2020 to RMB14.3 million for the five months ended 31 May 2021. To the best of our Directors' belief, the increase in customers' orders received by such customer was due to its business expansion to different regions of Europe.

Revenue derived from Oceania increased by 71.7% from RMB12.1 million for the five months ended 31 May 2020 to RMB20.7 million for the five months ended 31 May 2021. Such increase was mainly attributable to the increase in revenue derived from our existing customers. In particular, revenue derived from a retailer customer in Australia, increased from RMB8.9 million for the five months ended 31 May 2020 to RMB15.4 million for the five months ended 31 May 2021. To the best of our Directors' belief, the increase in demand of our customised lenses of such customer was resulted from its global business expansion. Such customer is one of the leading spectacle lens retailers in Australia, which has been striving to expand its business.

Revenue derived from the PRC increased by 59.1% from RMB84.9 million for the five months ended 31 May 2020 to RMB135.2 million for the five months ended 31 May 2021. Such increase was mainly attributable to the increase in revenue derived from our existing customers. In particular, revenue derived from Customer B, increased from RMB30.1 million for the five months ended 31 May 2020 to RMB43.1 million for the five months ended 31 May 2021 along with the business expansion of Customer B.

Revenue derived from the United States increased by 51.4% from RMB67.2 million for the five months ended 31 May 2020 to RMB101.8 million for the five months ended 31 May 2021. Such increase was mainly attributable to the increase in revenue derived from our existing customers, especially spectacle lens brand owners. In particular, revenue derived from Customer F, increased from RMB12.0 million for the five months ended 31 May 2020 to RMB23.8 million for the five months ended 31 May 2021. Revenue derived from Customer E, increased from RMB12.9 million for the five months ended 31 May 2020 to RMB17.0 million for the five months ended 31 May 2021.

By product category

We recorded an increase in our revenue in both the standardised lens segment and customised lens segment. Revenue derived from the sales of standardised lens increased by 42.1% from RMB294.6 million for the five months ended 31 May 2020 to RMB418.7 million for the five months ended 31 May 2021. Revenue derived from the sales of customised lens increased by 74.5% from RMB66.7 million for the five months ended 31 May 2020 to RMB116.4 million for the five months ended 31 May 2021.

The increase in revenue from standardised lens was attributable to the increase in sales volume of our products across all refractive indices. The Directors believe that the increase in demand for our spectacle lens products was mainly due to the ease of adverse impact of COVID-19 pandemic. The sales volume of our standardised lens increased from 35.1 million pieces for the five months ended 31 May 2020 to 51.2 million pieces for the five months ended 31 May 2021. In particular, we recorded the highest percentage of increase in the sales volume of standardised lens with refractive index of 1.74, from 0.9 million pieces for the five months ended 31 May 2020 to 1.7 million pieces for the five months ended 31 May 2021 which resulted in highest percentage of increase in the revenue as standardised lenses with refractive index of 1.74 had the highest price. The increase in revenue from customised lens was mainly attributable to the increase in sales volume of our customised lenses. The sales volume of our customised lens increased from 1.2 million pieces for the five months ended 31 May 2020 to 2.2 million pieces for the five months ended 31 May 2021. The increase in the sales volume of standardised lens with refractive index of 1.74 and customised lens was, to the best of our Directors' belief and as concurred by Frost &

Sullivan, mainly due to the increasing purchase power of customers and an increase in demand for more high-end products, such as multifunctional lenses and lenses with higher refractive indices, which are lighter and thinner for a given corrective power.

Cost of sales

Our Group's cost of sales increased by 45.8% from RMB243.7 million for the five months ended 31 May 2020 to RMB355.3 million for the five months ended 31 May 2021. The increase in cost of sales was mainly 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 corresponding with the increase in production volume.

Gross profit and gross profit margin

Our gross profit increased by 51.7% from RMB120.4 million for the five months ended 31 May 2020 to RMB182.7 million for the five months ended 31 May 2021. The increase in gross profit was principally due to the increase in our revenue as explained above.

Our gross profit margin increased from 33.1% for the five months ended 31 May 2020 to 34.0% for the five months ended 31 May 2021. The gross profit margin of our standardised lens remained stable at 28.3% and 28.6% for the five months ended 31 May 2020 and 2021, respectively. The gross profit margin of our customised lens decreased from 54.1% for the five months ended 31 May 2020 to 52.5% for the five months ended 31 May 2021 mainly due to the decrease in the average selling price of our customised lenses while we are able to maintain a stable cost of sales for our customised lenses. We recorded a decrease in the gross profit margin of our customised lens for the five months ended 31 May 2021 as compared with that for the five months ended 31 May 2020 for some of our major customers of customised lenses. For instance, the gross profit margin of the customised lenses sold to Customer G, which is a retailer in the United States and top one customer for customised lens for the five months ended 31 May 2020 and 2021, decreased from 55.0% for the five months ended 31 May 2020 to 54.5% for the five months ended 31 May 2021. The gross profit margin of another major customer for customised lenses, which is a spectacle lens brand owner in the PRC and one of top ten customers for customised lens for the five months ended 31 May 2020 and 2021, decreased from 60.3% for the five months ended 31 May 2020 to 59.9% for the five months ended 31 May 2021. Having said that the aforesaid slight decrease in the gross profit margin of the customised lens, the customised lens accounted for 18.3% and 21.6% of our revenue for the five months ended 31 May 2020 and 2021, respectively while the gross profit margin of our customised lens were significantly higher than that of standardised lens during such periods. Such increase in the proportion of the sales of customised lens for the five months ended 31 May 2021 as compared to the five months ended 31 May 2020 have led to the increase in our overall gross profit margin.

Other income and gains

Our other income and gains increased by 60.9% from RMB6.1 million for the five months ended 31 May 2020 to RMB9.9 million for the five months ended 31 May 2021. The increase was primarily due to (i) the increase in fair value gain on derivative financial instruments of RMB1.9 million, which represented the gain from changes in fair value of cross-currency interest rate swaps. Please refer to the paragraph titled "Description of Selected Items of Consolidated Statements of Financial Position — Derivative Financial Instruments" in this section for details of such cross-currency interest rate swap; and (ii) the increase in the amount of government grants by RMB1.2 million which primarily represented the government grants and subsidy received by Shanghai Conant during the five months ended 31 May 2021.

Selling and distribution expenses

Our selling and distribution expenses increased by 36.5% from RMB23.9 million for the five months ended 31 May 2020 to RMB32.6 million for the five months ended 31 May 2021. The increase was primarily due to (i) the increase in the salary and staff benefits from RMB13.2 million to RMB16.3 million as we received a one-off exemption of social insurance for the five months ended 31 May 2020 as a result of the outbreak of the COVID-19 pandemic in the PRC while there was no such relief for the five months ended 31 May 2021; (ii) the increase in office and utilities expenses from RMB2.0 million to RMB3.6 million along with our business expansion; and (iii) the increase in logistics and transportation expenses from RMB3.4 million to RMB4.9 million as a result of the increase in our sales.

Administrative expenses

Our administrative expenses increased by 57.1% from RMB34.3 million for the five months ended 31 May 2020 to RMB53.9 million for the five months ended 31 May 2021, primarily attributable to (i) the non-recurring expenses incurred in connection with the Listing of RMB8.9 million for the five months ended 31 May 2021. No such Listing expenses were incurred for the same period in 2020; (ii) the increase in our research and development expenses by RMB7.5 million attributable to not less than five new research and development projects launched during the period; (iii) the increase in our salary and staff benefits by RMB1.6 million as a result of our business expansion; and (iv) the increase in our legal and professional fees by RMB1.2 million mainly due to the increase in our consultancy fee regarding the ordinary business operation of our Group such as application of government subsidies.

Other expenses

Our other expenses increased by 398.3% from RMB1.4 million for the five months ended 31 May 2020 to RMB7.2 million for the five months ended 31 May 2021. Such increase was primarily attributable to the net foreign exchange loss of RMB6.2 million incurred during the five months ended 31 May 2021 due to the weakening of USD against RMB during the five months ended 31 May 2021 as most of our overseas sales are denominated in USD.

Impairment/reversal of impairment on financial assets

We recorded impairment loss on financial assets of RMB3.7 million and RMB3.2 million for the five months ended 31 May 2020 and 2021 respectively. Our impairment loss on trade receivables for a particular reporting period was calculated primarily based on the expected credit loss rate of the Group's trade receivables as at the end of the period as compared to that of the prior period. The decrease in impairment for the five months ended 31 May 2021 was mainly due to the decrease in the gross amount of trade receivables as at 31 May 2021 that were aged over three months as compared to that of 31 May 2020. For further details of our trade receivables, please refer to paragraph headed "Description of Selected Items of Consolidated Statements of Financial Position — Trade and Bills Receivables" in this section.

Finance costs

Our finance costs decreased by 31.2% from RMB21.4 million for the five months ended 31 May 2020 to RMB14.7 million for the five months ended 31 May 2021. Such decrease was principally due to the decrease in average outstanding balance of our bank and other borrowings for the five months ended 31 May 2021 as a result of the net repayment of bank and other borrowings.

Income tax expenses

Our income tax expenses increased by 65.7% from RMB9.4 million for the five months ended 31 May 2020 to RMB15.6 million for the five months ended 31 May 2021. Such increase was mainly due to (i) the increase in our profit before tax by RMB38.3 million from RMB41.9 million for the five months ended 31 May 2020 to RMB80.2 million for the five months ended 31 May 2021; and (ii) the increase in deferred tax expenses by RMB3.0 million from RMB1.5 million for the five months ended 31 May 2020 to RMB4.5 million for the five months ended 31 May 2021, mainly due to the decrease in the balance of loss allowance for impairment of trade receivables as at 31 May 2021.

Our effective tax rate decreased from 22.5% for the five months ended 31 May 2020 to 19.5% for the five months ended 31 May 2021. Such decrease was principally due to the increase in deferred tax expenses which was related to the decrease in the balance of loss allowance for impairment of trade receivables as at 31 May 2021.

Profit after tax

As a result of the foregoing, profit after tax increased by 98.7% from RMB32.5 million for the five months ended 31 May 2020 to RMB64.6 million for the five months ended 31 May 2021.

Year ended 31 December 2020 as compared to year ended 31 December 2019

Revenue

Our revenue increased by 3.2% from RMB1,058.8 million for the year ended 31 December 2019 to RMB1,093.2 million for the year ended 31 December 2020.

By geographical location

The increase in our revenue was mainly driven by the increase in our sales in the PRC and the United States, and partly offset by the decrease in sales in other Asian countries such as India and Singapore. The Directors believe that the increase in sales in the PRC was mainly due to the slighter impact of the outbreak of COVID-19 to the PRC than some of the other overseas countries, as well as the lesser impact to the logistics and transportation within the PRC region as two of our production bases are located in the PRC. In particular, our Directors believe and as concurred by Frost & Sullivan, such increase in our sales in the PRC is mainly attributable to (i) the suspension of production of spectacle lens in the other regions outside the PRC and thus the shifting of customer orders to PRC manufacturers; and (ii) the closure of the business of some small and medium spectacle lens manufacturers in the PRC and thus the shifting of the production demand to the competitive manufacturers in the industry like us.

Revenue derived from the PRC increased by 54.1% from RMB168.9 million for the year ended 31 December 2019 to RMB260.4 million for the year ended 31 December 2020. Such increase was mainly attributable to (i) the increase in the number of customers in the PRC from approximately 1,610 for the year ended 31 December 2019 to approximately 2,140 for the year ended 31 December 2020; and (ii) the increase in revenue derived from some of our existing customers. In particular, revenue derived from our top customer in the PRC, namely Customer B, increased from RMB57.6 million for the year ended 31 December 2019 to RMB81.7 million for the year ended 31 December 2020. Customer B is a PRC subsidiary of a US-based online retailer of prescription eyeglasses and sunglasses, whose online sales business has benefited from the outbreak of COVID-19 pandemic.

We recorded increase in sales in the United States by 28.1% from RMB159.0 million for the year ended 31 December 2019 to RMB203.7 million for the year ended 31 December 2020, mainly due to the significant increase in revenue attributable to Customer F and Customer G, both of which became our top five customers for the year ended 31 December 2020. Customer F is a US-based online retailer of prescription glasses and sunglasses, while Customer G is a US-based optical retailer, which sells eyeglasses and sunglasses via its online and physical stores. As advised by Frost & Sullivan, the outbreak of COVID-19 pandemic has brought a positive impact to the online sales of lens in the United States. Accordingly, revenue derived from Customer F increased from RMB21.6 million for the year ended 31 December 2019 to RMB41.2 million for the year ended 31 December 2020, while revenue derived from Customer G increased from RMB6.4 million for the year ended 31 December 2019 to RMB40.9 million for the year ended 31 December 2020.

Revenue derived from other Asian countries decreased by 26.7% from RMB397.9 million for the year ended 31 December 2019 to RMB291.5 million for the year ended 31 December 2020. Despite the increase in the number of our customers, the decrease in revenue derived from other Asian countries was mainly attributable to decrease in revenue derived from spectacle lens brand owners. For instance, revenue derived from our top customer in India, namely Customer C, decreased from RMB55.8 million for the year ended 31 December 2019 to RMB39.9 million for the year ended 31 December 2020. To the best of our Directors' belief, such decrease was mainly because the sales and business operation of Customer C, which is an India-based ophthalmic product manufacturer, has been adversely affected by the outbreak of COVID-19 pandemic in India.

By product category

We recorded an increase in our revenue in both the standardised lens segment and customised lens segment. Revenue derived from the sales of standardised lens increased slightly by 1.0% from RMB879.5 million for the year ended 31 December 2019 to RMB887.9 million for the year ended 31 December 2020. Revenue derived from the sales of customised lens increased by 17.3% from RMB168.7 million for the year ended 31 December 2019 to RMB197.8 million for the year ended 31 December 2020. The increase in revenue from the sales of customised lens was mainly due to the increase in the sales volume of our customised lens as a result of the increase in demand by our customers, mainly because Customer F and Customer G increased their amount of order of customised lenses. The sales volume of our customised lens increased by 25.8%, from 3.1 million pieces for the year ended 31 December 2019 to 3.9 million pieces for the year ended 31 December 2020.

Cost of sales

Our Group's cost of sales remained relatively stable at RMB709.0 million for the year ended 31 December 2019 and RMB711.1 million for the year ended 31 December 2020 despite the increase in our revenue by 3.2%. The less increment in our cost of sales as compared to our revenue was mainly due to the short-term suspension of our production bases during the year ended 31 December 2020 as a result of the COVID-19 pandemic, which led to a decrease in our direct labour costs and utility costs. Our direct labour costs decreased by 6.1% from RMB143.3 million for the year ended 31 December 2019 to RMB134.6 million for the year ended 31 December 2020, while our utility costs decreased by 18.1% from RMB38.2 million for the year ended 31 December 2019 to RMB31.3 million for the year ended 31 December 2020.

Gross profit and gross profit margin

Our gross profit increased by 9.2% from RMB349.9 million for the year ended 31 December 2019 to RMB382.1 million for the year ended 31 December 2020. The increase in gross profit was principally due to the increase in our revenue, mainly attributable to the increase in revenue derived from customised lens as explained above.

Our gross profit margin increased from 33.0% for the year ended 31 December 2019 to 34.9% for the year ended 31 December 2020. The gross profit margin of our standardised lens remained relatively stable at 29.1% and 28.9% for the years ended 31 December 2019 and 2020 respectively while the gross profit margin of our customised lens increased from 52.6% to 61.1% for the years ended 31 December 2019 and 2020 respectively. We recorded an increase in the gross profit margin of our customised lens for the year ended 31 December 2020 as compared with that for the year ended 31 December 2019 for some of our major customers for customised lenses. For instance, the gross profit margin of one of our major customers for customised lenses, which is a spectacle lens brand owner in the PRC and one of our top ten customers for customised lenses, increased from 59.7% for the year ended 31 December 2019 to 60.7% for the year ended 31 December 2020 while its revenue increased by approximately 27.0%. The increase in revenue to this customer was mainly due to sales of more customised lenses with higher refractive index including but not limited to 1.74. Moreover, the gross profit margin of Customer G, which is a retailer in the United States and top one customer for customised lens in 2020, increased from 44.5% for the year ended 31 December 2019 to 59.5% for the year ended 31 December 2020 while its revenue increased by approximately 546.9%. Such increase in sales was principally due to more sales of the photochromic lens with higher selling price. Customised lens accounted for 15.9% and 18.1% of our revenue for the years ended 31 December 2019 and 2020, respectively. Such increase in the proportion of the sales of customised lens for the year ended 31 December 2020 as compared to 2019 have led to the increase in our overall gross profit margin.

Other income and gains

Our other income and gains increased by 11.2% from RMB20.6 million for the year ended 31 December 2019 to RMB22.9 million for the year ended 31 December 2020. The increase was primarily due to (i) the increase in the amount of government grants by RMB1.4 million which is primarily related to the subsidy received by Asahi Optical in the year of 2020; and (ii) the gain on bargain purchase of RMB2.2 million recorded in the year ended 31 December 2020 which represented the negative goodwill from the acquisition of Jiangsu Blue. Such increase was partly offset by the decrease in foreign exchange gain as the Group recorded a net foreign exchange loss for the year ended 31 December 2020 due to the weakening of USD against RMB during the year of 2020 as most of our overseas sales are denominated in USD.

Selling and distribution expenses

Our selling and distribution expenses decreased by 10.9% from RMB75.3 million for the year ended 31 December 2019 to RMB67.1 million for the year ended 31 December 2020 primarily attributable to the decrease in logistics and transportation expenses, marketing and advertising expenses and travelling expenses during the year ended 31 December 2020. The decrease in logistics and transportation expenses was mainly due to the lower amount of overseas shipping costs incurred for the year ended 31 December 2020 as a result of our success in increasing the sales in the PRC. The decrease in marketing and advertising expenses and travelling expenses was mainly due to the decrease in the number of business trips and exhibitions attended by our staff as a result of the COVID-19 pandemic.

Administrative expenses

Our administrative expenses increased by 4.1% from RMB107.9 million for the year ended 31 December 2019 to RMB112.3 million for the year ended 31 December 2020. Such increase was mainly attributable to (i) non-recurring expenses incurred in connection with the Listing of RMB8.0 million; and (ii) increase in our research and development expenses by RMB2.4 million. Such increase was partly offset by the decrease in salary and staff benefits due to partial exemption of social insurance payments due to the outbreak of COVID-19 and the decrease in office supplies due to cost control policy.

Other expenses

Our other expenses increased significantly from RMB3.0 million for the year ended 31 December 2019 to RMB21.7 million for the year ended 31 December 2020. Such increase was primarily attributable to the net foreign exchange loss of RMB16.4 million incurred during the year ended 31 December 2020 due to the weakening of USD against RMB during the year of 2020 as most of our overseas sales are denominated in USD.

Impairment/reversal of impairment on financial assets

We recorded impairment loss on financial assets of RMB1.5 million for the year ended 31 December 2020, as compared to a reversal of impairment loss on financial assets of RMB2.7 million for the year ended 31 December 2019. Our impairment loss on trade receivables for a particular reporting period was calculated primarily based on the expected credit loss rate of the Group's trade receivables as at the end of the period as compared to that of the prior period. The increase in impairment loss for the year ended 31 December 2020 was mainly due to the increase in amount of trade receivables as at 31 December 2020 that were aged over three years.

Finance costs

Our finance costs remained relatively stable at RMB47.4 million and RMB47.1 million for the two years ended 31 December 2019 and 2020 respectively. We recorded an increase in finance costs in relation to our bank borrowings, from RMB27.3 million for the year ended 31 December 2019 to RMB37.3 million for the year ended 31 December 2020, which was mainly due to the increase in average outstanding balance of our bank borrowings for the year ended 31 December 2020. Such increase was offset by the decrease in finance costs in relation to amounts due to related parties, from RMB19.3 million for the year ended 31 December 2019 to RMB6.6 million for the year ended 31 December 2020, mainly due to the repayments of amounts due to related parties during the year ended 31 December 2020.

Income tax expenses

Our income tax expenses decreased slightly by 2.2% from RMB27.4 million for the year ended 31 December 2019 to RMB26.8 million for the year ended 31 December 2020. Such decrease was mainly due to the decrease in deferred tax expense by RMB1.0 million from RMB9.3 million for the year ended 31 December 2019 to RMB8.3 million for the year ended 31 December 2020. The decrease in deferred tax expense was mainly due to increase in amount of tax losses utilised for the year ended 31 December 2020 as compared to 2019.

Our effective tax rate decreased from 19.7% for the year ended 31 December 2019 to 17.3% for the year ended 31 December 2020. Such decrease was principally due to the decrease in the composition of Japan tax and the increase in the composition of PRC tax in the Group's current tax expenses for the year ended 31 December 2020. The effective tax rate applicable to our Group in the PRC was lower than that of Japan, which led to the overall decrease in our effective tax rate.

Profit after tax

As a result of the foregoing, profit after tax increased by 14.8% from RMB111.9 million for the year ended 31 December 2019 to RMB128.5 million for the year ended 31 December 2020.

Year ended 31 December 2019 as compared to year ended 31 December 2018

Revenue

Our revenue increased by 24.0% from RMB853.8 million for the year ended 31 December 2018 to RMB1,058.8 million for the year ended 31 December 2019.

By geographical location

The increase in our revenue was mainly driven by the increase in our sales in most of the geographical locations, in particular, the PRC and other Asian countries such as India and Thailand. The Directors believe that this was mainly due to our efforts on the sales and distribution within the PRC as well as the establishment of new business relationships with customers from other Asian countries including, among others, organising and participating marketing events and exhibitions to promote our brands domestically and internationally. For instance, for the year ended 31 December 2019, the locations of the domestic exhibitions held by us included, among others, Beijing, Shanghai and Guangzhou, while the locations of the international exhibitions held by us included, among others, United States, Hong Kong, India and Germany.

Revenue derived from the PRC increased by 34.4% from RMB125.6 million for the year ended 31 December 2018 to RMB168.9 million for the year ended 31 December 2019. Such increase was mainly attributable to (i) the increase in the number of customers in the PRC from approximately 1,140 for the year ended 31 December 2018 to approximately 1,610 for the year ended 31 December 2019. In particular, the number of retailers in the PRC increased from approximately 1,020 for the year ended 31 December 2018 to approximately 1,470 for the year ended 31 December 2019; and (ii) the increase in revenue derived from some of our existing spectacle lens brand owners. For instance, revenue derived from our top customer in the PRC, namely Customer B, increased from RMB47.6 million for the year ended 31 December 2018 to RMB57.6 million for the year ended 31 December 2019. To the best of our Directors' belief, Customer B shifted certain of its purchase orders from its other suppliers in the PRC to our Company.

Revenue derived from other Asian countries increased by 26.5% from RMB314.5 million for the year ended 31 December 2018 to RMB397.9 million for the year ended 31 December 2019. We recorded a significant increase in revenue derived from existing spectacle lens brand owners in other Asian countries. For instance, revenue derived from our top customer in India, namely Customer C, increased from RMB36.6 million for the year ended 31 December 2018 to RMB55.8 million for the year ended 31 December 2019. To the best of our Directors' belief, the increase in amount of customer's orders received by Customer C was mainly due to its business expansion outside India.

By product category

We recorded an increase in our revenue in both the standardised lens segment and customised lens segment. Revenue derived from the sales of standardised lens increased by 25.1% from RMB703.0 million for the year ended 31 December 2018 to RMB879.5 million for the year ended 31 December 2019. Revenue derived from the sales of customised lens increased by 20.5% from RMB140.0 million for the year ended 31 December 2018 to RMB168.7 million for the year ended 31 December 2019.

The increase in revenue from standardised lens was attributable to both the increase in sales volume as well as average selling price as the demand for our spectacle lens products increased. The sales volume of our standardised lens increased from 98.7 million pieces for the year ended 31 December 2018 to 109.3 million pieces for the year ended 31 December 2019, while the average selling price of our standardised lens increased from RMB7.12 for the year ended 31 December 2018 to RMB8.04 for the year ended 31 December 2019. The increase in revenue from customised lens was attributable to the increase in sales volume as more customers requested tailor-made lens that fit their specifications. The sales volume of our customised lens increased from 2.5 million pieces for the year ended 31 December 2018 to 3.1 million pieces for the year ended 31 December 2019.

Cost of sales

Our Group's cost of sales increased by 19.7% from RMB592.4 million for the year ended 31 December 2018 to RMB709.0 million for the year ended 31 December 2019. The cost of sales increased along with the increase in revenue for the same period.

Gross profit and gross profit margin

Our gross profit increased by 33.9% from RMB261.3 million for the year ended 31 December 2018 to RMB349.9 million for the year ended 31 December 2019. The increase in gross profit is principally due to the increase in our revenue as explained above, as well as the increase in our gross profit margin.

Our gross profit margin increased from 30.6% for the year ended 31 December 2018 to 33.0% for the year ended 31 December 2019. Such increase was principally due to the increase in gross profit margin of both standardised lens and customised lens.

The gross profit margin of our standardised lens was 27.3% and 29.1% for the years ended 31 December 2018 and 2019 respectively. The increase in the gross profit margin of our standardised lens was mainly due to the increase in the average selling price of our standardised lens from RMB7.12 for the year ended 31 December 2018 to RMB8.04 for the year ended 31 December 2019. Such increase in the selling price was principally due to the general increase in the selling prices of our standardised lens other than the standardised lens with refractive index of 1.60. In addition to the increase in average selling price, we recorded a proportionately less increase in our cost of sales. This is mainly due to the economies of scale from the increase in production volume of standardised lenses, which resulted in dilution of manufacturing overheads and direct labour costs.

The gross profit margin of our customised lens was 47.1% and 52.6% for the years ended 31 December 2018 and 2019 respectively. The increase in the gross profit margin of our customised lens was mainly due to a proportionately less increase in our cost of sales, as a result of the economies of scale from the increase in production volume of customised lens, similar to that stated above for standardised lenses. We recorded an increase in the gross profit margin of our customised lens for the year ended 31 December 2019 as compared with that for the year ended 31 December 2018 for some of our major customers for customised lenses. For instance, the gross profit margin of one of our major customers for customised lenses, which is a spectacle lens brand owner in the PRC and one of our top ten customers for customised lens in 2019 and 2018, increased from 43.6% for the year ended 31 December 2018 to 59.7% for the year ended 31 December 2019. The sales of such customer increased by approximately 51.1% for the two years ended 31 December 2018 and 2019 and such increase in sales was principally driven by the demand on the customised lens with certain parameters such as dyeing and polarising resulting in higher gross profit margin. The sales volume of our customised lens increased from 2.5 million pieces for the year ended 31 December 2018 to 3.1 million pieces for the year ended 31 December 2019.

Other income and gains

Our other income and gains increased by 5.6% from RMB19.5 million for the year ended 31 December 2018 and RMB20.6 million for the year ended 31 December 2019. We recorded (i) an increase in net rental income received from investment property operating leases by RMB4.9 million as the relevant lease agreements were signed in the second half of 2018; and (ii) an increase in government grants by RMB3.0 million which mainly represented rewards received by Jiangsu Conant in relation to investments in Jiangsu Production Base for technical enhancement, which is non-recurring in nature. Such increases were partially offset by (i) the decrease in the gains on financial assets at fair value through profit or loss of RMB3.4 million; and (ii) the decrease in the amount of net foreign exchange gains by RMB2.9 million mainly due to the decrease in the extent of increment of USD against RMB for the year ended 31 December 2019 as compared with 2018.

Selling and distribution expenses

Our selling and distribution expenses increased by 19.8% from RMB62.9 million for the year ended 31 December 2018 to RMB75.3 million for the year ended 31 December 2019 primarily due to (i) the increase in the salary and staff benefits by RMB6.6 million; and (ii) the increase in logistics and transportation expenses by RMB1.1 million as a result of our business expansion.

Administrative expenses

Our administrative expenses increased by 8.6% from RMB98.7 million for the year ended 31 December 2018 to RMB107.9 million for the year ended 31 December 2019. The increase in administrative expenses was mainly due to the increase in salary and staff benefits by RMB6.8 million as a result of the expansion of our manpower to cope with our business expansion.

Other expenses

Our other expenses decreased by 11.8% from RMB3.4 million for the year ended 31 December 2018 to RMB3.0 million for the year ended 31 December 2019 primarily due to the decrease in impairment loss on fixed assets by RMB0.9 million for the year ended 31 December 2019. We recorded impairment loss on fixed assets of RMB1.3 million for the year ended 31 December 2018 which mainly represented the impairment loss on certain outdated machineries that were no longer in use as more advanced machineries were purchased. No such impairment loss was recorded for the year ended 31 December 2019.

Impairment/reversal of impairment on financial assets

We recorded impairment loss on financial assets of RMB13.4 million for the year ended 31 December 2018, as compared to a reversal of impairment loss on financial assets of RMB2.7 million for the year ended 31 December 2019. Our impairment loss on trade receivables for a particular reporting period was calculated primarily based on the expected credit loss rate of the Group's trade receivables as at the end of the period as compared to that of the prior period. The decrease in impairment loss for the year ended 31 December 2019 was mainly due to the overall decrease in the expected credit loss rates of trade receivables as at 31 December 2019.

Finance costs

Our finance costs increased by 404.3% from RMB9.4 million for the year ended 31 December 2018 to RMB47.4 million for the year ended 31 December 2019. Such increase was principally due to the significant increase in the amount of bank and other borrowings mainly for the purpose of financing the regrouping of our Group's entities completed on 31 December 2018 while the consideration was fully settled by cash in October 2019. For further details, please refer to the paragraph titled "Indebtedness and Contingent Liabilities — Interest-bearing bank and other borrowings" in this section.

Income tax expenses

Our income tax expenses increased by 89.1% from RMB14.5 million for the year ended 31 December 2018 to RMB27.4 million for the year ended 31 December 2019. Such increase was mainly due to (i) the increase in our profit before tax by RMB46.4 million; and (ii) the increase in deferred tax expenses by RMB2.3 million. The increase in deferred tax expense was mainly due to the increase in amount of tax losses utilised for the year ended 31 December 2019 as compared to 2018.

Our effective tax rate increased from 15.6% for the year ended 31 December 2018 to 19.7% for the year ended 31 December 2019. Such increase was principally due to the increase in the proportion of taxable profit of Asahi Optical and Conant Eyewear, which are subject to regimes of higher tax rates.

Profit after tax

As a result of the foregoing, profit after tax increased by 42.6% from RMB78.5 million for the year ended 31 December 2018 to RMB111.9 million for the year ended 31 December 2019.

Net current assets/(liabilities)

The table below sets out a summary of our current assets and current liabilities as at 31 December 2018, 2019 and 2020, 31 May 2021 and 30 September 2021, being the latest practicable date for the purpose of determining our indebtedness:

	As at 31 December			As at 31 May	As at 30 September
	2018	**2019**	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
CURRENT ASSETS					
Inventories	286,254	332,686	391,362	382,667	386,892
Trade and bills receivables	149,867	209,110	231,007	206,457	237,763
Due from related parties	788	236,570	174,752	117,502	—
Prepayments, deposits and other receivables	36,587	21,108	26,353	46,687	33,491
Tax recoverable	375	—	—	—	—
Financial assets at fair value through profit or loss	73,551	98,206	—	53,770	164,470
Cash and cash equivalents	109,182	62,118	201,850	177,085	128,327
Total current assets	656,604	959,798	1,025,324	984,168	950,943
CURRENT LIABILITIES					
Trade and bills payables	49,884	50,057	84,317	63,403	68,758
Other payables and accruals	95,469	113,179	129,052	127,591	115,634
Derivative financial instruments	—	—	2,361	417	267
Due to related parties	416,130	111,568	—	—	—
Interest-bearing bank and other borrowings	205,836	237,029	291,630	245,414	303,676
Lease liabilities	2,161	1,546	738	1,031	1,039
Tax payable	10,636	17,173	13,781	10,913	18,343
Total current liabilities	780,116	530,552	521,879	448,769	507,717
Net current (liabilities)/assets	(123,512)	429,246	503,445	535,399	443,226

Our Group recorded a decrease in our net current assets from RMB535.4 million as at 31 May 2021 to RMB443.2 million as at 30 September 2021. Such decrease was mainly due to (i) the decrease in amounts due from related parties of RMB117.5 million as a result of the full repayment by the Controlling Shareholder for advances made to him during the period; and (ii) the increase in interest-bearing bank and other borrowings of RMB58.3 million, which was partially offset by (i) an increase in financial assets at fair value through profit and loss of RMB110.7 million which represented our investment in wealth management products for the purpose of working capital management; and (ii) the decrease in other payables and accruals of RMB12.0 million mainly due to the decrease in contract liabilities.

Our Group recorded an increase in our net current assets from RMB503.4 million as at 31 December 2020 to RMB535.4 million as at 31 May 2021. Such increase is primarily due to (i) the decrease in interest-bearing bank and other borrowings of RMB46.2 million as a result of repayment of bank and other borrowings; (ii) the decrease in trade and bills payables of RMB20.9 million mainly attributable to the decrease in trade payables to raw material suppliers, which was partially offset by the decrease in amounts due from related parties of RMB57.3 million mainly as a result of the repayment by the Controlling Shareholder for advances made to him.

Our Group recorded an increase in our net current assets from RMB429.2 million as at 31 December 2019 to RMB503.4 million as at 31 December 2020, which was mainly due to (i) the increase in cash and cash equivalents of RMB139.7 million mainly attributable to our operating profits for the year ended 31 December 2020; (ii) the increase in inventories of RMB58.7 million mainly due to the increase in our finished goods in stock along with our business expansion; (iii) the increase in trade and bills receivables of RMB21.9 million; and (iv) the decrease in the amount due to related parties of RMB111.6 million mainly due to the repayment of amounts due to companies controlled by the Controlling Shareholder; which was partially offset by (i) the increase in interest-bearing bank and other borrowings of RMB54.6 million; and (ii) the increase in trade payables of RMB34.3 million.

Our Group recorded net current liabilities of RMB123.5 million as at 31 December 2018, as compared to our net current assets of RMB429.2 million as at 31 December 2019. Our net current liabilities as at 31 December 2018 was primarily attributable to (i) the amounts due to related parties of RMB416.1 million which mainly represented the amounts due to the Controlling Shareholder and his controlled companies; and (ii) the interest-bearing bank and other borrowings of RMB205.8 million. The significant balance of amounts due to related parties and interest-bearing bank and other borrowings mainly represented the advances from the Controlling Shareholder (and the companies controlled by him) and banks, to finance the regrouping of the entities now comprising the Group in 2018. For details, please refer to the section headed "History and Development — Evolution of Our Group — Spin-off from Qitian Technology and Regrouping of Our Business Entities" in this prospectus. The change from a net current liabilities position to a net current assets position was primarily due to (i) the increase in the amount due from related companies of RMB235.8 million in relation to the Controlling Shareholder; (ii) the increase in inventories of RMB46.4 million; (iii) the increase in trade and bills receivables of RMB59.2 million; and (iv) the decrease in the amount due to related parties of RMB304.6 million. The overall improvement in our net current assets position as at 31 December 2019 was primarily attributable to the capital injection by the then shareholders of the Company during the year ended 31 December 2019, and the shift in some of our short-term borrowings to long-term borrowings as at 31 December 2019.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. Since our establishment, our working capital needs and capital expenditure requirements have been principally financed through a combination of shareholders' equity, cash generated from operations, bank borrowings and other borrowings.

Cash Flows

The following table sets out selected cash flows data from our consolidated statements of cash flows for the year/period indicated:

	For the year ended 31 December			For the five months ended 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents at beginning of the year/period	212,891	109,182	62,118	201,850
Net cash from operating activities	66,322	91,021	243,090	26,839
Net cash (used in)/from investing activities	(58,354)	(284,117)	4,696	33,717
Net cash (used in)/from financing activities	(111,677)	146,032	(108,054)	(85,321)
Net (decrease)/increase in cash and cash equivalents	(103,709)	(47,064)	139,732	(24,765)
Cash and cash equivalents at end of the year/period	109,182	62,118	201,850	177,085

Net cash from operating activities

For the five months ended 31 May 2021, we recorded net cash from operating activities of RMB26.8 million. The aforesaid net cash generated was principally due to profit before tax of RMB80.2 million which is positively adjusted by (i) decrease in trade and bills receivables of RMB19.1 million mainly due to the decrease in trade receivables aged within three months; (ii) depreciation of property, plant and equipment in the amount of RMB18.6 million which is mainly due to depreciation of our plant and machineries; and (iii) finance costs of RMB14.7 million, as partially offset by (i) an increase in financial assets at fair value through profit and loss of RMB53.1 million which represented our investment in wealth management products; (ii) increase in prepayments, deposits and other receivables of RMB15.5 million; (iii) decrease in trade payables of RMB20.9 million mainly due to the decrease in trade payables to raw material suppliers; and (iv) tax paid of RMB14.0 million.

For the year ended 31 December 2020, we recorded net cash from operating activities of RMB243.1 million. The aforesaid net cash generated was principally due to profit before tax of RMB155.3 million which is positively adjusted by (i) decrease in financial assets at fair value through profit and loss of RMB99.5 million which is due to the disposal of wealth management products issued by banks in the PRC; (ii) depreciation of property, plant and equipment in the amount of RMB42.4 million which is mainly due to depreciation of our plant and machineries; (iii) finance costs of RMB47.1 million attributable to our interest-bearing bank loans; and (iv) the increase in trade payables of RMB34.3 million, as partially offset by (i) an increase in inventories of RMB60.0 million which is due to the additional raw materials and finished goods in stock along with our business expansion; (ii) increase in trade and bills receivables of RMB23.4 million; and (iii) interest paid of RMB48.9 million during the year ended 31 December 2020.

For the year ended 31 December 2019, we recorded net cash from operating activities of RMB91.0 million. The aforesaid net cash generated was principally due to profit before tax of RMB139.3 million which is positively adjusted by (i) depreciation of property, plant and equipment in the amount of RMB57.2 million which is mainly due to depreciation of our plant and machineries; (ii) finance costs of RMB47.4 million which is attributable to the bank and other loans for the purpose of financing the settlement of the regrouping of our Group's entities completed on 31 December 2018; and (iii) the decrease in prepayments, deposits and other receivables of RMB15.3 million, as partially offset by (i) an increase in inventories of RMB50.3 million which is due to the additional raw materials and finished goods in stock along with our business expansion; (ii) increase in trade and bills receivables of RMB56.6 million along with our increased revenue; (iii) increase in financial assets at fair value through profit and loss of RMB24.0 million; and (iv) interest paid of RMB44.5 million during the year ended 31 December 2019.

For the year ended 31 December 2018, we recorded net cash from operating activities of RMB66.3 million. The aforesaid net cash generated was principally due to profit before tax of RMB93.0 million which is positively adjusted by (i) depreciation of property, plant and equipment of RMB35.6 million which is due to depreciation of our plant and machineries; (ii) impairment of financial assets of RMB13.4 million which are related to impairment of trade receivables calculated based on the expected credit loss rate of our trade receivables as at 31 December 2018; (iii) write-down of inventories of RMB11.8 million; (iv) finance cost of RMB9.4 million; (v) the increase in trade payables of RMB12.2 million; and (vi) increase in other payables and accruals of RMB39.4 million which is primarily due to increase in payroll and welfare payable, as partially offset by (i) increase in financial assets at fair value through profit and loss of RMB69.5 million which is due to increase in our investment in wealth management products issued by banks in the PRC; (ii) an increase in inventories of RMB33.5 million due to the additional raw materials and finished goods in stock along with our business expansion; (iii) increase in trade and bills receivables of RMB27.5 million which is in line with our increased revenue; (iv) the increase in prepayments, deposits and other receivables of RMB15.4 million; and (v) interest paid of RMB9.2 million during the year ended 31 December 2018.

Net cash used in investing activities

For the five months ended 31 May 2021, we recorded net cash from investing activities of RMB33.7 million, which was primarily attributable to net repayments from related parties of RMB57.2 million, as partially offset by purchase of items of property, plant and equipment of RMB11.9 million which is mainly related to addition of plant and machineries.

For the year ended 31 December 2020, we recorded net cash from investing activities of RMB4.7 million, which was primarily attributable to net repayments from related parties of RMB61.9 million, as partially offset by purchases of items of property, plant and equipment of RMB50.7 million which is mainly related to addition of plant and machineries.

For the year ended 31 December 2019, we recorded net cash used in investing activities of RMB284.1 million, which was primarily attributable to (i) advance to related parties of RMB236.6 million which is due to advances to the Controlling Shareholder and his controlled companies to finance the settlement of the regrouping of our Group's entities completed on 31 December 2018; and (ii) purchases of items of property, plant and equipment of RMB54.4 million which is mainly related to addition of plant and machineries.

For the year ended 31 December 2018, we recorded net cash used in investing activities of RMB58.4 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB67.1 million which is mainly related to addition of plant and machineries.

Net cash from/used in financing activities

For the five months ended 31 May 2021, we had net cash used in financing activities of RMB85.3 million, which was primarily attributable to net repayment of interest-bearing bank and other borrowings of RMB84.7 million.

For the year ended 31 December 2020, we had net cash used in financing activities of RMB108.1 million, which was primarily attributable to repayment of advance from related parties of RMB110.2 million, partially offset by proceeds from the net increase in interest-bearing bank and other borrowings of RMB3.5 million.

For the year ended 31 December 2019, we had net cash from financing activities of RMB146.0 million, which was primarily attributable to (i) the proceeds from the net increase in interest-bearing bank and other borrowings of RMB304.0 million; (ii) paid-in capital contribution by the then equity holders of subsidiaries of RMB150.0 million; and (iii) advance from related parties of RMB110.7 million, partially offset by (i) payments for the acquisition of subsidiaries by our Company from the then equity holder of the subsidiaries of RMB372.7 million representing part of the consideration paid for the transfer of equity interest of Jiangsu Conant, Conant Lens, Conant Mexico SA, Shanghai Conant and Asahi Holdings to our Company; and (ii) repayment of advance from related parties of RMB43.9 million.

For the year ended 31 December 2018, we had net cash used in financing activities of RMB111.7 million, which was primarily attributable to the payments for acquisition of subsidiaries by our Company from the then equity holder of the subsidiaries of RMB387.9 million representing part of the consideration paid for the transfer of equity interest of Jiangsu Conant, Conant Lens, Conant Mexico SA, Shanghai Conant and Asahi Holdings to our Company, partially offset by (i) proceeds from the net increase in interest-bearing bank and other borrowings of RMB109.8 million; (ii) paid-in capital contribution by the then equity holders of subsidiaries of RMB155.0 million; and (iii) advance from related parties of RMB43.4 million.

Working capital

Taking into account our internal financial resources, our cash generated from operations, available banking facilities, the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least next 12 months from the date of this prospectus.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly consisted of buildings, leasehold improvement, plant and machinery, motor vehicles, electronic equipment and devices and equipment. As at 31 December 2018, 2019 and 2020 and 31 May 2021, the carrying amount of our property, plant and equipment amounted to RMB345.0 million, RMB336.1 million, RMB342.3 million and RMB333.5 million respectively. The decrease in property, plant and equipment from 31 December 2020 to 31 May 2021 of RMB8.7 million was primarily due to the depreciation charges during the period partially offset by the additions of production machineries including, among others, agitators, distribution boards and coating disks during the period. The increase in property, plant and equipment from 31 December 2019 to 31 December 2020 of RMB6.2 million was primarily due to additions of resin casting ovens for the purpose of technological upgrade during the year ended 31 December 2020 and partially offset by the depreciation charges during the year. The decrease in property, plant and equipment from 31 December 2018 to 31 December 2019 of RMB8.9 million was primarily due to the disposal of outdated machineries during the year ended 31 December 2019.

Investment properties

Our investment properties represented our four industrial buildings situated in Shanghai which were leased to an Independent Third Party under operating leases. For further details of the investment property, please refer to the section headed "Business — Property interests" in this prospectus.

Our investment properties are measured at cost, less any impairment loss and are depreciated on the straight-line basis over its estimated useful life of 10 to 25 years. The carrying amount of our investment properties remained relatively stable at RMB22.2 million, RMB20.8 million, RMB19.5 million and RMB19.0 million as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively.

Investment in a joint venture

Our investment in a joint venture represented our investment in Hakone Sanmaru in February 2019. Our investment in a joint venture amounted to nil, RMB2.6 million, RMB2.5 million and RMB2.4 million as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively.

Investment in an associate

Our investment in an associate represented our investment in Jiangsu Blue in December 2020. Our investment in an associate amounted to nil, nil, RMB12.6 million and RMB11.8 million as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively. The decrease in the balance as at 31 May 2021 primarily reflected the share of losses from Jiangsu Blue for the five months ended 31 May 2021. For details, please see the section headed "History and Development — Evolution of Our Group — Acquisition of Minority Interest in Jiangsu Blue" in this prospectus.

Inventories

The table below sets out the breakdown of our inventories, net of provision and inventory turnover days as at the dates/for the periods indicated:

	As at/for the year ended 31 December			As at/for the five months ended 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials*(Note 1)*	144,529	152,290	171,988	167,259
Work in progress	17,710	20,822	10,282	9,188
Finished goods	133,006	167,754	215,965	218,938
	295,245	340,866	398,235	395,385
Less: provision for impairment	(8,991)	(8,180)	(6,873)	(12,718)
Total	286,254	332,686	391,362	382,667
Inventory turnover days*(Note 2)*				
— Raw materials	120	98	104	96
— Work in progress	11	10	7	4
— Finished goods	83	77	98	93

Notes:

1. Includes lens moulds.

2. Inventory turnover days for raw materials, work in progress and finished goods are calculated by dividing the respective average raw materials, work in progress and finished goods, by the amount of raw materials consumed, work in progress consumed and cost of sales respectively during the period and multiplied by the number of days in that period. Average raw materials, work in progress and finished goods are calculated by dividing the sum of the respective raw materials, work in progress and finished goods at the beginning of the period and the respective raw materials, work in progress and finished goods at the end of the period by two.

Our inventories mainly consisted of raw materials, work in progress and finished goods. Our raw materials mainly included resin monomers, ancillary materials, packaging materials and lens mould roughcast. As we offer various kinds of lens products, the lens moulds roughcast are normally required to be further processed to form the lens moulds which can fulfil the specifications required. Our finished goods consisted of our finished products which had not yet been delivered to our customers.

Our inventories increased from RMB286.3 million as at 31 December 2018 to RMB332.7 million as at 31 December 2019 and further to RMB391.4 million as at 31 December 2020 mainly due to the additional raw materials and finished goods in stock along with our business expansion. Our inventories decreased slightly by 2.2% from RMB391.4 million as at 31 December 2020 to RMB382.7 million as at 31 May 2021, mainly due to the increase in impairment provision for inventories in relation to obsolete stocks under Laboratories Opticos SA in Mexico.

Our inventory turnover days for finished goods decreased slightly from 83 days for the year ended 31 December 2018 to 77 days for the year ended 31 December 2019 mainly due to the increase in demand of our products in 2019 and thus a comparatively higher increment in our cost of sales than the average inventory balance for the year ended 31 December 2019. Our inventory turnover days for finished goods increased to 98 days for the year ended 31 December 2020 mainly attributable to the slight delay in sales due to the COVID-19 pandemic. Our inventory turnover days for finished goods for the five months ended 31 May 2021 decreased to 93 days as compared to that in the year ended 31 December 2020. The Directors believe that such decrease was primarily due to the reduced impact to logistics and transportation as a result of the COVID-19 pandemic.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and/or disposal. Provision for impairment of inventories amounted to RMB9.0 million, RMB8.2 million, RMB6.9 million and RMB12.7 million, respectively as at 31 December 2018, 2019 and 2020 and 31 May 2021, which were mainly related to obsolete stocks and slow-moving stocks.

As at 30 September 2021, all of our gross inventories amounting to approximately RMB395.4 million as at 31 May 2021 has been subsequently utilised and/or sold.

Trade and bills receivables

The table below sets out the breakdown of trade and bills receivables as at the dates indicated:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	211,839	268,254	290,521	260,067
Less: Impairment	(62,380)	(59,397)	(59,806)	(53,737)
Bills receivables	408	253	292	127
Total trade and bills receivables	149,867	209,110	231,007	206,457

The table below sets out the breakdown of gross trade receivables by customer type as at the dates indicated:

	As at 31 December						As at 31 May	
	2018		2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Spectacle lens brand Owners[(Note 1)]	73,626	34.8	108,769	40.6	122,599	42.2	99,146	38.1
Wholesalers[(Note 2)]	92,699	43.7	91,868	34.2	100,104	34.5	97,200	37.4
Retailers[(Note 3)]	28,718	13.6	44,267	16.5	47,437	16.3	55,546	21.4
Authorised distributors	16,794	7.9	23,339	8.7	20,381	7.0	8,141	3.1
Individual end-users[(Note 4)]	2	—	11	—	—	—	34	—
Total	211,839	100.0	268,254	100.0	290,521	100.0	260,067	100.0

Notes:

1. Spectacle lens brand owners principally include international ophthalmic optics companies.

2. Wholesalers primarily on-sell our products to other market players including retailers.

3. Retailers principally include eyewear stores and ophthalmology clinics.

4. Individual end-users include the customers originated from the e-commerce platforms and the retail shopfronts and on-site optometry services and spectacles sales to some corporations.

Our trade and bills receivables were mainly related to lenses sold to our customers and consisted of outstanding amounts receivables by us from our customers. Our Group's trading terms with our customers are mainly on credit, except for new customers, where payment in advance is normally required. Our total trade and bills receivables increased from RMB149.9 million as at 31 December 2018 to RMB209.1 million as at 31 December 2019 and increased further to RMB231.0 million as at 31 December 2020 which grew along with our increased revenue. Our total trade and bills receivables decreased to RMB206.5 million as at 31 May 2021, mainly due to the decrease in the balance of trade receivables aged within three months.

The table below sets out a summary of the ageing analysis of our total trade receivables as at the dates indicated based on the invoice date and net of loss allowance:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	130,545	186,819	208,036	178,363
3 to 6 months	8,838	14,292	17,674	19,771
6 to 12 months	3,325	6,290	3,110	6,104
1 to 2 years	5,864	559	1,831	1,365
2 to 3 years	887	897	64	727
Total	149,459	208,857	230,715	206,330

Our trade receivables aged within three months increased from RMB130.5 million as at 31 December 2018 to RMB186.8 million as at 31 December 2019 and increased further to RMB208.0 million as at 31 December 2020, which was mainly due to the increase in trade receivables from spectacle lens brand owners, such as Customer C for the year ended 31 December 2019 and a customer based in the United States for the year ended 31 December 2020. Our trade receivables aged within three months decreased to RMB178.4 million as at 31 May 2021, mainly due to the decrease in trade receivables from spectacle lens brand owners and wholesalers, such as a wholesaler in Brazil.

Our trade receivables aged over three months increased from RMB18.9 million as at 31 December 2018 to RMB22.0 million as at 31 December 2019, which was mainly due to the increase in trade receivables aged within three to six months attributable to a wholesaler customer in Brazil, and partly offset by the decrease in trade receivables aged within one to two years as we received settlement from a wholesaler customer in Cuba. Our trade receivables aged over three months remained stable at RMB22.7 million as at 31 December 2020, as compared to that as at 31 December 2019. Our trade receivables aged over three months increased to RMB28.0 million as at 31 May 2021, which was mainly due to the increase in trade receivables aged within three to six months attributable to a spectacle lens brand owners in Brazil, and the increase in trade receivables aged within six to twelve months attributable to a wholesaler in Israel. The general increase in the trade receivables aged over three months during the Track Record Period was mainly because there was an increasing number of customers demanding for a longer credit period.

We normally grant our customers a credit term of within three months from the invoice date. Despite the general increase in the trade receivables aged over three months as of the end of each of Track Record Period, we seek to maintain strict control over our outstanding receivables and reconciled the balance to customers monthly. Overdue balances are reviewed regularly and followed-up by our sales and financial department. We do not hold any collateral or other credit enhancements over our trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

The Group adopted the simplified approach in calculating expected credit losses ("**ECLs**"). Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due of various customer segments with similar loss patterns. 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.

The following table sets out the information about the credit risk exposure on the Group's trade receivables as at the dates indicated:

At 31 December 2018

	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	2.85%	13.74%	20.00%	61.58%	97.13%	100.00%	29.45%
Gross carrying amount *(RMB'000)*	134,378	10,246	4,156	15,263	30,874	16,922	211,839
Expected credit loss *(RMB'000)*	3,833	1,408	831	9,399	29,987	16,922	62,380

At 31 December 2019

	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	1.65%	11.56%	19.99%	63.70%	89.47%	100.00%	22.14%
Gross carrying amount *(RMB'000)*	189,946	16,161	7,862	1,540	8,519	44,226	268,254
Expected credit loss *(RMB'000)*	3,127	1,869	1,572	981	7,622	44,226	59,397

At 31 December 2020

	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	2.10%	10.56%	20.01%	59.07%	87.52%	100.00%	20.59%
Gross carrying amount *(RMB'000)*	212,506	19,761	3,888	4,473	513	49,380	290,521
Expected credit loss *(RMB'000)*	4,470	2,087	778	2,642	449	49,380	59,806

At 31 May 2021

	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%	100.00%	20.66%
Gross carrying amount *(RMB'000)*	181,616	23,291	8,125	5,179	2,404	39,452	260,067
Expected credit loss *(RMB'000)*	3,253	3,520	2,021	3,814	1,677	39,452	53,737

The following table sets out our trade receivables turnover days during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2018	2019	2020	2021
Trade receivables turnover days*(Note)*	61	62	73	62

Note: Trade receivables turnover days are calculated by dividing the average trade receivables by revenue and multiplied by the number of days in that period. Average trade receivables is calculated by dividing by two the sum of trade receivables at the beginning of the period and trade receivables at the end of the period.

Our trade receivables turnover days remained relatively stable at 61 days and 62 days for the two years ended 31 December 2018 and 2019 respectively and is within the range of credit period we grant to our customers. Our trade receivables turnover days increased to 73 days for the year ended 31 December 2020, mainly due to the extension of settlement period granted by us as a result of the COVID-19 pandemic. For instance, we extended the credit period granted to Customer D for around one month at its request. The collection rate of trade receivables has then improved, which to the best of our Directors' belief, was due to the impact of the COVID-19 pandemic gradually eased in the PRC. Our trade receivables turnover days decreased to 62 days for the five months ended 31 May 2021 and is within the range of credit period we grant to our customers.

As at 30 September 2021, approximately RMB193.7 million or 74.5% of our total gross trade receivables outstanding as at 31 May 2021 had been subsequently settled. Our gross trade receivables outstanding as at 31 May 2021 which were aged over three months amounted to approximately RMB78.5 million, of which approximately 50.3% or RMB39.5 million represented gross trade receivables aged over three years as at 31 May 2021, which we have made full provision of loss allowance for impairment. For the remaining RMB39.0 million, which represented our gross trade receivables aged between three months to three years as at 31 May 2021, approximately RMB21.7 million or 55.6% had been subsequently settled as at 30 September 2021.

Amounts due from related companies

Amounts due from related companies primarily represent amounts due from our Controlling Shareholder and the companies controlled by him. Our Group had an outstanding balance due from related companies of RMB0.8 million, RMB236.6 million, RMB174.8 million and RMB117.5 million, respectively, as at 31 December 2018, 2019 and 2020 and 31 May 2021. The balance of trade-related sum for the amounts due from related companies were RMB0.3 million, nil, RMB0.1 million and RMB0.1 million as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively. Except for certain trade related balances, all amounts due from related companies were unsecured, non-interest bearing and repayable on demand. All of the amounts due from related companies have been fully settled in August 2021. For further details, please refer to note 36 of the Accountants' Report in Appendix I to this prospectus.

Prepayments, deposits and other receivables

The table below sets out a summary of the our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Prepayments to suppliers	14,038	4,659	2,988	9,853
Other prepayments	3,032	2,138	5,178	6,794
Other tax recoverable	11,301	9,531	8,105	8,499
Export tax refundable	2,648	1,694	4,939	1,212
Prepaid listing expenditures	—	—	3,194	6,719
Other receivables and deposits	5,568	3,086	1,949	13,610
	36,587	21,108	26,353	46,687
Non-current portion:				
Prepayment for property, plant and equipment	1,609	7,411	1,488	2,485

Our prepayments to suppliers were mainly related to raw materials procurement. According to Frost & Sullivan, it is an industry norm that the suppliers of resin monomers would require prepayments from lens manufacturers for raw materials procurement. The balance of prepayments to suppliers at the end of each reporting period is affected by the extent of our procurement close to the year end date depending on the amount of raw materials in stock and the level of purchase orders received from our customers. Prepayments to suppliers decreased from RMB14.0 million as at 31 December 2018 to RMB4.7 million as at 31 December 2019, and decreased further to RMB3.0 million as at 31 December 2020. Such decrease was mainly due to the decrease in prepayments for raw materials to Supplier A, which amounted to RMB10.2 million, nil and nil as at 31 December 2018, 2019 and 2020 respectively. We recorded significant amount of prepayments to Supplier A as at 31 December 2018 as we purchased resin monomers from Supplier A in advance to fulfil the increased purchase orders from our customers, taking into account the expected time needed for delivery from Supplier A. Prepayments to suppliers increased to RMB9.9 million as at 31 May 2021 which was mainly attributable to the increase in prepayments to raw materials suppliers, in particular Supplier G by RMB2.7 million, because of the increase in the purchase orders received by our Company.

Other prepayments were related to miscellaneous expenses such as utility expenses and insurance expenses. Other prepayments increased to RMB5.2 million as at 31 December 2020, which was mainly due to the increased prepayments for utility expenses. Other prepayments increased further to RMB6.8 million as at 31 May 2021, which was mainly attributable to the increased prepayments for export credit insurance expenses.

Other tax recoverable mainly represented tax recoverable for value-added tax. Prepaid listing expenditures represented the portion of listing expenses that is expected to be capitalised upon Listing. Other receivables and deposits mainly represented security deposits, petty cash paid to our staff. The significant increase in the balance of other receivables and deposits as at 31 May 2021 was attributable to a short-term loan of RMB11.8 million granted to Shanghai Linxi, which is a company wholly-owned by Xi Xiuhua (奚秀華), by the Group in April 2021, for meeting the liquidity needs of Shanghai Linxi at its request. The short-term loan was interest-free, and had been fully repaid by Shanghai Linxi in July 2021.

As advised by our PRC Legal Advisers, the provision of loan by Shanghai Conant to Shanghai Linxi involved the lending of funds that might not be in compliance with the General Lending Provisions (《貸款通則》).

However, based on the following reasons, our PRC Legal Advisers are of the view that such loan is legally binding on the relevant parties and there will be no material adverse legal consequences based on the following: (i) under circumstances where the loan between the non-financial institutions is not for the purposes of conduct lending business, the People's Bank of China ("**PBOC**") seldom imposes administrative penalties pursuant to the General Lending Provisions in practice and the possibility that the PBOC would impose a fine in respect of the provision of the loan pursuant to the General Lending Provision is very low; (ii) according to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Second Revision in 2020) (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020第二次修正)》) (the "**Provisions**") promulgated on 6 August 2015 and effective on 1 September 2015, and revised on 18 August 2020 and 23 December 2020 and effective on 1 January 2021, except under the circumstances as set forth in the Civil Code (《民法典》) and the Provisions, the people's court shall support a claim for the validity of a private lending contract entered into by legal persons and other organizations for the purpose of production or business operation; and (iii) as confirmed by the Directors, (a) such loan did not involve any such circumstances as set forth in the Civil Code or the Provisions, (b) the above-mentioned loan was for the purposes of business operations of Shanghai Linxi which has repaid the loan in full, and the loan was interest free, (c) the funds provided under the loan is the self-owned funds of Shanghai Conant, and (d) Shanghai Conant had not received any notice of claim or penalty relating to such provision of loan from any relevant authority.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss represent our investments in wealth management products issued by banks in the PRC for the purpose of treasury management. We may from time to time make investments in suitable financial products by using our idle cash to optimise our usage of working capital based on our treasury policy at an appropriate time. We have implemented internal control measures in selecting, determining and approving investment in wealth management products. In general, our financial managers are responsible for the selection of suitable wealth management products for the Company, which will then be presented to our chief financial officer for approval upon taking into account of the cashflow position of our Company. Our chief financial officer is responsible for monitoring the investment volume of the wealth management products and the relevant risks and shall report to our Board on these matters from time to time as appropriate. In the event that any additional investment to be made, whether individually or in aggregate, is expected to trigger the discloseable obligation under the relevant Listing Rules, our chief financial officer shall present such transaction to our Board for approval before making such investment. The balance of our financial assets at fair value through profit or loss was RMB73.6 million, RMB98.2 million, nil and RMB53.8 million as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively. Set forth below is a breakdown of our financial assets at fair value through profit or loss as at the dates indicated:

Name of bank	Type of product	Term of product	Expected annualised return rate	As at 31 December 2018	2019	2020	As at 31 May 2021
				RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
China Construction Bank	Non-principal guaranteed with floating return	No fixed term	3.50%	73.6	17.1	—	—
Shanghai Rural Commercial Bank	Non-principal guaranteed with floating return	No fixed term	3.18%	—	21.9	—	—
Shanghai Rural Commercial Bank	Non-principal guaranteed with floating return	No fixed term	3.13%	—	12.0	—	—
Shanghai Rural Commercial Bank	Principal-guaranteed with floating return	No fixed term	2.80%	—	12.0	—	—
China Merchants Bank	Principal-guaranteed with floating return	No fixed term	2.78%	—	15.0	—	—
Industrial and Commercial Bank of China	Principal-guaranteed with floating return	No fixed term	3.35%	—	20.2	—	—
Shanghai Rural Commercial Bank	Non-principal guaranteed with floating return	No fixed term	2.00%	—	—	—	3.0
Shanghai Rural Commercial Bank	Non-principal guaranteed with floating return	No fixed term	2.53%	—	—	—	45.3
China CITIC Bank	Fixed return	No fixed term	3.00%	—	—	—	5.4
				73.6	98.2	—	53.8

Derivative financial instruments

The amount of derivative financial instruments as at 31 December 2020 and 31 May 2021 represented the financial liabilities as a result of the fair value loss in respect of a cross-currency interest rate swap transaction entered into by our Group for the conversion of a variable-rate bank borrowing denominated in USD with a principal amount of RMB27.0 million into a fixed-rate bank borrowing denominated in RMB during the year ended 31 December 2020. Such bank borrowing and the cross-currency interest rate swap matured in May 2021 under the original agreement, and had been extended to May 2022 together under a supplemental agreement.

While the Group does not have any hedging policy, the Group enters into derivative transactions primarily to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Please refer to the paragraph titled "Market Risk and Risk Management" in this section for further details.

Trade payables

Our trade payables were mainly related to payables to our raw material suppliers. As at 31 December 2018, 2019 and 2020 and 31 May 2021, our trade payables were RMB49.9 million, RMB50.1 million, RMB84.3 million and RMB63.4 million, respectively.

Our trade payables decreased by 24.8% from RMB84.3 million as at 31 December 2020 to RMB63.4 million as at 31 May 2021, which was mainly attributable to the decrease in trade payables to top three creditors, namely Supplier F, Supplier B and Supplier D. Our trade payables increased by 68.4% from RMB50.1 million as at 31 December 2019 to RMB84.3 million as at 31 December 2020, which was mainly attributable to extension of credit terms granted by some of our suppliers, such as Supplier F. We have established relationships with some of our top five suppliers for over ten years and were able to negotiate extension of credit terms with our suppliers for our better cash flow management amid COVID-19 pandemic. Our trade payables remained relatively stable as at 31 December 2018 and 2019.

The table below sets out our trade payable turnover days during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May
	2018	**2019**	**2020**	**2021**
Trade payable turnover days[(Note)]	27	26	35	32

Note: Trade payable turnover days are calculated by dividing the average trade payables by costs of sales multiplied by the number of days in that period. Average trade payables is calculated by dividing by two the sum of trade payables at the beginning of the period and trade payables at the end of the period.

Our trade payable turnover days remained stable at 27 days and 26 days for the two years ended 31 December 2018 and 2019 respectively and were within the range of credit period generally granted by our suppliers. Our trade payable turnover days increased to 35 days for the year ended 31 December 2020, and decreased to 32 days for the five months ended 31 May 2021, which was mainly due to the increase in the balance of trade payables as at 31 December 2020, and the decrease in the balance of trade payables as at 31 May 2021 due to reasons mentioned above.

The following table sets out the ageing analysis of our trade payables as at the dates indicated:

	As at 31 December			As at 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	44,498	44,112	63,711	48,038
3 to 6 months	5,037	4,137	17,264	12,132
6 to 12 months	207	1,224	2,840	2,771
Over 1 year	142	584	502	462
Total	49,884	50,057	84,317	63,403

Our trade payables aged over three months remained stable at RMB5.4 million and RMB5.9 million as at 31 December 2018 and 2019 respectively. Our trade payables aged over three months increased to RMB20.6 million as at 31 December 2020, which was mainly due to (i) the increase in trade payables to equipment suppliers, from RMB10.5 million as at 31 December 2019 to RMB11.9 million as at 31 December 2020. Trade payables to equipment suppliers generally have a credit term of up to 12 months; and (ii) the increase in trade payables to raw materials suppliers along with the increase in our purchases to cope with business expansion. Our trade payables aged over three months decreased to RMB15.4 million as at 31 May 2021, which was mainly due to the settlement of trade payables to two equipment suppliers.

As at 30 September 2021, approximately RMB56.6 million or 89.2% of our trade payables outstanding as at 31 May 2021 had been subsequently settled; approximately RMB14.6 million or 94.8% of our trade payables outstanding as at 31 May 2021 which were aged over three months had been subsequently settled.

Other payables and accruals

The table below sets out the breakdown of other payables and accruals as at the dates indicated:

	As at 31 December			As at 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payable	60,660	74,221	78,238	73,943
Contract liabilities *(Note 1)*	8,976	11,667	16,110	20,132
Deposits and other payables *(Note 2)*	17,421	15,204	20,920	19,300
Tax payable other than income tax *(Note 3)*	3,366	5,903	7,891	7,203
Rental advance from customers	2,221	2,331	1,424	814
Other current liabilities *(Note 4)*	2,825	3,853	4,469	6,199
	95,469	113,179	129,052	127,591

Notes:

1. Contract liabilities mainly represented the unsatisfied performance obligations for the sales of the Group's products, which include short-term advances received from customers.

2. Deposits and other payables were related to reimbursements payable to employees, rental deposits received and payables in respect of various expenses such as insurance, advertising, legal and professional fees.

3. Other tax payable mainly represented value-added tax and property tax payable.

4. Other current liabilities mainly represented accrued sales commission.

Other payables and accruals remained stable at RMB127.6 million and RMB129.1 million as at 31 May 2021 and 31 December 2020 respectively, which was mainly due to the net effect of (i) the decrease in payroll and welfare payable by RMB4.3 million as the amount of payroll and welfare payable as at 31 December 2020 has taken into account of the year-end bonus payable by our Company; and (ii) the increase in contract liabilities by RMB4.0 million which was due to the increase in short-term advances received from customers along with the increase in sales.

Other payables and accruals increased by 14.0% from RMB113.2 million as at 31 December 2019 to RMB129.1 million as at 31 December 2020 mainly due to (i) the increase in contract liabilities which was due to the increase in short-term advances received from customers along with the increase in sales; (ii) the increase in other payables which was due to the amounts payable to professional parties for expenses incurred in connection with the Listing; and (iii) the increase in payroll and welfare payable.

Other payables and accruals increased by 18.6% from RMB95.5 million as at 31 December 2018 to RMB113.2 million as at 31 December 2019, which was mainly attributable to (i) the increase in payroll and welfare payable as a result of business expansion; and (ii) the increase in contract liabilities which was due to increase in short-term advances received from customers along with the increase in sales.

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets out our debts as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2018	**2019**	**2020**	**2021**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Non-current portion					
Interest-bearing bank and other borrowings	160,000	434,532	382,640	347,253	317,787
Lease liabilities	2,024	1,125	596	1,795	1,452
	162,024	435,657	383,236	349,048	319,239
Current portion					
Due to related companies	416,130	111,568	—	—	—
Interest-bearing bank and other borrowings	205,836	237,029	291,630	245,414	303,676
Lease liabilities	2,161	1,546	738	1,031	1,039
	624,127	350,143	292,368	246,445	304,715
Total	786,151	785,800	675,604	595,493	623,954

Interest-bearing bank and other borrowings

As at 31 December 2018, 2019 and 2020, 31 May 2021 and 30 September 2021, our Group had interest-bearing bank and other borrowings of RMB365.8 million, RMB671.6 million, RMB674.3 million, RMB592.7 million and RMB621.5 million, respectively, representing 37.7%, 67.4%, 71.8%, 71.3% and 71.9% of our total liabilities as at the same dates, respectively.

Our bank and other borrowings consist primarily of bank loans. The following table sets forth a breakdown of our interest-bearing bank and other borrowings as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2018	2019	2020	2021	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank and other borrowings					
— Unsecured	—	—	6,366	45,794	45,070
— Secured	1,917	20,923	9,169	68,420	65,793
— Guaranteed	143,769	169,801	163,449	67,399	127,565
— Secured and guaranteed	220,150	480,837	495,286	411,054	383,035
Total	365,836	671,561	674,270	592,667	621,463

The following table sets out the range of effective interest rates of our bank and other borrowings as at the dates/for the periods indicated:

	As at/for the year ended 31 December						As at 31 May		As at 30 September	
	2018		2019		2020		2021		2021	
	Effective interest rate *(%)*	*RMB'000*	Effective interest rate *(%)*	*RMB'000*	Effective interest rate *(%)*	*RMB'000*	Effective interest rate *(%)*	*RMB'000*	Effective interest rate *(%)*	*RMB'000* (unaudited)
Current										
Bank loans — secured	1.48–5.66	165,626	1.48–5.44	190,164	1.48–5.39	232,227	1.48–4.35	135,683	1.48–4.85	193,358
Bank loans — unsecured	—	—	—	—	—	—	4.20–4.25	40,000	4.20–4.25	40,000
Current portion of long term bank loans — secured	6.86	40,210	6.37	30,837	6.37	40,754	6.37	49,689	6.37	50,617
Current portion of other loans — secured	—	—	6.05	16,028	6.05	17,028	6.05	17,391	6.05	17,822
Current portion of other loans — unsecured	—	—	—	—	0.21	1,621	0.21	2,651	0.21	1,879
		205,836		237,029		291,630		245,414		303,676
Non-current										
Bank loans — secured	6.86	160,000	6.37	400,000	6.37	360,000	6.37	335,000	6.37	310,000
Other loans — secured	—	—	6.05	34,532	6.05	17,895	6.05	9,110	6.05	4,596
Other loans — unsecured	—	—	—	—	0.21	4,745	0.21	3,143	0.21	3,191
		160,000		434,532		382,640		347,253		317,787
Total		365,836		671,561		674,270		592,667		621,463

The following table sets out the maturity profile of our bank and other borrowings as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2018	2019	2020	2021	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Carrying amount repayable:					
Repayable within three months	55,408	28,658	6,250	18,418	7,667
Repayable within three to 12 months	150,428	208,371	285,380	226,996	296,009
Repayable in the second year	—	74,532	197,895	167,003	137,533
Repayable within two to five years	160,000	180,000	184,745	180,250	180,254
Repayable in more than five years	—	180,000	—	—	—
Total	365,836	671,561	674,270	592,667	621,463

Except for the bank and other loans amounting to RMB1.9 million, RMB1.9 million, RMB15.5 million, RMB14.2 million and RMB10.9 million as at 31 December 2018, 2019 and 2020 and 31 May 2021 and 30 September 2021, respectively, which are denominated in JPY, all our Group's bank and other borrowings are denominated in RMB.

Our Group's bank borrowings amounting to RMB133.4 million, RMB589.6 million, RMB402.2 million, RMB385.4 million and RMB360.6 million as at 31 December 2018, 2019 and 2020 and 31 May 2021 and 30 September 2021, respectively, were borrowings with floating interest rates.

Certain of our Group's bank and other loans were secured by: (i) mortgages over our Group's investment properties situated in the PRC, which had aggregate carrying values of RMB22.2 million, RMB20.8 million, RMB19.5 million and RMB19.0 million as at 31 December 2018, 2019 and 2020 and 31 May 2021; (ii) mortgages over our Group's property, plant and equipment, which had aggregate carrying values of RMB164.3 million, RMB206.8 million, RMB189.3 million and RMB190.0 million as at 31 December 2018, 2019 and 2020 and 31 May 2021; (iii) mortgages over our Group's leasehold land, which had aggregate carrying values of RMB6.4 million, RMB6.2 million, RMB6.0 million and RMB6.0 million at 31 December 2018, 2019 and 2020 and 31 May 2021; and (iv) the pledge of certain of our Group's financial assets at fair value through profit or loss amounting to RMB20.2 million at 31 December 2019. As at 30 September 2021, the aforementioned bank and other borrowings were continued to be secured by the Group's respective investment properties, leasehold land and property, plant and equipment.

Qitian Technology has guaranteed certain of our Group's bank borrowings of up to RMB302.0 million as at 31 December 2018.

Mr. Fei has guaranteed certain bank and other borrowings of up to RMB251.4 million, RMB628.4 million, RMB581.5 million, RMB46.5 million and RMB22.4 million as at 31 December 2018, 2019 and 2020 and 31 May 2021 and 30 September 2021, respectively. The aforesaid guarantee has been released by the creditor in October 2021.

Mr. Fei and Mr. Fan have pledged their equity interests in the Company, and the Company has pledged the equity interests in certain of its subsidiaries to secure bank loans of RMB200.2 million, RMB430.8 million, RMB400.8 million, nil and nil as at 31 December 2018, 2019 and 2020, 31 May 2021 and 30 September 2021, respectively. Such bank loans were principally used for financing the regrouping of the entities comprising the Group in 2018. The pledging of the equity interests of Mr. Fei and Mr. Fan in the Company had been released in April 2021.

The Group's other loan amounting to RMB50.6 million, RMB34.9 million, RMB26.5 million and RMB22.4 million as at 31 December 2019 and 2020, 31 May 2021 and 30 September 2021, respectively, which is from an independent financial corporation, is pledged by the property, plant and equipment with carrying values of RMB57.3 million, RMB48.9 million, RMB45.2 million and RMB42.3 million bears interest at 6.05% per annum and is repayable by 12 quarterly instalments commencing on 3 November 2019.

The Group's other loan amounting to RMB6.4 million, RMB5.8 million and RMB5.1 million as at 31 December 2020, 31 May 2021 and 30 September 2021, which is from a public corporation wholly owned by the Japanese government, is unsecured, bears interest at 0.21% per annum and is repayable by 36 monthly equal instalments commencing on 31 July 2020.

Some of our bank loan agreements contain standard terms, conditions and covenants that are customary for commercial bank loans in China. Such covenants primarily include requirements for us to obtain the lending bank's prior consent for certain transactions, such as disposal of material assets, merger or consolidation, and liquidation or winding-up. In addition, two of our banking facilities contains a covenant requiring us to obtain prior consent before obtaining additional debt financing. Save as disclosed above, so far as our Directors are aware, we do not have any material covenants relating to the outstanding debts which limited our ability to undertake additional debt or equity financing. During the Track Record Period, our Directors confirm that (i) we have complied with all of the covenants of our bank loan; and (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements and the payments of trade and non-trade payables.

As at 30 September 2021, the total amount of unutilised bank loans amounted to RMB58.0 million, which were all related to bank loans guaranteed by Jiangsu Conant.

Due to related parties

Amounts due to related parties primarily represent amounts due to our Controlling Shareholder and the companies controlled by him. Our Group had an outstanding balance due to related companies of RMB416.1 million, RMB111.6 million, nil, nil and nil, respectively, as at 31 December 2018, 2019 and 2020, 31 May 2021 and 30 September 2021.

For further details, please refer to note 36 to the Accountants' Report in Appendix I to this prospectus.

Lease liabilities

Our Group has lease contracts for various items of plant and properties used in our operations. Lease liabilities represent the present value of lease payments to be made over the lease term. Our lease liabilities amounted to RMB4.2 million, RMB2.7 million, RMB1.3 million and RMB2.8 million as at 31 December 2018, 2019 and 2020 and 31 May 2021. As at 30 September 2021, our lease liabilities amounted to RMB2.5 million.

Contingent liabilities

During the Track Record Period, our Group delivered certain resin spectacle lenses to Cuba and Iran, which are countries subject to comprehensive international sanctions programmes. As advised by our International Sanctions Legal Adviser, the Cuba and Iran Transactions appear to be in violation of US sanctions regulations that are applicable to certain transactions with customers located in Cuba and Iran. The Company filed a VSD with OFAC related to the Cuba and Iran Transactions. In August 2021, OFAC responded to the Group's VSD with the Cautionary Letter indicating that it had completed its review of all of the information provided in the VSD. OFAC further indicated that the issuance of the Cautionary Letter represents its final determination as to all matters related to the VSD. On this basis, and the view of the International Sanctions Legal Adviser, the Directors therefore consider the matter to be fully resolved. No administrative or other penalties were placed on the Group related to the VSD. Please refer to the section headed "Business — Business Activities in Countries Subject to International Sanctions" in this prospectus for further details.

Save as disclosed above, and apart from intra group liabilities, as at 30 September 2021, we did not have any other borrowings, mortgages, charges, debentures, or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, recognised lease liabilities, liabilities under acceptance, acceptance credits, hire purchase commitments, contingent liabilities or guarantees.

CAPITAL EXPENDITURE AND COMMITMENTS

Our Group's capital expenditure mainly consisted of acquisition of building, plant and equipment for our Group's future expansion purposes.

CAPITAL EXPENDITURES

The following table sets forth our material capital expenditures for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase of plant and machineries	41,861	42,167	35,491	8,432
Purchase of other items of fixed assets	25,261	12,220	15,257	3,467
Total	67,122	54,387	50,748	11,899

Since 31 May 2021 and up to the Latest Practicable Date, our Group did not incur any material capital expenditure.

Since the Latest Practicable Date to the year ending 31 December 2021, we estimate that the capital expenditures in respect of the use of proceeds will amount to RMB16.8 million. The estimated capital expenditure for the two years ending 31 December 2022 and 2023 are estimated to be RMB195.8 million and RMB87.7 million, respectively. Such amount of capital expenditures is expected to be funded by cash generated from our operations, bank borrowings and/or the net proceeds from the Global Offering. In the event that the actual net proceeds from the Global Offering received is less than currently anticipated, we intend to fund the deficient amount by cash generated from our operations and/or bank borrowings, and/or adjust our expansion plan accordingly.

Capital commitments

Our Group did not have any material capital commitments as at 31 December 2018, 2019 and 2020 and 31 May 2021.

RELATED PARTY TRANSACTIONS

The following table sets forth the material related party transactions for the years/periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from related parties:				
Shanghai Angyun	—	110,195	—	—
Shanghai Zhengsenjian	10,000	—	—	—
Jiangsu Blue	—	505	—	—
Xizang Xiangshi	20,900	—	—	—
Mr. Fei	12,500	—	—	—
	43,400	110,700	—	—
Repayment of advances from related parties:				
Shanghai Angyun	—	—	110,195	—
Shanghai Zhengsenjian	—	10,000	—	—
Jiangsu Blue	—	505	—	—
Xizang Xiangshi	—	20,900	—	—
Mr. Fei	—	12,500	—	—
	—	43,905	110,195	—
Sales of resin spectacle lenses:				
Shanghai Blue	2,826	—	—	—
Finance costs to:				
Qitian Technology	2,511	12,083	—	—
Shanghai Angyun	—	6,075	6,561	—
Xizang Xiangshi	—	1,147	—	—
	2,511	19,305	6,561	—
Lease payments to:				
Jiangsu Blue	676	677	678	280
Ms. Shen Zhoubo	—	234	218	90
	676	911	896	370
Interest income from:				
Shanghai Zhengsenjian	—	—	9	—

	For the year ended 31 December			For the five months ended 31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances to related parties:				
Shanghai Zhengsenjian *(Note)*	—	102,500	71,015	—
Jiangsu Blue	505	—	—	—
Xizang Xiangshi	—	—	553	10,260
Mr. Fei	—	134,070	23,400	2,500
	505	236,570	94,968	12,760
Receipt of advances to related parties:				
Jiangsu Blue	—	505	—	—
Shanghai Zhengsenjian	—	—	13,015	—
Mr. Fei	—	—	143,900	70,000
	—	505	156,915	70,000

Note: Shanghai Zhengsenjian was wholly owned by Mr. Fei, prior to the transfer of his entire equity interest in Shanghai Zhengsenjian to Xia Guoping, an executive Director in September 2020. Out of the advances made to Shanghai Zhengsenjian of RMB71.0 million for the year ended 31 December 2020, RMB60.5 million was related to advances made prior to September 2020. The remaining RMB10.5 million was related to an employee loan provided to Shanghai Zhengsenjian in October 2020 to finance its acquisition of 49% equity interest in Jiangsu Blue. For details, please refer to the section headed "History and Development — Evolution of Our Group — Acquisition of Minority Interest in Jiangsu Blue" in this prospectus.

Our Directors confirm that, save for certain advances to related parties which were interest-free, all material related party transactions during the Track Record Period were conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. As at 31 May 2021, all amounts due to related parties have been fully settled and as such, no finance costs to related parties was incurred subsequent to the Track Record Period. In August 2021, all advances to related parties have been fully repaid by the respective parties. Save for the lease payments to Jiangsu Blue and Ms. Shen Zhoubo, under the leases of which the Group is a lessee and both leases are subject to agreements with fixed terms (and as such do not constitute continuing connected transactions under Chapter 14A of the Listing Rules), all related party transactions will not continue upon Listing. Details of our transactions with related parties during the Track Record Period are set out in note 36 to the Accountant's Report included in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

	For the year ended/as at 31 December			For the five months ended/as at 31 May
	2018	2019	2020	2021
Liquidity ratios				
Current ratio[(1)]	0.8 times	1.8 times	2.0 times	2.2 times
Quick ratio[(2)]	0.5 times	1.2 times	1.2 times	1.3 times
Capital adequacy ratios				
Gearing ratio[(3)] *(%)*	694.7	207.8	133.9	106.6
Net debt to equity ratio[(4)] *(%)*	598.3	191.4	93.9	74.9
Interest coverage[(5)]	10.8 times	3.9 times	4.3 times	6.5 times
Profitability ratios				
Return on total assets[(6)] *(%)*	7.2	8.1	8.9	N/A[(9)]
Return on equity[(7)] *(%)*	69.3	29.6	25.5	N/A[(9)]
Net profit margin[(8)] *(%)*	9.2	10.6	11.8	12.0

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period during the Track Record Period.

2. Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as at the end of each reporting period during the Track Record Period.

3. Gearing ratio is calculated based on the total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%.

4. Net debt to equity ratio is calculated based on the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting period and multiplied by 100%.

5. Interest coverage is calculated based on the profit before finance cost and tax divided by the finance cost of each reporting period during the Track Record Period.

6. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, return on total assets is calculated based on the profit for the year/period for each year/period divided by the total assets as at the end of the respective years/period and multiplied by 100%.

7. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, return on equity is calculated based on the profit for the year for each year/period divided by the total equity as at the end of the respective years/period and multiplied by 100%.

8. Net profit margin is calculated based on the profit for the year for each reporting period divided by the revenue for each reporting period and multiplied by 100%.

9. Such ratio is not meaningful as it is not comparable to annual numbers.

Current ratio

As at 31 December 2018, 2019 and 2020 and 31 May 2021, our current ratio was 0.8 times, 1.8 times, 2.0 times and 2.2 times, respectively.

The current ratio remained relatively stable as at 31 December 2019 and 2020 and 31 May 2021. The current ratio increased from 0.8 times as at 31 December 2018 to 1.8 times as at 31 December 2019, which was mainly due to the decrease in current liabilities as at 31 December 2019 primarily attributable to the repayment of amounts due to related parties during the year ended 31 December 2019.

Quick ratio

As at 31 December 2018, 2019 and 2020 and 31 May 2021, our quick ratio was 0.5 times, 1.2 times, 1.2 times and 1.3 times, respectively.

Our quick ratio remained relatively stable as at 31 December 2019 and 2020 and 31 May 2021. The quick ratio increased from 0.5 times as at 31 December 2018 to 1.2 times as at 31 December 2019, and is generally in line with the trend of the current ratio as explained above.

Gearing ratio

As at 31 December 2018, 2019 and 2020 and 31 May 2021, our gearing ratio was 694.7%, 207.8%, 133.9% and 106.6%, respectively.

Our gearing ratio decreased from 133.9% as at 31 December 2020 to 106.6% as at 31 May 2021 mainly due to: (i) the decrease in interest-bearing bank and other borrowings from RMB674.3 million as at 31 December 2020 to RMB592.7 million as at 31 May 2021; and (ii) the increase in our equity as at 31 May 2021 primarily attributable to the net profits made by our Group of RMB64.6 million for the five months ended 31 May 2021.

Our gearing ratio decreased from 207.8% as at 31 December 2019 to 133.9% as at 31 December 2020 mainly due to the increase in our equity as at 31 December 2020 primarily attributable to the net profits made by our Group of RMB128.5 million for the year ended 31 December 2020. Our gearing ratio decreased from 694.7% as at 31 December 2018 to 207.8% as at 31 December 2019 mainly due to: (i) decrease in our amounts due to related parties from RMB416.1 million as at 31 December 2018 to approximately RMB111.6 million as at 31 December 2019; and (ii) increase in our total equity as a result of capital contribution of RMB150.0 million from shareholders of the Company and net profits made by our Group of RMB111.9 million for the year ended 31 December 2019.

Net debt to equity ratio

As at 31 December 2018, 2019 and 2020 and 31 May 2021, our net debt to equity ratio was 598.3%, 191.4%, 93.9% and 74.9%, respectively.

The decrease in our net debt to equity ratio was roughly in line with the decrease in gearing ratio as explained above.

Interest coverage

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our interest coverage was 10.8 times, 3.9 times, 4.3 times and 6.5 times, respectively.

Our interest coverage increased from 4.3 times for the year ended 31 December 2020 to 6.5 times for the five months ended 31 May 2021 which was principally attributable to the increase in profit before interest and tax for the five months ended 31 May 2021 (on an annualised basis) and a decrease in finance costs for the five months ended 31 May 2021 (on an annualised basis) as compared to the year ended 31 December 2020.

Our interest coverage increased from 3.9 times for the year ended 31 December 2019 to 4.3 times for the year ended 31 December 2020 which was principally attributable to the increase in profit before interest and tax for the year ended 31 December 2020 as compared to that of 2019 along with the improvement in our Group's financial performance.

Our interest coverage decreased from 10.8 times for the year ended 31 December 2018 to 3.9 times for the year ended 31 December 2019 which was primarily due to the increase in our finance costs outweighing the increase in profit before interest and tax during the year ended 31 December 2019 as compared to 2018, which is mainly due to the increase in the balance of interest-bearing bank and other borrowings as at 31 December 2019 for the regrouping of entities now comprising our Group, as well as to finance the working capital to fund our operation needs.

Return on total assets

For the three years ended 31 December 2018, 2019 and 2020, our return on total assets was 7.2%, 8.1% and 8.9%, respectively.

The increase in return on total assets during the three years ended 31 December 2018, 2019 and 2020 were mainly due to the increase in net profit outweighing the increase in total assets of our Group as at the end of each reporting period.

Return on equity

For the three years ended 31 December 2018, 2019 and 2020, our return on equity was 69.3%, 29.6% and 25.5% respectively.

Our return on equity remained relatively stable as at 31 December 2019 and 2020. The return on equity decreased from 69.3% for the year ended 31 December 2018 to 29.6% for the year ended 31 December 2019. Such decrease was mainly due to the significant increase in our equity as at 31 December 2019 as compared to 2018 which was mainly attributable to the capital contribution from shareholders of RMB150.0 million during the year ended 31 December 2019.

Net profit margin

For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our net profit margin was 9.2%, 10.6%, 11.8% and 12.0% respectively. The increase in our net profit margin for the three years ended 31 December 2018, 2019 and 2020 was primarily due to the increase in our gross profit margin from 30.6% for the year ended 31 December 2018 to 33.0% for the year ended 31 December 2019, and further to 34.9% for the year ended 31 December 2020. The increase in our net profit margin for the five months ended 31 May 2021 was mainly due to the decrease in finance costs and impairment on trade receivables (on an annualised basis) as compared to the year ended 31 December 2020.

MARKET RISK AND RISK MANAGEMENT

We are exposed to various types of market risks in our ordinary course of business, primarily including currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk

Our Group has transactional currency exposures. Such exposures arise from sales or purchases by our subsidiaries in currencies other than the functional currencies of our subsidiaries. In addition, our Group has currency exposures from its interest-bearing bank borrowings. In 2020, our Group entered into a cross-currency interest rate swap for the conversion of a variable-rate bank borrowing denominated in USD with a principal amount of RMB27.0 million into a fixed-rate bank borrowing denominated in RMB. Such bank borrowing and the cross-currency interest rate swap matured in May 2021 under the original agreement, and had been extended to May 2022 together under a supplemental agreement. Our Group currently does not have any hedging policy.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and RMB exchange rate, with all other variables held constant, of our Group's profit before tax (due to changes in the fair values of monetary assets and liabilities):

	Increase/ (decrease) in US$ rate in	**Increase/ (decrease) profit before tax**
	%	*RMB'000*
2018		
If the RMB weakens against the USD	–5%	5,063
If the RMB strengthens against the USD	+5%	(5,063)
2019		
If the RMB weakens against the USD	–5%	6,013
If the RMB strengthens against the USD	+5%	(6,013)
2020		
If the RMB weakens against the USD	–5%	7,381
If the RMB strengthens against the USD	+5%	(7,381)
31 May 2021		
If the RMB weakens against the USD	–5%	6,923
If the RMB strengthens against the USD	+5%	(6,923)

Interest rate risk

Our Group's exposure to risk for changes in market interest rates relates primarily to our Group's interest-bearing bank and other borrowings with a floating interest rate. If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables were held constant, the profit before tax of our Group, through the impact on floating rate borrowings, would have decreased/increased by RMB0.8 million, RMB2.9 million, RMB5.2 million and RMB1.7 million for the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, respectively.

We currently do not have interest rate hedging policy. However, our management closely monitors our exposure to future cash flow interest rate risk as a result of change in market interest rate and will consider hedging changes in market interest rates should the need arise.

Credit risk

Our Group's credit risk is primarily attributable to its trade receivables. Our Group trades only with recognised and creditworthy third parties. In order to minimise the credit risk, it is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and bills receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant. For details of the Group's maximum exposure to credit risk, please refer to note 39 of the Accountant's Report set out in Appendix I of the prospectus.

Liquidity risk

In management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. For details regarding the maturity profile of the Group's financial liabilities, please refer to note 39 of the Accountant's Report set out in Appendix I of the prospectus.

DIVIDEND

Our Company had not declared any dividends for the three years ended 31 December 2018, 2019 and 2020. Dividends of RMB30.8 million have been declared and paid by certain of our subsidiaries to the then equity holder of the subsidiaries in mid-2018 prior to the regrouping of our business entities detailed in the section headed "History — Evolution of our Group — Spin-off from Qitian Technology and regrouping of our business entities" in this prospectus.

On 10 August 2021, our Shareholders resolved to amend another resolution of the Shareholders dated 20 March 2021 and in which our Shareholders approved a special dividend distribution plan, pursuant to which we declared a special dividend from our distributable reserves as of 31 May 2021, to the then existing Shareholders as of 31 May 2021 in proportion to their respective shareholdings as of 31 May 2021, and a special dividend of approximately RMB149.5 million (inclusive of tax) was declared as a result. The special dividend has been fully settled in August 2021 by our Company with our internal resources including proceeds from the repayment of the amount due from the Controlling Shareholder and related parties.

Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Since our Company and a majority of our major subsidiaries were established in the PRC, the future dividend payments of our Company will depend largely upon the availability of dividends received from our subsidiaries in the PRC, which were subject to the PRC laws. Under the PRC laws, dividends can only be paid out of distributable profit of a PRC company. PRC laws require that dividends be paid only out of the profit for the year calculated according to the PRC GAAP, which differ in certain aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require our subsidiaries to set aside at least 10% of its net profit as statutory reserves, which are not available for distribution as cash dividends. Distributable profit is our profit as determined under PRC GAAP or IFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other statutory funds we are required to make. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Due to the continuous convergence of PRC GAAP and IFRSs, there is no significant difference between these two accounting standards. We do not have any specific dividend policy nor any pre-determined dividend pay out ratio.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Roma Appraisals Limited, an independent qualified professional valuer, valued our property interests for the Shanghai Owned Land and the 15 industrial buildings erected thereon (which include our investment properties) as at 30 September 2021 at RMB155.3 million. Details of the valuation are summarised in Appendix III to this prospectus.

The following table sets out the reconciliation between the net book value of our Shanghai Owned Land and the 15 industrial buildings erected thereon as at 31 May 2021 as extracted from the Accountants' Report in Appendix I to this prospectus and the property valuation report as set forth in Appendix III to this prospectus as at 30 September 2021:

	RMB'000
Net book value of our Shanghai Owned Land and the 15 industrial buildings erected thereon as at 31 May 2021	55,839
Less: depreciation during the period from 1 June 2021 to 30 September 2021	(1,223)
Net book value of our Shanghai Owned Land and the 15 industrial buildings erected thereon as at 30 September 2021	54,616
Net valuation surplus	100,684
Valuation of our Shanghai Owned Land and the 15 industrial buildings erected thereon as at 30 September 2021 as set out in the property valuation report in Appendix III to this prospectus	155,300

OFF BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

LISTING EXPENSES

Based on the Offer Price of HK$5.28 (being the mid-point of the Offer Price range stated in this prospectus and assuming the Over-allotment Option is not exercised at all), the total Listing expenses (including legal and professional fees, underwriting fees and other relevant expenses) in relation to the Global Offering payable by us are estimated to be approximately RMB59.7 million. For the three years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021, our Listing expenses charged to our consolidated statement of profit or loss were nil, nil, approximately RMB8.0 million and RMB8.9 million, respectively. We expect to further recognise Listing expenses of approximately RMB13.5 million to our consolidated statement of profit or loss subsequent to the Track Record Period and to deduct from equity of approximately RMB29.3 million upon Listing.

The total Listing expenses of approximately RMB59.7 million borne by us include (i) underwriting-related expenses, including underwriting commission of approximately RMB18.4 million; (ii) professional fees, including fees of legal advisors and Reporting Accountants of approximately RMB31.3 million; and (iii) other fees and expenses of approximately RMB10.0 million.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DISTRIBUTABLE RESERVES

Our Company was established in the PRC on 20 June 2018. Our Company had reserve available for distribution to our Shareholders amounting to RMB253.6 million as at 31 May 2021.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with Rule 4.29 of the Listing Rules and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the owners of the Company as of 31 May 2021 as if it had taken place on 31 May 2021.

The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 31 May 2021 or any future date.

	Consolidated net tangible assets attributable to owners of the Company as of 31 May 2021	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$4.46 per Share	557,868	404,789	962,657	2.26	2.76
Based on an Offer Price of HK$6.10 per Share	557,868	561,629	1,119,497	2.62	3.20

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 31 May 2021 is extracted from the Accountants' Report in Appendix I to this prospectus, which is based on the audited consolidated equity attributable to owners of the Company as of 31 May 2021 of RMB558.9 million less the Group's intangible assets as at 31 May 2021 of RMB1.0 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$4.46 per Share and HK$6.10 per Share after deduction of the underwriting fees and other related expenses payable by the Company (excluding HK$20,587,000 of listing expenses recognised in profit or loss up to 31 May 2021), and do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from HKD into RMB at an exchange rate of HK$1.0 to RMB0.8193.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 426,600,000 Shares in issue immediately following the completion of the Global Offering and on the basis that 426,600,000 Shares are in issue and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into HKD at an exchange rate of HK$1.0 to RMB0.8193.

(5) The unaudited pro forma adjusted consolidated net tangible assets of the Company does not take into account of the special dividend approved by our Shareholders on 10 August 2021, which resolved to amend another resolution of the Shareholders dated 20 March 2021. The special dividend was declared from our distributable reserves as of 31 May 2021, to the then existing Shareholders as of 31 May 2021 in proportion to their respective shareholdings as of 31 May 2021, which amounted to RMB149.5 million (inclusive of tax). The special dividend has been fully settled in August 2021. Had such dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be approximately HK$2.33, assuming an Offer Price of HK$4.46 per Share, and HK$2.77, assuming an Offer Price of HK$6.10 per Share.

(6) No adjustment has been made to reflect any trading result or open transaction of the Group entered into subsequent to 31 May 2021.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Sales Performance

Our business operation remained stable after the Track Record Period and up to the Latest Practicable Date and we continued to focus on the manufacturing and sales of resin spectacle lens. Our sales volume continued to grow subsequent to the Track Record Period. During the four months ended 30 September 2021, our sales volume of standardised lens and customised lens increased by not less than 10.6% and 17.0%, respectively, compared to the corresponding period in 2020. As at 31 May 2021, our remaining performance obligations amounted to RMB57.5 million. The remaining performance obligations primarily represented our purchase orders on hand, in which we have not yet delivered the relevant goods to our customers.

Based on the unaudited financial information, our revenue and gross profit during the four months ended 30 September 2021 increased moderately as compared to the corresponding period in 2020. As to our retail shopfronts, during the five months ended 31 May 2021, our retail shopfronts recorded the revenue of approximately RMB1.4 million and gross profit of approximately RMB1.1 million, representing an increase of approximately 78.0% and 86.2%, as compared to the revenue of RMB0.8 million and gross profit of RMB0.6 million derived from our retail shopfronts during the five months ended 31 May 2020. Subsequent to the Track Record Period and during the four months ended 30 September 2021, the revenue and gross profit of our retail shopfronts increased moderately as compared to the corresponding period in 2020. We have established an ophthalmology centre at a hospital in Qidong City, Jiangsu Province in November 2021.

Recent power restrictions

On 15 September 2021, our Company received an urgent notice on the power restrictions and electricity supply issued by Qidong Power Control Work Unit Office* (啟東市節能工作領導小組辦公室), pursuant to which, corporations with certain operating scale shall implement power control policies, including but not limited to, either (i) maintain normal operation for three days and suspend operation for four days or (ii) maintain normal operation for six days and suspend operation for eight days, affecting period commencing from 16 September 2021 to 30 September 2021. The electricity supply for routine maintenance was unaffected.

Accordingly, our Jiangsu Production Base maintained normal operation from 16 September 2021 to 22 September 2021 and suspended operation of large production equipment and machinery from 23 September 2021 to 30 September 2021 (the "**Affected Period**"). In order to mitigate the impact of the aforesaid restrictions on our operation, we carried out the following measures:

1. We carried out production procedures which involved large production equipment and machinery, such as lens hardening, to the largest extent possible, before the commencement of the Affected Period, and maintained the routine operation on

the production procedures which did not involve large production equipment and machinery, such as quality inspection, cleansing and packaging during the Affected Period;

2. We arranged our Shanghai Production Base, which is not subject to any power restrictions, to accommodate some of the production need involving large production equipment and machinery on an urgent basis;

3. We carried out repair and maintenance work on our large production equipment and machinery during the Affected Period in order to increase their production efficiency when electricity resumed; and

4. In view of the long public holidays of National Day in the PRC, our Company made adjustment on the day-off arrangement of some of our staff working at Jiangsu Production Base, such that they could have day off in advance of the National Day holidays during the Affected Period and resume to work when electricity resumed.

As at the Latest Practicable Date, we did not receive further notice on the power restrictions and electricity supply from relevant government authorities.

To cope with potential power shortage and rationing in the PRC, we will principally adopt the following measures as contingency:

1. At the time of limited power supply, we shall re-arrange the production schedule to avoid overloading of electricity at the peak production period; and

2. We shall coordinate the production schedule among our production bases such that production base which is not subject to any power restrictions could accommodate some of the production need.

Our production volume and sales volume in the Jiangsu Production Base recorded a decrease of approximately 33.6% and 8.3% for standardised lenses for September 2021 as compared to that for September 2020, respectively. Notwithstanding the aforesaid decrease of the production volume and sales volume, our Group's revenue recorded an increase of approximately 0.2% for September 2021 as compared to that for September 2020.

Further, our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, there was no material disruption or delay in the supply chain and delivery of raw materials to us by our suppliers nor substantial delay in delivery of our products to our customers, as a result of the aforesaid power restrictions.

In view of (i) the fact that our two other production bases, being Shanghai Production Base and Sabae Production Base, remained unaffected; (ii) the fact that we fulfilled part of our sale orders with products retrieved directly from our existing inventories; (iii) the above mitigating measures we adopted; and (iv) we did not receive further notice on the power restrictions and electricity supply from relevant government authorities as at Latest Practicable Date, our Directors consider the aforesaid power restrictions did not have a material impact on our business operation as at Latest Practicable Date.

Other events after the Track Record Period

On 10 August 2021, our Shareholders resolved to amend another resolution of the Shareholders dated 20 March 2021 under which our Shareholders approved a special dividend plan. For further details, please refer to the paragraph titled "Dividend" in this section for further details.

We expect to recognise Listing expenses of approximately RMB13.5 million to our consolidated statement of profit or loss subsequent to the Track Record Period and to deduct from equity of approximately RMB29.3 million upon Listing, which we consider to have a material impact on the financial position of our Group.

Save as aforesaid, our Directors confirm that from 31 May 2021 and up to the date of this prospectus, (i) there has been no material adverse change in the operation or financial position or prospects of our Group; and (ii) no event has occurred that would materially and adversely affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

FUTURE PLANS

Please refer to the section headed "Business — Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be in the amounts set out below:

- approximately HK$473.5 million, if the Over-allotment Option is not exercised, or approximately HK$551.6 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$4.46 per Offer Share, being the low-end of the proposed Offer Price range;

- approximately HK$569.2 million, if the Over-allotment Option is not exercised, or approximately HK$661.6 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$5.28 per Offer Share, being the mid-point of the proposed Offer Price range; or

- approximately HK$664.9 million, if the Over-allotment Option is not exercised, or approximately HK$771.7 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$6.10 per Offer Share, being the high-end of the proposed Offer Price range.

We intend to use the net proceeds of approximately HK$569.2 million from Global Offering for the purposes and in the amounts set out below, assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK$5.28 per Share (being the mid-point of the indicative range of the Offer Price of HK$4.46 to HK$6.10 per Share):

- approximately 46.4% of our total estimated net proceeds, or HK$264.1 million, will be used to increase our production capacity of our Shanghai Production Base and Jiangsu Production Base, of which (a) approximately 27.7% of our total estimated net proceeds, or HK$157.9 million will be allocated for our Shanghai Production Base; and (b) approximately 18.7% of our total estimated net proceeds, or HK$106.2 million will be allocated for our Jiangsu Production Base:

  - approximately 41.4% of our total estimated net proceeds, or HK$235.8 million, to be used for acquisition of equipment and machinery for our Shanghai Production Base and Jiangsu Production Base;

  - approximately 5.0% of our total estimated net proceeds, or HK$28.3 million, to be used for recruiting additional management and production staff for our Shanghai Production Base and Jiangsu Production Base; and

- approximately 19.9% of our total estimated net proceeds, or HK$113.5 million, will be used for strengthening our research and development capability, in which (i) approximately 9.7% of our total estimated net proceeds, or HK$55.5 million will be used for upgrade of the existing research and development centres; and (ii) approximately 10.2% of our total estimated net proceeds, or HK$58.0 million will be used for conducting our research and development initiatives;

- approximately 10.3% of our total estimated net proceeds, or HK$58.6 million, will be used for enhancing our sales and marketing efforts, of which: (i) approximately 8.8%, or HK$49.8 million, will be allocated for offline marketing activities; and (ii) approximately 1.5%, or HK$8.8 million, will be allocated for online marketing activities;

- approximately 10.0% of our total estimated net proceeds, or HK$56.9 million, will be used for working capital and general corporate purposes;

- approximately 8.1% of our total estimated net proceeds, or HK$46.2 million, will be used to enhance our production efficiency and technology in craftsmanship. In particular, we intend to allocate:

  - approximately 6.8% of our total estimated net proceeds, or HK$38.7 million, to be used for acquisition of equipment and machinery for photochromic spin coating at our Shanghai Production Base and lens mould cold processing at our Jiangsu Production Base; and

  - approximately 1.3% of our total estimated net proceeds, or HK$7.5 million, to be used for recruiting staff for the captioned purpose; and

- approximately 5.3% of our total estimated net proceeds, or HK$29.9 million, will be used for repayment of the following outstanding amount of our bank borrowings which were principally used to finance our working capital to support our business operations. The following table sets forth the details of the bank borrowings which we intend to repay out of the net proceeds:

	Borrowing bank	Amount of outstanding loan as at 31 August 2021 *(RMB'000)*	Amount of outstanding to be repaid using the net proceeds *(RMB'000)*	Maturity date	Interest rate	Expected repayment date
(i)	Bank of Nanjing, Qidong Branch	19,500	19,500	16 December 2021	4.35%	16 December 2021
(ii)	Qidong Rural Commercial Bank, Binhai Branch	30,000	5,000	10 March 2022	4.25%	10 March 2022

Out of the total outstanding amount of approximately RMB49.5 million (approximately HK$60.4 million) to be repaid by our Group based on the expected repayment dates set out above, approximately RMB24.5 million (approximately HK$29.9 million) will be repaid using the net proceeds and the remaining will be repaid by the cash generated from our operations.

We intend to apply the net proceeds as follows:

	2021	2022		2023		
	4th quarter (HK$' million)	1st half of year (HK$' million)	2nd half of year (HK$' million)	1st half of year (HK$' million)	2nd half of year (HK$' million)	Total (HK$' million)
1. Expansion of production capacity	**12.6**	**71.5**	**60.2**	**68.7**	**51.1**	**264.1**
(a) Acquisition of equipment and machinery and software	11.4	68.4	58.5	57.6	39.9	235.8
— Shanghai Production Base	7.3	43.9	42.1	33.1	27.6	154.0
— Jiangsu Production Base	4.1	24.5	16.4	24.5	12.3	81.8
(b) Recruitment of management and production staff	1.2	3.1	1.7	11.1	11.2	28.3
— Shanghai Production Base	1.2	2.7	—	—	—	3.9
— Jiangsu Production Base	—	0.4	1.7	11.1	11.2	24.4
2. Strengthening our research and development capability	**11.0**	**66.2**	**36.3**	**—**	**—**	**113.5**
— Upgrade of the existing research and development centres	4.7	28.1	22.7	—	—	55.5
— Conducting our research and development initiatives	6.3	38.1	13.6	—	—	58.0
3. Enhancing our sales and marketing efforts	**1.4**	**28.8**	**28.4**	**—**	**—**	**58.6**
(a) Offline marketing activities	0.4	23.5	25.9	—	—	49.8
— Establishing our own physical eyewear stores	—	14.6	22.0	—	—	36.6
— Participation in industry exhibitions	—	6.3	2.1	—	—	8.4
— Collaboration with ophthalmology service providers and retailers	0.4	2.6	1.8	—	—	4.8
(b) Online marketing activities	1.0	5.3	2.5	—	—	8.8
— Online advertising and promotion	0.5	3.1	2.5	—	—	6.1
— Adopting new sales channel	0.5	2.2	—	—	—	2.7
4. Working capital and general corporate purposes	**4.7**	**28.5**	**23.7**	**—**	**—**	**56.9**
5. Enhance our production efficiency and technology in craftsmanship	**4.5**	**16.9**	**11.6**	**8.6**	**4.6**	**46.2**
(a) Acquisition of equipment and machinery	4.5	15.6	9.1	6.3	3.2	38.7
— For photochromic spin coating at our Shanghai Production Base	3.4	9.2	4.9	—	—	17.5
— For lens mold cold processing at our Jiangsu Production Base	1.1	6.4	4.2	6.3	3.2	21.2
(b) Staff recruitment	—	1.3	2.5	2.3	1.4	7.5
6. Repayment of our bank borrowings	**23.8**	**6.1**	**—**	**—**	**—**	**29.9**
Total	**58.0**	**218.0**	**160.2**	**77.3**	**55.7**	**569.2**

In the event that the Offer Price is fixed below or above the mid-point of the indicative price range, the net proceeds allocated to the above purposes will be adjusted on a pro rata basis. Any additional proceeds received from the exercise of the Over-allotment Option will be allocated to the above purposes on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only apply the net proceeds to short-term interest-bearing demand deposits with licensed commercial banks or other authorised financial institutions.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, we will issue a formal announcement.

UNDERWRITERS FOR THE GLOBAL OFFERING

Hong Kong Underwriters

Guotai Junan Securities (Hong Kong) Limited

HTF Securities Limited

Ever-Long Securities Company Limited

Merdeka Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement having been executed and not having been terminated.

Subject to, among other conditions, (i) the Stock Exchange granting the listing of and permission to deal in our H Shares in issue and to be issued as mentioned in this prospectus (including any additional H Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option), (ii) the Price Determination Agreement being entered into on or before the Price Determination Date, and (iii) certain other conditions set out in the Hong Kong Underwriting Agreement being fulfilled, the Hong Kong Underwriters have severally agreed to subscribe for or procure subscribers for or purchase their respective proportions of the Hong Kong Offer Shares on the terms and conditions under the Hong Kong Underwriting Agreement and in this prospectus.

Grounds of Termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to the termination by the Sole Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) with immediate effect by notice in writing given to our Company prior to 8:00 a.m. (Hong Kong time) on the Listing Date if any of the following events shall occur prior to such time:

(a) there shall develop, occur or come into effect:

(i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development involving a prospective change or development, in local, national, regional or international event, series of events or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, labour disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of diseases or epidemics or pandemics including, but not limited to, Severe Acute Respiratory Syndrome (SARS), H1N1, H5N1, H7N9, contagious coronavirus (COVID-19) (save for to the extent subsisting as at the date of the Hong Kong Underwriting Agreement and without any further material worsening) and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union, Japan, or any other jurisdictions relevant to the operations of any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange; or

(iv) any general moratorium on commercial banking activities in or affecting any of the Relevant Jurisdictions (whether imposed by the Financial Secretary or the Hong Kong Monetary Authority or any other competent public, administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational and of any jurisdiction ("**Authority**")), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent Authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any of the Relevant Jurisdictions; or

(vii) any litigation or claim of any third party being threatened or instigated against any member of the Group or any Director or the Controlling Shareholder; or

(viii) the imposition of comprehensive sanctions under sanctions laws or regulations in, or withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(ix) any material adverse change or development involving a prospective adverse change (whether permanent or not) in the assets, liabilities, conditions, business, prospects (financial or otherwise), earnings, profits, losses or financial or trading position of the Group taken as a whole and/or any member of the Group which has a substantial business operation; or

(x) save as disclosed in this prospectus, a contravention by any member of the Group or any Director of the Listing Rules or applicable laws; or

(xi) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xiii) an Authority or a political body or organisation in any of the Relevant Jurisdictions announcing or commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director or any member of the Group; or

(xiv) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including up to 18,240,000 additional H Shares to be purchased by, or by investors procured by, the International Underwriters from the Company pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xv) a demand by any creditor for repayment or payment of any member of the Group's indebtedness of an amount not less than RMB50 million prior to its stated maturity; or

(xvi) any materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xvii) other than with the prior written consent of the Sole Sponsor and the Sole Global Coordinator, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the SEHK and/or the SFC,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) after prior consultation with the Company (1) has or will have or may likely have a material adverse effect on the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, or position or condition, financial or otherwise, of the Group taken as a whole; or (2) has or will have or may likely have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing or dealings in the Offer Shares in the secondary market; or (3) makes or will make or may likely make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or (4) has or will have or may likely have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable or impracticable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Sponsor or the Sole Global Coordinator:

(i) that any statement contained in any of this prospectus, the GREEN Application Form and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the GREEN Application Form and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions in all material respects; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in or an material omission from any of this prospectus, the GREEN Application Form and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations and undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition (financial or otherwise), or performance of any member of the Group, when taken as a whole, whether or not arising in the ordinary course of business, as determined by the Sole Global Coordinator in its reasonable opinion; or

(v) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any material respect, any of the warranties or, (in the case of any such warranties which are not already qualified as to materiality) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any material respect, any of such warranties; or

(vi) approval by the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

(viii) a significant portion of the orders placed or confirmed in the book building process, or of the investment commitments made by any of the cornerstone investors, have been withdrawn, terminated or canceled;

or

(ix) any person (other than the Sole Sponsor) has withdrawn or is subject to withdraw its consent to being named as an expert in any of this prospectus, the GREEN Application Form or to the issue of any of this prospectus, the GREEN Application Form with the inclusion of its reports, letters and/or summaries of legal opinions (as the case may be).

UNDERTAKINGS PURSUANT TO THE LISTING RULES

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within 6 months from the Listing Date (whether or not such issue of shares or securities will be completed within 6 months from the commencement of dealing), except pursuant to the Global Offering (including the Over-allotment Option) or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholder undertakes to the Stock Exchange and our Company that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option), he will not, and will procure that the relevant registered holder (if any) of the H Shares in which he has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his shareholding in our Company is made in this prospectus and ending on the date which is 6 months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the H Shares in respect of which he is shown by this prospectus to be the beneficial owner (the "**Relevant H Shares**"); and

(b) in the period of 6 months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant H Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he would cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Furthermore, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholder has undertaken to our Company and the Stock Exchange that, during the period referred to in paragraph (a) and (b) above, he will:

(i) when he pledges or charges any of our H Shares or other securities of our Company beneficially owned by him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan relying on Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of H shares or other securities of our Company so pledged or charged; and

(ii) when he receives indications, either verbal or written, from the pledgee or chargee of our H Shares or other securities of our Company that any of the pledged or charged H Shares or other securities will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Our Controlling Shareholder has given an undertaking to each of our Company and the Hong Kong Underwriters that, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of our Controlling Shareholder will, and will procure that none of his close associates will:

(a) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six Month Period**"),

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares, or other securities of the Company) (the foregoing restriction is expressly agreed to include all our Controlling Shareholder from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than our Controlling Shareholder, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or

(iv) offer to or agree to or publicly announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

whether any such transaction described in paragraphs (a)(i), (a)(ii), and (a)(iii) above is to be settled by delivery of such H Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such H Shares or other securities will be completed within the First Six Month Period);

(b) during the period of six months commencing on the date on which the First Six Month Period expires and including, the date that is six months after the end of the First Six Month Period (the "**Second Six Month Period**"), enter into any of the transactions specified in (i), (ii) or (iii) under paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he will cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers

Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him and/or any of his close associates which owns such Shares or interests as aforesaid; and

(c) until the expiry of the Second Six Month Period, in the event that he enters into any of the transactions specified in (i), (ii) or (iii) under paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, he will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including the Shares to be issued and/or sold pursuant to the Over-allotment Option), during the First Six Month Period, our Company hereby undertakes to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters not to, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or any other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of the Company, with a depository in connection with the issue of depository receipts); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of H Shares or any other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or publicly announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of H Shares or such other securities of our Company or shares, or in cash or otherwise (whether or not the issue of H Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Company and our Controlling Shareholder undertakes to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters to procure our Company to comply with the undertakings in this paragraph.

Each of our Company and our Controlling Shareholder undertakes to and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), no member of our Group will during the First Six Month Period purchase any securities of our Company.

Without prejudice to the above, our Controlling Shareholder undertakes and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that:

(a) save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to the extent as allowed under the Listing Rule, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder is made in this prospectus and ending on the date which is 12 months from the Listing Date, he shall not and shall procure that none of his associates shall sell, offer to sell, contract or agree to sell any Shares or any interest therein owned by him or any of their close associates or in which he or any of their close associates is, directly or indirectly, interested immediately following completion of the Global Offering (or any other Shares or interest in our Company arising or deriving therefrom) or any share or interest in any company controlled by him or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

(b) in the event that consent is granted by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), when he or any of their close associates shall sell, offer to sell, contract or agree to sell any of our Shares or interests referred to in paragraph (a) above, he shall give prior written notice of not less than two business days to the Stock Exchange (in accordance with the Listing Rule, if applicable), our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) giving details of the number of Shares and the identities of the transferee and further if he or any of their close associates will immediately provide details of such disposal or transfer to the Stock Exchange (in accordance with the Listing Rule, if applicable), our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that our Company shall forthwith inform the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after our Company has been informed of the matters referred to in paragraph (b) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

The International Placing

In connection with the International Placing, it is expected that our Company and the International Underwriters will enter into the International Underwriting Agreement. Under the International Underwriting Agreement, our Company will offer our International Placing Shares for subscription by certain professional, institutional and other investors at the Offer Price payable in full on subscription, on and subject to the terms and conditions set out in the International Underwriting Agreement. It is expected that the International Underwriters will agree to severally underwrite for our International Placing Shares.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) which will expire on a date which is 30 days from the date of the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to and not more than 18,240,000 additional H Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing.

Commission

The Underwriters will receive a commission of 3.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of Over-allotment Option) underwritten by the Underwriters. The Underwriters are not entitled to any kind of discretionary incentive fee for underwriting. The commissions payable to the Underwriters will be borne by our Company with respect to all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

The Sole Sponsor will in addition receive sponsorship and documentation fees. The underwriting commission, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK$5.28 (being the mid-point of Offer

Price range between HK$4.46 per Offer Share and HK$6.10 per Offer Share), are estimated to amount to approximately HK$72.9 million (equivalent to approximately RMB59.7 million) in total (assuming that the Over-allotment Option is not being exercised).

ACTIVITIES OF SYNDICATE MEMBERS

The Underwriters of the Global Offering (the "**Syndicate Members**") and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our H Shares, other activities could include acting as agent for buyers and sellers of our H Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our H Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying, assets including our H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our H Shares, in baskets of securities or indices including our H Shares, in units of funds that may purchase our H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our H Shares as their underlying, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our H Shares in most cases.

These activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated. It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Hong Kong Underwriters' interests in our Company

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement, the International Underwriting Agreement and Guotai Junan Capital Limited will be appointed as the compliance adviser of our Company with effect from the Listing Date until the dispatch of our audited financial results for the first full financial year after the Listing Date or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other Group company or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other Group company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as required under Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

The Global Offering comprises:

- the Hong Kong Public Offering of 12,160,000 H Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the sub-section headed "Hong Kong Public Offering"; and
- the International Placing of 109,440,000 H Shares (subject to reallocation and the Over-allotment Option as mentioned below).

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on Thursday, 9 December 2021 and, in any event, no later than Wednesday, 15 December 2021.

The Offer Price will not be more than HK$6.10 per Offer Share and is expected to be not less than HK$4.46 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, no later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus, at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event no later than Thursday, 9 December 2021, being the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.conantoptical.com.cn** notice of reduction in the number of Offer Shares and/or the indicative Offer Price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the offering statistics, and the future plans and use of proceeds as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of the Offer Shares being offered under the Global Offering stated in this prospectus, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in this prospectus.

In the event of a reduction in the number of the Offer Shares, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the number of the Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of the Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the basis as described in the sub-paragraph headed "Reallocation and Clawback" in this section.

In the absence of any notice being published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.conantoptical.com.cn** of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will not be set outside the Offer Price range as stated in this prospectus.

An announcement of the final Offer Price, together with indication of the level of interests in the International Placing, the results of application under the Hong Kong Public Offering and the basis and results of allocation of the Hong Kong Offer Shares is expected to be published on Wednesday, 15 December 2021 on the website of our Company at **www.conantoptical.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

The Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$6.10 per Offer Share and is expected to be not less than HK$4.46 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price as stated in this prospectus.

Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$6.10 per Offer Share and 1.0% brokerage, 0.0050% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK$3,080.73 is payable for every board lot of 500 H Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK$6.10 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offering is conditional upon:

1. Listing

The Listing Committee granting listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the H Shares.

2. Underwriting Agreements

(i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and

(ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

4. HKSCC arrangement

Our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application monies will be returned to the applicants, without interest, on the terms set out in "How to apply for Hong Kong Offer Shares" in this prospectus.

In the meantime, the application monies will be held in one or more separate bank accounts with the receiving bank or other bank(s) in Hong Kong, licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

HONG KONG PUBLIC OFFERING

Our Company is initially offering 12,160,000 Hong Kong Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Hong Kong Public Offering, representing 10% of the total number of Offer Shares initially offered under the Global Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the Offer Price being agreed on or before Price Determination Date. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK$6.10 per Share plus 1.0% brokerage, 0.0050% Stock Exchange trading fee and 0.0027% SFC transaction levy.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "Conditions of the Global Offering" above.

Applications

The Hong Kong Public Offering is open to all members of the public in Hong Kong. Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offering is liable to be rejected.

Allocation

For allocation purposes only, the total number of the Hong Kong Offer Shares will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares available in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 50% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. When there is over-subscription under the Hong Kong Public Offering, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 36,480,000 Offer Shares (in the case of (a)), 48,640,000 Offer Shares (in the case of (b)) and 60,800,000 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate.

In addition to the reallocation above, the Sole Global Coordinator reserves their rights to reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering. However, according to Guidance Letter HKEX-GL91–18 issued by the Stock Exchange if

(a) the International Placing Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times or (b) when the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times of the total number of Offer Shares initially available under the Hong Kong Public Offering, then in any of these circumstances, the Sole Global Coordinator may only reallocate Offer Shares from the International Placing to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions (the "**Allocation Cap**"):

(i) the total number of Offer Shares that may be reallocated from the International Placing to the Hong Kong Public Offering shall be not more than the number of Offer Shares initially allocated to the Hong Kong Public Offering i.e. 12,160,000 Offer Shares, representing approximately 10.0% of the number of the Offer Shares being offered under the Global Offering, so that the total number of Offer Shares for subscription under the Hong Kong Public Offering will increase to 24,320,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20.0% of the number of Offer Shares initially available under the Global Offering; and

(ii) the final Offer Price must be fixed at the bottom end of the indicative Offer Price range stated in this prospectus (i.e. HK$4.46 per Offer Share).

If the Hong Kong Offer Shares are not fully subscribed and the International Placing Shares are not undersubscribed, the Sole Global Coordinator may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate. Allocation Cap will not be triggered. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate.

INTERNATIONAL PLACING

Number of Offer Shares initially offered

Our Company is expected to offer initially 109,440,000 International Placing Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters subject to the

Offer Price being agreed on or before the Price Determination Date. Investors subscribing for the International Placing Shares are also required to pay the maximum Offer Price of HK$6.10 per H Share plus 1.0% brokerage, 0.0050% Stock Exchange trading fee and 0.0027% SFC transaction levy of the Offer Price.

Allocation

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Other investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for H Shares under the Hong Kong Public Offering.

Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who receive H Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive H Shares under the Hong Kong Public Offering.

The International Placing is expected to be subject to the conditions as stated in the sub-section headed "Conditions of the Global Offering" of this section.

The total number of Offer Shares to be issued or sold pursuant to the International Placing may change as a result of the clawback arrangement described in the paragraph headed "Hong Kong Public Offering — Reallocation and Clawback" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unpurchased Offer Shares originally included in the Hong Kong Public Offering at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters).

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option at any time from the Listing Date until 30 days after the date of the last day of lodging application under the

Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to allot and issue up to and not more than 18,240,000 additional H Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator (for itself and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 18,240,000 H Shares will represent approximately 4.1% of our Company's enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, an announcement will be made by our Company.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of H Shares that may be over-allocated will be up to, but not more than, an aggregate of 18,240,000 additional H Shares, being the number of the H Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through a combination of these means or otherwise. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and required to be brought to an end within 30 days after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Stabilising action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation. Subject to and under the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), the

Stabilising Manager (for itself and on behalf of the Underwriters) may take all or any of the following actions ("**primary stabilising action**") with respect to any H Shares during the stabilisation period, which should end on Saturday, 8 January 2022:

(1) purchase, or agree to purchase, any of the H Shares;

(2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the H Shares. The Stabilising Manager (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:

(a) for the purpose of preventing or minimising any reduction in the market price of the H Shares:

(i) allocate a greater number of H Shares than the number that is initially offered under the Global Offering; or

(ii) sell or agree to sell H Shares so as to establish a short position in them;

(b) pursuant to an option or other right to purchase or subscribe for H Shares, purchase or subscribe for or agree to purchase or subscribe for H Shares in order to close out any position established under paragraph (a);

(c) sell or agree to sell any H Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or

(d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Stabilising Manager (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the H Shares;
- that there is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Stabilising Manager;
- that stabilising action cannot be taken to support the price of the H Shares for longer than the stabilising period which begins on the Listing Date and ends on the earlier of the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering or the commencement of trading of the H Shares on the Stock Exchange, that the stabilising period is expected to expire on Saturday, 8 January 2022, and that after this date, when no further stabilising action may be taken, demand for the H Shares, and therefore its price could fall; and

- that the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the H Shares.

In order to effect stabilisation actions, the Stabilising Manager will arrange cover of up to an aggregate of 18,240,000 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Placing. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid on the Listing Date. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Placing agrees to the delayed delivery arrangements, no stabilising actions will be undertaken by the Stabilising Manager and the Over-allotment Option will not be exercised.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Sole Global Coordinator, or any person acting for it may cover such over-allocation by, among other methods, using Shares purchased by the Sole Global Coordinator, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), as amended, made under the SFO.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 16 December 2021, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 16 December 2021. The H Shares will be traded in board lots of 500 H Shares each and the stock code of the H Shares will be 2276.

IMPORTANT NOTICE TO INVESTORS
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section and our website at **www.conantoptical.com.cn**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at 2862 8690 on the following dates:

- **Tuesday, 30 November 2021 — 9:00 a.m. to 9:00 p.m.**
- **Wednesday, 1 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Thursday, 2 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Friday, 3 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Saturday, 4 December 2021 — 9:00 a.m. to 6:00 p.m.**
- **Sunday, 5 December 2021 — 9:00 a.m. to 6:00 p.m.**
- **Monday, 6 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Tuesday, 7 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Wednesday, 8 December 2021 — 9:00 a.m. to 9:00 p.m.**
- **Thursday, 9 December 2021 — 9:00 a.m. to 12:00 noon**

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** Service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals, please contact them for the items required for the application.

If an application is made by a person duly authorised under a power of attorney, the Company and the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director, chief executive officer and/or supervisor of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) and/or core connected person (as defined in the Listing Rules) of our Company or will become a connected person (as defined in the Listing Rules) or a core connected person (as defined in the Listing Rules) of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) and/or close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Placing.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and/or the Underwriters (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, the H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the Laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's H Share register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and for its agents to send any H Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) understand that, where the International Placing Shares are undersubscribed and the Hong Kong Offer Shares are oversubscribed, up to 12,160,000 H Shares may be reallocated to the Hong Kong Public Offering from the International Placing, increasing the total number of Hong Kong Offer Shares to 24,320,000 H Shares, representing 20% of the Offer Shares initially available under the Global Offering. Further details of the reallocation are stated in the paragraph headed "Structure and Conditions of the Global Offering — Hong Kong Public Offering — Reallocation and Clawback" of this prospectus;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) understand that our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xix) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xx) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

Shanghai Conant Optical Co., Ltd.
(HK$6.10 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
500	3,080.73	9,000	55,453.23	200,000	1,232,293.94	1,500,000	9,242,204.55
1,000	6,161.47	10,000	61,614.70	250,000	1,540,367.43	2,000,000	12,322,939.40
1,500	9,242.21	20,000	123,229.39	300,000	1,848,440.91	2,500,000	15,403,674.25
2,000	12,322.94	30,000	184,844.09	350,000	2,156,514.40	3,000,000	18,484,409.10
2,500	15,403.67	40,000	246,458.79	400,000	2,464,587.88	3,500,000	21,565,143.95
3,000	18,484.41	50,000	308,073.49	450,000	2,772,661.37	4,000,000	24,645,878.80
3,500	21,565.15	60,000	369,688.18	500,000	3,080,734.85	5,000,000	30,807,348.50
4,000	24,645.88	70,000	431,302.88	600,000	3,696,881.82	6,080,000[(1)]	37,461,735.78
5,000	30,807.35	80,000	492,917.58	700,000	4,313,028.79		
6,000	36,968.82	90,000	554,532.27	800,000	4,929,175.76		
7,000	43,130.29	100,000	616,146.97	900,000	5,545,322.73		
8,000	49,291.76	150,000	924,220.46	1,000,000	6,161,469.70		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who Can Apply" in this section, may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at 2862 8690 on the following dates:

Tuesday, 30 November 2021	—	9:00 a.m. to 9:00 p.m.
Wednesday, 1 December 2021	—	9:00 a.m. to 9:00 p.m.
Thursday, 2 December 2021	—	9:00 a.m. to 9:00 p.m.
Friday, 3 December 2021	—	9:00 a.m. to 9:00 p.m.
Saturday, 4 December 2021	—	9:00 a.m. to 6:00 p.m.
Sunday, 5 December 2021	—	9:00 a.m. to 6:00 p.m.
Monday, 6 December 2021	—	9:00 a.m. to 9:00 p.m.
Tuesday, 7 December 2021	—	9:00 a.m. to 9:00 p.m.
Wednesday, 8 December 2021	—	9:00 a.m. to 9:00 p.m.
Thursday, 9 December 2021	—	9:00 a.m. to 12:00 noon

Time for submitting applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 30 November 2021 until 11:30 a.m. on Thursday, 9 December 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 9 December 2021 or such later time under the paragraph headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

No multiple applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Shanghai Conant Optical Co., Ltd." **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979–7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and our H Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and an application is made on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

(1) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

(2) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(3) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

(4) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

(5) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

(6) confirm that you understand that our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(7) authorise our Company to place HKSCC Nominees' name on our Company's H Share register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

(8) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(9) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

(10) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(11) agree to disclose your personal data to our Company, our H Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

(12) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(13) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

(14) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

(15) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

(16) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the PRC Company Law, Special Regulations, Companies (WUMP) Ordinance and the Articles of Association;

(17) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;

(18) agree with our Company, for itself and for the benefit of each Shareholder of our Company and each Director, Supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of our Company and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):

(i) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;

(ii) that any award made in such arbitration shall be final and conclusive; and

(iii) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

(19) agree with our Company (for our Company itself and for the benefit of each Shareholder) that H Shares in our Company are freely transferable by their holders; and

(20) authorise our Company to enter into a contract on our behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for inputting electronic application instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 30 November 2021	—	9:00 a.m. to 8:30 p.m.
Wednesday, 1 December 2021	—	8:00 a.m. to 8:30 p.m.
Thursday, 2 December 2021	—	8:00 a.m. to 8:30 p.m.
Friday, 3 December 2021	—	8:00 a.m. to 8:30 p.m.
Monday, 6 December 2021	—	8:00 a.m. to 8:30 p.m.
Tuesday, 7 December 2021	—	8:00 a.m. to 8:30 p.m.
Wednesday, 8 December 2021	—	8:00 a.m. to 8:30 p.m.
Thursday, 9 December 2021	—	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 30 November 2021 until 12:00 noon on Thursday, 9 December 2021 (24 hours daily, except on Thursday, 9 December 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 9 December 2021, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and or CCASS Investor Participants.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong after Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal data

The following Personal Information Collection Statement applies to any personal data held by our Company, our H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through giving electronic application instructions to HKSCC via CCASS or the **White Form eIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and our H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or its agents and our H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of our H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or our H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and our H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque or e-Refund payment instruction, where applicable, verification of compliance with the terms and application procedures set out in this Prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's Register of Members;
- verifying identities of the holders of our Company's Shares;
- establishing benefit entitlements of holders of our Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of our Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable our Company and our H Share Registrar to discharge their obligations to holders of our Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of Personal Data

Personal data held by our Company and our H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and our H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or our H Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of Personal Data

Our Company and our H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and Correction of Personal Data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or our H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and our H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Company's H Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection with CCASS Phone Systems/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 9 December 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instructions** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

(a) the principal business of that company is dealing in securities; and

(b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

(a) control the composition of the board of directors of the company;

(b) control more than half of the voting power of the company; or

(c) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$6.10 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK$3,080.73.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong offer Shares.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instructions** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the paragraph headed "4. Minimum application amount and permitted numbers" in this section or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering — Price Payable on Application" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

(1) a tropical cyclone warning signal number 8 or above;

(2) a "black" rainstorm warning; and/or

(3) Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 9 December 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 9 December 2021 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 15 December 2021 on our Company's website at **www.conantoptical.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

(a) in the announcement to be posted on our Company's website at **www.conantoptical.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 15 December 2021;

(b) from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 15 December 2021 to 12:00 midnight on Tuesday, 21 December 2021; and

(c) by telephone enquiry line by calling (852) 2862 8555, between 9:00 a.m. and 6:00 p.m. on Wednesday, 15 December 2021, Thursday, 16 December 2021, Friday, 17 December 2021 and Monday, 20 December 2021.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission tor innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company, the Sole Global Coordinator or our or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Offer Shares either:

(1) within three weeks from the closing date of the application lists; or

(2) within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

(1) you make multiple applications or suspected multiple applications;

(2) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;

(3) your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

(4) your payment is not made correctly;

(5) the Underwriting Agreements do not become unconditional or are terminated;

(6) our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

(7) your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$6.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 15 December 2021.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Wednesday, 15 December 2021. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, 16 December 2021 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal collection

(a) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your refund cheques and/or H Share Certificate(s) (where applicable) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 December 2021 or such other date as notified by our Company on the website of the Stock Exchange at **www.hkexnews.hk** or the website of the Company at **www.conantoptical.com.cn** as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your refund cheques and/or H Share Certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheques and/or H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 15 December 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(b) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share certificates into CCASS and refund of application monies

(i) If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 15 December 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

(ii) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of results" in this section on Wednesday, 15 December 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 December 2021 or such other date as determined by HKSCC or HKSCC Nominees.

(iii) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

(iv) If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 15 December 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

(v) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per H Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 15 December 2021.

15. H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Settlement Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the H Shares may be settled through CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights, interests and liabilities.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report on the financial information of Shanghai Conant Optical Co., Ltd., prepared for the purpose of incorporation in this prospectus received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI CONANT OPTICAL CO., LTD. AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of Shanghai Conant Optical Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to 104, which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018, 2019 and 2020 and 31 May 2021, and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 3 to 104 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 November 2021 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2018, 2019 and 2020 and 31 May 2021 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2020 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
30 November 2021

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	*5*	853,760	1,058,846	1,093,164	364,142	537,923
Cost of sales		(592,419)	(708,968)	(711,113)	(243,701)	(355,267)
GROSS PROFIT		261,341	349,878	382,051	120,441	182,656
Other income and gains	*5*	19,471	20,592	22,898	6,123	9,851
Selling and distribution expenses		(62,867)	(75,305)	(67,101)	(23,857)	(32,573)
Administrative expenses		(98,719)	(107,930)	(112,287)	(34,290)	(53,875)
(Impairment)/reversal of impairment on financial assets		(13,378)	2,655	(1,495)	(3,667)	(3,155)
Other expenses		(3,439)	(2,975)	(21,682)	(1,436)	(7,155)
Finance costs	*7*	(9,448)	(47,447)	(47,079)	(21,362)	(14,708)
Share of losses of a joint venture		—	(152)	(42)	(6)	(80)
Share of losses of an associate		—	—	—	—	(735)
PROFIT BEFORE TAX	*6*	92,961	139,316	155,263	41,946	80,226
Income tax expense	*10*	(14,499)	(27,415)	(26,801)	(9,444)	(15,644)
PROFIT AFTER TAX FOR THE YEAR/PERIOD		78,462	111,901	128,462	32,502	64,582
Attributable to:						
Owners of the parent		78,462	111,901	128,462	32,502	64,582
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*12*	N/A	N/A	N/A	N/A	N/A

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
PROFIT AFTER TAX FOR THE YEAR/PERIOD	78,462	111,901	128,462	32,502	64,582
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	8,172	3,169	(2,126)	5,588	(10,470)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	86,634	115,070	126,336	38,090	54,112
Attributable to:					
Owners of the parent	86,634	115,070	126,336	38,090	54,112

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December			31 May
		2018	**2019**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	344,968	336,076	342,258	333,517
Investment properties	*14*	22,181	20,848	19,516	18,961
Right-of-use assets	*15*	10,704	9,034	7,555	8,847
Other intangible assets	*16*	780	1,217	950	778
Investment in a joint venture	*17*	—	2,563	2,521	2,441
Investment in an associate	*18*	—	—	12,572	11,837
Long-term prepayments	*22*	1,609	7,411	1,488	2,485
Deferred tax assets	*19*	45,828	37,707	32,016	27,407
Total non-current assets		426,070	414,856	418,876	406,273
CURRENT ASSETS					
Inventories	*20*	286,254	332,686	391,362	382,667
Trade and bills receivables	*21*	149,867	209,110	231,007	206,457
Due from related parties	*36*	788	236,570	174,752	117,502
Prepayments, deposits and other receivables	*22*	36,587	21,108	26,353	46,687
Tax recoverable		375	—	—	—
Financial assets at fair value through profit or loss	*23*	73,551	98,206	—	53,770
Cash and cash equivalents	*24*	109,182	62,118	201,850	177,085
Total current assets		656,604	959,798	1,025,324	984,168
CURRENT LIABILITIES					
Trade payables	*25*	49,884	50,057	84,317	63,403
Other payables and accruals	*26*	95,469	113,179	129,052	127,591
Derivative financial instruments	*27*	—	—	2,361	417
Due to related parties	*36*	416,130	111,568	—	—
Interest-bearing bank and other borrowings	*28*	205,836	237,029	291,630	245,414
Lease liabilities	*15*	2,161	1,546	738	1,031
Tax payable		10,636	17,173	13,781	10,913
Total current liabilities		780,116	530,552	521,879	448,769
NET CURRENT (LIABILITIES)/ ASSETS		(123,512)	429,246	503,445	535,399

	Notes	31 December 2018 RMB'000	31 December 2019 RMB'000	31 December 2020 RMB'000	31 May 2021 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		302,558	844,102	922,321	941,672
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*28*	160,000	434,532	382,640	347,253
Defined benefit obligations	*29*	13,615	13,535	13,046	12,278
Lease liabilities	*15*	2,024	1,125	596	1,795
Deferred tax liabilities	*19*	5,717	6,197	9,070	10,133
Deferred income	*30*	8,044	10,515	12,435	11,567
Total non-current liabilities		189,400	465,904	417,787	383,026
NET ASSETS		**113,158**	**378,198**	**504,534**	**558,646**
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	*31*	155,030	305,000	305,000	—
Share capital	*31*	—	—	—	305,000
Reserves	*32*	(41,872)	73,198	199,534	253,646
TOTAL EQUITY		**113,158**	**378,198**	**504,534**	**558,646**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	**Paid-in capital**	**Capital reserve***	**Statutory surplus reserve***	**Exchange fluctuation reserves***	**Retained profits/ (accumulated losses)***	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 31*	*Note 32(a)*	*Note 32(a)*	*Note 32(a)*		
As at 1 January 2018	—	—	466,053	69,472	(5,588)	119,408	649,345
Profit for the year	—	—	—	—	—	78,462	78,462
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	—	8,172	—	8,172
Total comprehensive income for the year	—	—	—	—	8,172	78,462	86,634
Paid-in capital contribution by the shareholders	—	155,030	—	—	—	—	155,030
Equity-settled share award arrangements by the then equity holder of the subsidiaries	—	—	(2,765)	—	—	—	(2,765)
Dividends paid to the then equity holder of the subsidiaries	—	—	—	—	—	(30,770)	(30,770)
Contribution from the then equity holder of the subsidiaries	—	—	16,358	—	—	—	16,358
Deemed distribution to the then equity holder of the subsidiaries	—	—	(479,646)	(69,472)	—	(211,556)	(760,674)
Appropriations to statutory surplus reserve	—	—	—	6,111	—	(6,111)	—
As at 31 December 2018 and 1 January 2019	—	155,030	—	6,111	2,584	(50,567)	113,158
Profit for the year	—	—	—	—	—	111,901	111,901
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	—	—	—	—	3,169	—	3,169
Total comprehensive income for the year	—	—	—	—	3,169	111,901	115,070
Paid-in capital contribution by the shareholders	—	149,970	—	—	—	—	149,970
Appropriations to statutory surplus reserve	—	—	—	11,673	—	(11,673)	—
As at 31 December 2019 and 1 January 2020	—	305,000	—	17,784	5,753	49,661	378,198
Profit for the year	—	—	—	—	—	128,462	128,462
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	—	—	(2,126)	—	(2,126)
Total comprehensive income for the year	—	—	—	—	(2,126)	128,462	126,336
Appropriations to statutory surplus reserve	—	—	—	13,855	—	(13,855)	—
As at 31 December 2020	—	305,000	—	31,639	3,627	164,268	504,534

	Attributable to owners of the parent						
	Share capital	Paid-in capital	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserves*	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 31	*Note 31*	*Note 32(a)*	*Note 32(a)*	*Note 32(a)*		
For the five months ended 31 May 2021							
As at 31 December 2020 and 1 January 2021	—	305,000	—	31,639	3,627	164,268	504,534
Profit for the period	—	—	—	—	—	64,582	64,582
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	—	—	—	—	(10,470)	—	(10,470)
Total comprehensive income for the period	—	—	—	—	(10,470)	64,582	54,112
Effect on conversion into a joint stock company	305,000	(305,000)	(6,835)	—	—	6,835	—
At 31 May 2021	305,000	—	(6,835)*	31,639*	(6,843)*	235,685*	558,646
For the five months ended 31 May 2020							
As at 31 December 2019 and 1 January 2020	—	305,000	—	17,784	5,753	49,661	378,198
Profit for the period (unaudited)	—	—	—	—	—	32,502	32,502
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	5,588	—	5,588
Total comprehensive income for the period	—	—	—	—	5,588	32,502	38,090
At 31 May 2020 (unaudited)	—	305,000	—	17,784	11,341	82,163	416,288

* These reserve accounts represent the total consolidated reserves of RMB(41,872,000), RMB73,198,000, RMB199,534,000 and RMB253,646,000 in the consolidated statements of financial position as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
		2018	2019	2020	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		92,961	139,316	155,263	41,946	80,226
Adjustments for:						
Depreciation of property, plant and equipment	*6, 13*	35,604	57,244	42,436	17,272	18,588
Depreciation of right-of-use assets	*6, 15*	2,103	2,417	1,487	663	782
Amortisation of intangible assets	*6, 16*	479	554	442	167	193
Depreciation of investment properties	*6, 14*	1,282	1,333	1,332	555	555
Deferred income recognised in profit or loss	*5, 30*	(2,565)	(1,000)	(1,545)	(548)	(868)
Share of losses of a joint venture		—	152	42	6	80
Share of losses of an associate		—	—	—	—	735
Gain on bargain purchase of investment in an associate	*5*	—	—	(2,150)	—	—
Loss/(gain) on disposal of items of property, plant and equipment		753	(189)	1,202	306	286
Fair value gain on financial assets at fair value through profit or loss	*5*	(4,088)	(694)	(1,325)	(169)	(670)
Impairment/(reversal of impairment) of trade receivables	*6, 21*	13,378	(2,655)	1,495	3,667	3,155
Impairment of property, plant and equipment	*6, 13*	1,255	351	—	—	—
Write-down of inventories to net realisable value	*6*	11,763	3,873	1,359	677	6,775
Fair value loss/(gain) on derivative financial instruments		—	—	2,361	465	(1,944)
Equity-settled share award expenses	*6*	995	—	—	—	—
Finance costs	*7*	9,448	47,447	47,079	21,362	14,708
Bank interest income	*5*	(344)	(135)	(100)	(17)	(73)
		163,024	248,014	249,378	86,352	122,528

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Increase)/decrease in inventories	(33,519)	(50,305)	(60,035)	(38,552)	1,920
(Increase)/decrease in trade and bills receivables	(27,509)	(56,588)	(23,392)	7,610	19,058
Decrease/(increase) in amounts due from related parties	518	283	(129)	—	10
(Increase)/decrease in prepayments, deposits and other receivables	(15,428)	15,253	(5,245)	4,739	(15,530)
(Increase)/decrease in financial assets at fair value through profit and loss	(69,463)	(23,961)	99,531	36,585	(53,100)
Decrease/(Increase) in long-term prepayments	3,288	(5,802)	5,923	(493)	(997)
Increase/(decrease) in trade payables	12,208	173	34,260	1,918	(20,914)
Increase in other payables and accruals	39,435	18,156	9,352	(11,848)	(5,483)
Increase/(decrease) in defined benefit obligations	697	(803)	(295)	(551)	847
Increase/(decrease) in contract liabilities	4,023	2,691	4,443	(1,965)	4,022
Increase/(decrease) in amounts due to related parties	—	226	(226)	413	—
Cash generated from operations	**77,274**	**147,337**	**313,565**	**84,208**	**52,361**
Interest received	344	135	100	17	73
Interest paid	(9,202)	(44,549)	(48,946)	(21,523)	(11,548)
Tax paid	(2,094)	(11,902)	(21,629)	(16,654)	(14,047)
Net cash flows from operating activities	**66,322**	**91,021**	**243,090**	**46,048**	**26,839**

		Year ended 31 December			Five months ended 31 May	
		2018	**2019**	**2020**	**2020**	**2021**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposal of property, plant and equipment		4,818	6,516	630	161	195
Receipt of government grants for property, plant and equipment		5,330	3,471	3,465	—	—
Purchases of items of property, plant and equipment		(67,122)	(54,387)	(50,748)	(13,708)	(11,899)
Purchase of intangible assets		(176)	(937)	(176)	—	(69)
Increase in investment properties		(699)	—	—	—	—
Acquisition of a joint venture		—	(387)	—	—	—
Advances of loan to a joint venture		—	(2,328)	—	—	—
Acquisition of an associate		—	—	(10,422)	—	—
Advance to related parties	*36*	(505)	(236,570)	(94,968)	—	(12,760)
Repayment of advances to related parties	*36*	—	505	156,915	—	70,000
Loan to a third party		—	—	—	—	(11,750)
Net cash flows (used in)/from investing activities		**(58,354)**	**(284,117)**	**4,696**	**(13,547)**	**33,717**
CASH FLOWS FROM FINANCING ACTIVITIES						
Deemed distribution to the then equity holder of the subsidiaries		(387,944)	(372,730)	—	—	—
Paid-in capital contribution by the shareholders		155,030	149,970	—	—	—
Dividends paid to the then equity holder of the subsidiaries		(30,770)	—	—	—	—
Advance from related parties	*36*	43,400	110,700	—	—	—
Repayment of advance from related parties	*36*	—	(43,905)	(110,195)	(2,224)	—
Proceeds from interest-bearing bank and other borrowings		416,512	761,126	245,158	136,520	126,999
Repayment of interest-bearing bank and other borrowings		(306,676)	(457,094)	(241,672)	(105,258)	(211,738)
Payment of lease liabilities		(1,229)	(2,035)	(1,345)	(470)	(582)
Net cash flows (used in)/from financing activities		**(111,677)**	**146,032**	**(108,054)**	**28,568**	**(85,321)**

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(103,709)	(47,064)	139,732	61,069	(24,765)
Cash and cash equivalents at beginning of year/period	212,891	109,182	62,118	62,118	201,850
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	109,182	62,118	201,850	123,187	177,085
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as per consolidated statement of financial position	109,182	62,118	201,850	123,187	177,085

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		31 December			31 May
		2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Investments in subsidiaries		776,516	774,493	774,493	774,493
Total non-current assets		776,516	774,493	774,493	774,493
CURRENT ASSETS					
Trade and bills receivables	*21*	—	2,940	6,260	1,849
Due from related parties	*36*	—	134,070	14,122	813
Prepayments, deposits and other receivables	*22*	4	440	—	154,518
Cash and cash equivalents	*24*	10,311	254	21,088	8,240
Total current assets		10,315	137,704	41,470	165,420
CURRENT LIABILITIES					
Other payables and accruals	*26*	9,434	14,512	99,229	74,531
Due to related parties	*36*	416,130	177,715	7,500	23,930
Interest-bearing bank and other borrowings	*28*	40,150	30,837	40,754	49,689
Total current liabilities		465,714	223,064	147,483	148,150
NET CURRENT (LIABILITIES)/ ASSETS		(455,399)	(85,360)	(106,013)	17,270
TOTAL ASSETS LESS CURRENT LIABILITIES		321,117	689,133	668,480	791,763
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*28*	160,000	400,000	360,000	335,000
Total non-current liabilities		160,000	400,000	360,000	335,000
NET ASSETS		161,117	289,133	308,480	456,763
EQUITY					
Paid-in capital	*31*	155,030	305,000	305,000	—
Share capital	*31*	—	—	—	305,000
Reserves	*32*	6,087	(15,867)	3,480	151,763
TOTAL EQUITY		161,117	289,133	308,480	456,763

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

During the Relevant Periods, the Company and its subsidiaries were principally engaged in manufacturing and sales of resin spectacle lenses. The controlling shareholder of the Group is Mr. Fei Zhengxiang (the "**Controlling Shareholder**").

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered/ issued share capital *('000)*	Percentage of equity interest attributable to the Company	Principal activities
Directly held:					
上海康耐特光學有限公司 Shanghai Conant Optics Co., Ltd. ("**Shanghai Conant**")	*(1)*	PRC/Mainland China/ 13 April 2011	RMB307,000	100%	Manufacturing and sales of resin spectacle lenses
江蘇康耐特光學有限公司 Jiangsu Conant Optics Co., Ltd. ("**Jiangsu Conant**")	*(1)*	PRC/Mainland China/ 25 December 2006	RMB300,000	100%	Manufacturing and sales of resin spectacle lenses
Asahi Lite Holdings Limited	*(2)*	Hong Kong/ 3 July 2013	US$4,480	100%	Investment holding
Conant Lens Inc.	*(5)*	United States (U.S.A)/ 12 November 2010	US$200	100%	Sales of resin spectacle lenses
Conant Optics Mexico, S.A. de C.V.	*(3)*	Mexico/ 4 April 2011	US$2,500	100%	Sales of resin spectacle lenses
Indirectly held:					
江蘇康耐特光學眼鏡有限公司 Jiangsu Conant Optics Eyewear Co., Ltd.	*(1)*	PRC/Mainland China/ 27 January 2011	RMB10,000	100%	Sales of resin spectacle lenses

Name of subsidiaries	*Notes*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered/ issued share capital *('000)*	Percentage of equity interest attributable to the Company	Principal activities
Asahi Lite Optical Co., Ltd.	*(4)*	Japan/ 12 December 1980	JPY640,000	100%	Manufacturing and sales of resin spectacle lenses
江蘇朝日光學有限公司 Jiangsu Asahi Optics Co., Ltd.	*(5)*	PRC/Mainland China/ 8 November 2019	RMB10,000	100%	Sales of resin spectacle lenses
Laboratorios y Servicios Opticos, S.A. de C.V.	*(3)*	Mexico/ 24 January 2014	US$50	100%	Sales of resin spectacle lenses

Notes:

(1) The statutory financial statements of these entities for the year ended 31 December 2018 prepared in accordance with PRC Generally Accepted Accounting Principles ("**PRC GAAP**") and regulations were audited by WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)), a certified public accountant registered in the PRC.

The statutory financial statements of these entities for the years ended 31 December 2019 and 2020 prepared in accordance with PRC Generally Accepted Accounting Principles ("**PRC GAAP**") and regulations were audited by Shanghai Hu Gang Jin Mao C.P.A Co., Ltd.(上海滬港金茂會計師事務所有限公司), a certified public accountant registered in the PRC.

(2) The statutory financial statements of this entity for the years ended 31 December 2018, 2019 and 2020 prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities ("**HKFRS for Private Entities**") were audited by TOMMY NG & CO. Chartered Accountants Certified Public Accountants (吳福良會計師行), a certified public accountant registered in Hong Kong.

(3) The statutory financial statements of these entities for the years ended 31 December 2018, 2019 and 2020 prepared in accordance with Mexican Generally Accepted Accounting Principles ("**Mexican GAAP**") and regulations were audited by DESPACHO INTEGRAL ESCORR, SC, a certified public accountant registered in Mexico.

(4) The statutory financial statements of this entity for the years ended 31 December 2018, 2019 and 2020 prepared in accordance with Japanese Generally Accepted Accounting Principles ("**Japanese GAAP**") and regulations were audited by Deloitte Touche Tohmatsu LLC (德勤會計師事務所), a certified public accountant registered in Japan.

(5) No audited financial statements have been prepared for these entities since their date of incorporation as they are not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the regrouping of relevant companies engaging in resin spectacle lens manufacturing business into the Company in 2018 ("**the Regrouping**"), as more fully explained in the paragraph headed "Spin-off from Qitian Technology and Regrouping of Our Business Entities" in the section headed "History and Development" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 31 December 2018. The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Regrouping. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principles of pooling of interests method as if the Regrouping had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods included the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as of 31 December 2018, 2019 and 2020 and 31 May 2021 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Regrouping.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**").

All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("**FVTPL**") and derivative financial instruments which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2021. 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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[2]
Amendments to IFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9*[4]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[5]
Amendments to IAS 12	*Deferred Tax related to Asset and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] No mandatory effective date yet determined but available for adoption

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

[5] Effective for annual periods beginning on or after 1 April 2021

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

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial performance and financial position.

Amendments to IAS 1 requires an entity to disclose material accounting policy information relating to material transactions, other events or conditions if that information is material to the financial statements. Guidance and illustrative examples are included in IFRS Practice Statement 2 to assist in the application of materiality concept on accounting policy disclosures. The amendments will be effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

Amendments to IAS 8 introduces a new definition of 'accounting estimates'. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments will be effective for annual periods beginning on or after 1 January 2023. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

Amendments to IAS 12 narrowed the scope of the recognition exemption of deferred tax, so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments will be effective for annual periods beginning on or after 1 January 2023. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

Fair value measurement

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Investment properties

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

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

Intangible assets (other than goodwill)

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

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

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

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	50 years
Plant and properties	2 to 6 years

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

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of offices equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

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

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

Investment and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

General approach

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as cross-currency interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

Sale of resin spectacle lenses

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

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

Volume rebates

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

Other income

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

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

Contract liabilities

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

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Defined benefit plan

Subsidiary of the Group incorporated in Japan operates defined benefit payment plans. Under such plans, employees are generally entitled to lump-sum payments upon termination of employment. The benefits under the plans are calculated based upon position, years of service and the reason for termination. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

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

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

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

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

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income

Borrowing costs

All borrowing costs which do not qualified for capitalisation are recognised in profit or loss in the period in which they are incurred.

Dividends

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

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year/period.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 19 to the Historical Financial Information.

Estimation uncertainty

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

Leases — Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each year based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group are 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

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Asia (except the PRC)	314,528	397,903	291,541	115,604	135,763
PRC	125,649	168,917	260,376	84,933	135,151
United States	153,173	159,035	203,758	67,225	101,790
Europe	129,981	148,212	144,886	38,669	69,060
Americas (except the United States)	76,797	99,152	101,800	27,130	50,445
Africa	34,670	49,393	52,986	18,500	24,967
Oceania	18,962	36,234	37,817	12,081	20,747
	853,760	1,058,846	1,093,164	364,142	537,923

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

(b) Non-current assets

	31 December			31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	361,712	351,846	362,752	356,564
Japan	17,504	24,475	23,669	22,177
Mexico	884	396	223	125
U.S.A	142	432	216	—
	380,242	377,149	386,860	378,866

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 RMB131,796,000, RMB155,152,000, RMB132,530,000, RMB45,880,000 (unaudited) and RMB55,523,000 for the years ended 31 December 2018, 2019, 2020, and five months ended 31 May 2020 and 2021 respectively, was derived from a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers	853,760	1,058,846	1,093,164	364,142	537,923

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Type of goods or services					
Standardised lenses	702,997	879,459	887,851	294,591	418,685
Customised lenses	139,978	168,656	197,837	66,713	116,403
Others	10,785	10,731	7,476	2,838	2,835
	853,760	1,058,846	1,093,164	364,142	537,923

Geographical markets

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Asia (except the PRC)	314,528	397,903	291,541	115,604	135,763
PRC	125,649	168,917	260,376	84,933	135,151
United States	153,173	159,035	203,758	67,225	101,790
Europe	129,981	148,212	144,886	38,669	69,060
Americas (except the United States)	76,797	99,152	101,800	27,130	50,445
Africa	34,670	49,393	52,986	18,500	24,967
Oceania	18,962	36,234	37,817	12,081	20,747
Total revenue from contracts with customers	853,760	1,058,846	1,093,164	364,142	537,923
Timing of revenue recognition					
Goods transferred at a point in time	853,760	1,058,846	1,093,164	364,142	537,923

The following table shows the amounts of revenue recognised in each of the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue recognised that was included in contract liabilities at beginning of year/ period:					
Sale of resin spectacle lenses	4,592	8,440	10,880	7,244	9,791

(b) Performance obligations

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

Sale of goods

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Amounts expected to be recognised as revenue:					
Within one year	53,547	88,989	87,469	82,061	57,520

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

An analysis of other income and gains is as follows:

		Year ended 31 December			Five months ended 31 May	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income						
Government grants and subsidies						
related to income	*(i)*	2,337	6,868	7,688	1,343	2,183
related to assets	*(ii)*	2,565	1,000	1,545	548	868
Gross rental income from investment property operating leases		4,134	9,056	9,567	3,912	4,076
Bank interest income		344	135	100	17	73
Others		606	147	523	18	37
		9,986	17,206	19,423	5,838	7,237
Gains						
Fair value gain on financial assets at fair value through profit or loss		4,088	694	1,325	169	670
Foreign exchange differences, net		5,397	2,503	—	116	—
Gain on bargain purchase of investment in an associate *(note 18)*		—	—	2,150	—	—
Fair value gain on derivative financial instruments		—	—	—	—	1,944
Gain on disposal of items of property, plant and equipment		—	189	—	—	—
		9,485	3,386	3,475	285	2,614
		19,471	20,592	22,898	6,123	9,851

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

(ii) The Group has received certain government grants related to the investments in production bases. The grants related to assets were recognised in profit or loss over the useful lives of relevant assets. Details of these grants related to assets are set out in note 30 to the Historical Financial Information.

6. PROFIT BEFORE TAX

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

		Year ended 31 December			Five months ended 31 May	
		2018	2019	2020	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of inventories sold*		592,419	708,968	711,113	243,701	355,267
Depreciation of property, plant and equipment	13	35,604	57,244	42,436	17,272	18,588
Depreciation of right-of-use assets	*15*	2,103	2,417	1,487	663	782
Depreciation of investment properties	*14*	1,282	1,333	1,332	555	555
Amortisation of intangible assets	*16*	479	554	442	167	193
Research and development costs		35,263	37,135	39,579	9,645	17,139
Lease payments not included in the measurement of lease liabilities	*15(c)*	1,537	1,309	1,267	591	405
Auditor's remuneration		381	250	113	94	236
Listing expenses		—	—	8,013	—	8,854
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):						
Wages, salaries and other allowances		185,743	217,991	222,308	81,050	106,329
Equity-settled share award expense		995	—	—	—	—
Pension scheme contributions and social welfare		35,231	39,984	27,200	5,830	19,603
		221,969	257,975	249,508	86,880	125,932
Foreign exchange differences, net		(5,397)	(2,503)	16,414	(116)	6,245
Impairment/(reversal of impairment) of trade receivables	*21*	13,378	(2,655)	1,495	3,667	3,155
Impairment of property, plant and equipment		1,255	351	—	—	—
Write-down of inventories to net realisable value		11,763	3,873	1,359	677	6,775
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		61	143	145	63	59

* During the Relevant Periods, employee benefit expense of RMB134,840,000, RMB143,268,000, RMB134,583,000, RMB47,347,000 (unaudited) and RMB69,267,000 for each of the years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, respectively, and write-down of inventories to net realisable value of RMB11,763,000, RMB3,873,000, RMB1,359,000, RMB677,000 (unaudited) and RMB6,775,000 for each of the years ended 31 December 2018, 2019 and 2020 and the five months ended 31 May 2020 and 2021, respectively, were included in cost of inventories sold disclosed above.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank loans	6,696	27,339	37,316	16,208	13,690
Interest on other loans	—	613	3,066	1,429	941
Interest payable to the related parties *(note 36)*	2,511	19,305	6,561	3,664	—
Interest on lease liabilities	188	132	79	39	53
Interest on defined benefit obligations	53	58	57	22	24
	9,448	47,447	47,079	21,362	14,708

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

The Company did not have any chief executive, executive directors, non-executive directors, independent non-executive directors and supervisors before 20 June 2018, the date of incorporation of the Company.

Mr. Fei Zhengxiang was appointed as an executive director of the Company on 20 June 2018 and re-designated as executive director of the Company and the chairman of the board of directors of the Company on 22 February 2021. On 22 February 2021, Mr. Zheng Yuhong, Mr. Xia Guoping and Mr. Chen Junhua were appointed as executive directors of the Company and Dr. Takamatsu Ken was appointed as a non-executive director of the Company.

Mr. Fan Senxin was appointed as a supervisor of the Company on 20 June 2018 until 22 February 2021. On 22 February 2021, Mr. Zhang Huixiang, Mr. Xu Jingming and Mr. Tang Baohua were appointed as supervisors of the Company.

Certain of the directors and supervisors received remuneration from the subsidiaries now comprising the Group for their appointment as directors and supervisors of these subsidiaries. The remuneration of each of these directors and supervisors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	4,758	5,705	5,364	2,224	2,280
Pension scheme contributions	124	203	17	17	98
Total	4,882	5,908	5,381	2,241	2,378

(a) Independent non-executive directors

Dr. Xiao Fei, Mr. Chen Yi and Mr. Jin Yiting were appointed as independent non-executive directors of the Company on 22 February 2021. There was no emolument payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and non-executive directors

Year ended 31 December 2018

	Salaries, allowances and benefits in kind	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
— Mr. Fei Zhengxiang	1,115	27	1,142
— Mr. Zheng Yuhong	692	22	714
— Mr. Xia Guoping	727	—	727
— Mr. Chen Junhua	431	22	453
	2,965	71	3,036
Non-executive director:			
— Dr. Takamatsu Ken	—	—	—

Year ended 31 December 2019

	Salaries, allowances and benefits in kind	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
— Mr. Fei Zhengxiang	1,151	45	1,196
— Mr. Zheng Yuhong	707	42	749
— Mr. Xia Guoping	811	—	811
— Mr. Chen Junhua	601	47	648
	3,270	134	3,404
Non-executive director:			
— Dr. Takamatsu Ken	454	—	454

Year ended 31 December 2020

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors:			
— Mr. Fei Zhengxiang	1,073	4	1,077
— Mr. Zheng Yuhong	688	4	692
— Mr. Xia Guoping	683	—	683
— Mr. Chen Junhua	520	4	524
	2,964	12	2,976
Non-executive director:			
— Dr. Takamatsu Ken	611	—	611

Five months ended 31 May 2021

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors:			
— Mr. Fei Zhengxiang	455	23	478
— Mr. Zheng Yuhong	299	23	322
— Mr. Xia Guoping	291	—	291
— Mr. Chen Junhua	225	23	248
	1,270	69	1,339
Non-executive director:			
— Dr. Takamatsu Ken	242	—	242

Five months ended 31 May 2020 (unaudited)

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
— Mr. Fei Zhengxiang	443	4	447
— Mr. Zheng Yuhong	283	4	287
— Mr. Xia Guoping	284	—	284
— Mr. Chen Junhua	213	4	217
	1,223	12	1,235
Non-executive director:			
— Dr. Takamatsu Ken	261	—	261

(c) Supervisors

Year ended 31 December 2018

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Supervisors:			
— Mr. Fan Senxin	615	—	615
— Mr. Zhang Huixiang	742	22	764
— Mr. Xu Jingming	321	18	339
— Mr. Tang Baohua	115	13	128
	1,793	53	1,846

Year ended 31 December 2019

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Supervisors:			
— Mr. Fan Senxin	612	—	612
— Mr. Zhang Huixiang	730	15	745
— Mr. Xu Jingming	521	40	561
— Mr. Tang Baohua	118	14	132
	1,981	69	2,050

Year ended 31 December 2020

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Supervisors:			
— Mr. Fan Senxin	552	—	552
— Mr. Zhang Huixiang	665	—	665
— Mr. Xu Jingming	464	4	468
— Mr. Tang Baohua	108	1	109
	1,789	5	1,794

Five months ended 31 May 2021

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Supervisors:			
— Mr. Fan Senxin	234	—	234
— Mr. Zhang Huixiang	282	—	282
— Mr. Xu Jingming	202	23	225
— Mr. Tang Baohua	50	6	56
	768	29	797

Five months ended 31 May 2020 (unaudited)

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Supervisors:			
— Mr. Fan Senxin	230	—	230
— Mr. Zhang Huixiang	277	—	277
— Mr. Xu Jingming	189	4	193
— Mr. Tang Baohua	44	1	45
	740	5	745

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2018, 2019, 2020 and five months ended 31 May 2020 and 2021 included 4, 3, 3, 3 and 3 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2018, 2019, 2020 and five months ended 31 May 2020 and 2021 of the remaining 1, 2, 2, 2 and 2 highest paid employees who are neither a director nor chief executive or supervisor of the Company, respectively, are as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	814	1,605	1,656	555	657
Pension scheme contributions	—	43	2	7	32
Total	814	1,648	1,658	562	689

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

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Nil to HK$500,000	—	—	—	2	2
HK$500,001 to HK$1,000,000	1	2	1	—	—
HK$1,000,001 to HK$1,500,000	—	—	1	—	—
	1	2	2	2	2

10. INCOME TAX

Jiangsu Conant was granted with the qualification of High and New Technology Enterprises ("**HNTE**") on 17 November 2017 and was entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2017. Jiangsu Conant was granted with the qualification of HNTE on 2 December 2020 and is entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2020.

Shanghai Conant was granted with the qualification of HNTE on 27 November 2018 and was entitled to a preferential corporate income tax rate of 15% for a period of three years commencing from the year ended 31 December 2018 (2017: 25%).

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 Relevant Periods.

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% on the federal taxable income as well as Georgia's state corporate income tax at the rate of 5.75% on its Georgia taxable income during the Relevant Periods.

According to prevailing Mexican tax law, the subsidiaries located in Mexico were subject to federal corporate income tax at a rate of 30% during the Relevant Periods.

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 34.48%, 34.26%, 34.26%, 34.26% and 34.26% for the years ended 31 December 2018, 2019 and 2020 and five months ended 31 May 2020 and 2021, respectively.

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current — Mainland China	2,323	12,708	14,060	6,551	8,050
Current — Hong Kong	1,198	448	637	637	515
Current — Japan	3,034	4,236	2,715	557	1,620
Current — Mexico	124	—	—	—	—
Current — U.S.A.	800	736	1,046	174	994
Deferred tax expense *(note 19)*	7,020	9,287	8,343	1,525	4,465
Total tax charge for the year/ period	14,499	27,415	26,801	9,444	15,644

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 for each of the Relevant Periods is as follows:

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before tax	92,961	139,316	155,263	41,946	80,226
Tax at the statutory tax rate of 25%	23,240	34,829	38,815	10,487	20,056
Impact of different tax rates applied to subsidiaries	(6,169)	(10,603)	(13,849)	(4,133)	(7,360)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries	550	608	578	416	536
Effect on opening deferred tax of decrease in rates	749	136	—	—	—
Losses attributable to a joint venture and an associate	—	25	7	1	123
Income not subject to tax	(83)	(98)	(448)	(68)	(64)
Expenses not deductible for tax	1,211	2,833	2,484	1,038	72
Additional deduction on research and development expenses	(4,021)	(4,167)	(4,393)	(1,034)	(2,497)
Unrecognised deductible temporary differences	149	276	181	21	3,125
Tax losses not recognised	362	2,580	2,588	2,235	1,690
Deferred tax relating to items credited to equity	(1,628)	—	—	—	—
Paid enterprise tax deductible for tax	139	177	(238)	(102)	(186)
Others	—	819	1,076	583	149
Tax charge at the Group's effective rate	14,499	27,415	26,801	9,444	15,644

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

Dividends of RMB30,770,000 have been paid by the subsidiaries to the then equity holder of the subsidiaries in 2018.

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

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Regrouping and the basis of presentation of the results of the Group for the Relevant Periods as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2018

	Freehold land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Devices and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2018								
Cost	202,159	6,692	202,464	10,318	19,302	9,862	6,670	457,467
Accumulated depreciation	(40,127)	(3,223)	(70,572)	(5,873)	(11,990)	(5,677)	—	(137,462)
Impairment	(10)	—	(730)	—	(7)	(5)	—	(752)
Net carrying amount	162,022	3,469	131,162	4,445	7,305	4,180	6,670	319,253
At 1 January 2018, Net of accumulated depreciation and impairment	162,022	3,469	131,162	4,445	7,305	4,180	6,670	319,253
Additions	8,377	388	41,861	1,178	1,860	5,028	8,430	67,122
Construction in progress transferred into fixed assets	7,901	—	1,679	—	1,376	—	(10,956)	—
Disposals	—	(16)	(920)	(51)	(413)	(27)	(4,144)	(5,571)
Depreciation provided for the year	(9,104)	(1,251)	(20,158)	(1,301)	(2,168)	(1,622)	—	(35,604)
Impairment	—	—	(1,249)	—	—	(6)	—	(1,255)
Exchange differences	510	52	385	—	—	76	—	1,023
At 31 December 2018, Net of accumulated depreciation and impairment	169,706	2,642	152,760	4,271	7,960	7,629	—	344,968
At 31 December 2018								
Cost	219,012	7,046	238,847	10,832	19,849	14,225	—	509,811
Accumulated depreciation	(49,296)	(4,404)	(85,412)	(6,561)	(11,889)	(6,593)	—	(164,155)
Accumulated impairment	(10)	—	(675)	—	—	(3)	—	(688)
Net carrying amount	169,706	2,642	152,760	4,271	7,960	7,629	—	344,968

31 December 2019

	Freehold land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Devices and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2019								
Cost	219,012	7,046	238,847	10,832	19,849	14,225	—	509,811
Accumulated depreciation	(49,296)	(4,404)	(85,412)	(6,561)	(11,889)	(6,593)	—	(164,155)
Impairment	(10)	—	(675)	—	—	(3)	—	(688)
Net carrying amount	169,706	2,642	152,760	4,271	7,960	7,629	—	344,968
At 1 January 2019, Net of accumulated depreciation and impairment	169,706	2,642	152,760	4,271	7,960	7,629	—	344,968
Additions	1,781	3,861	42,167	2,001	1,795	2,509	273	54,387
Construction in progress transferred into fixed assets	273	—	—	—	—	—	(273)	—
Disposals	—	—	(6,181)	—	(107)	(39)	—	(6,327)
Depreciation provided for the year	(10,309)	(690)	(40,102)	(1,767)	(2,432)	(1,944)	—	(57,244)
Impairment	—	—	(350)	—	(1)	—	—	(351)
Exchange differences	280	88	235	—	—	40	—	643
At 31 December 2019, Net of accumulated depreciation and impairment	161,731	5,901	148,529	4,505	7,215	8,195	—	336,076
At 31 December 2019								
Cost	221,391	11,019	254,749	12,833	20,915	16,415	—	537,322
Accumulated depreciation	(59,650)	(5,118)	(105,789)	(8,328)	(13,699)	(8,220)	—	(200,804)
Accumulated impairment	(10)	—	(431)	—	(1)	—	—	(442)
Net carrying amount	161,731	5,901	148,529	4,505	7,215	8,195	—	336,076

31 December 2020

	Freehold land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Devices and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2020								
Cost	221,391	11,019	254,749	12,833	20,915	16,415	—	537,322
Accumulated depreciation	(59,650)	(5,118)	(105,789)	(8,328)	(13,699)	(8,220)	—	(200,804)
Impairment	(10)	—	(431)	—	(1)	—	—	(442)
Net carrying amount	161,731	5,901	148,529	4,505	7,215	8,195	—	336,076
At 1 January 2020, Net of accumulated depreciation and impairment	161,731	5,901	148,529	4,505	7,215	8,195	—	336,076
Additions	271	845	35,491	546	1,788	2,558	9,249	50,748
Construction in progress transferred into fixed assets	227	—	8,691	—	21	—	(8,939)	—
Disposals	(47)	—	(1,539)	(92)	(67)	(87)	—	(1,832)
Depreciation provided for the year	(10,036)	(1,034)	(25,117)	(1,774)	(2,332)	(2,143)	—	(42,436)
Exchange differences	(106)	(59)	(119)	(1)	—	(13)	—	(298)
At 31 December 2020, Net of accumulated depreciation and impairment	152,040	5,653	165,936	3,184	6,625	8,510	310	342,258
At 31 December 2020								
Cost	221,651	11,734	292,836	11,538	21,563	17,276	310	576,908
Accumulated depreciation	(69,601)	(6,081)	(126,487)	(8,354)	(14,938)	(8,766)	—	(234,227)
Accumulated impairment	(10)	—	(413)	—	—	—	—	(423)
Net carrying amount	152,040	5,653	165,936	3,184	6,625	8,510	310	342,258

31 May 2021

	Freehold land and buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Devices and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2021								
Cost	221,651	11,734	292,836	11,538	21,563	17,276	310	576,908
Accumulated depreciation	(69,601)	(6,081)	(126,487)	(8,354)	(14,938)	(8,766)	—	(234,227)
Impairment	(10)	—	(413)	—	—	—	—	(423)
Net carrying amount	152,040	5,653	165,936	3,184	6,625	8,510	310	342,258
At 1 January 2021, Net of accumulated depreciation and impairment	152,040	5,653	165,936	3,184	6,625	8,510	310	342,258
Additions	—	—	8,432	293	677	404	2,093	11,899
Construction in progress transferred into fixed assets	—	—	1,224	—	—	—	(1,224)	—
Disposals	—	—	(470)	—	(6)	(5)	—	(481)
Depreciation provided for the period	(4,209)	(276)	(11,356)	(918)	(860)	(969)	—	(18,588)
Exchange differences	(642)	(377)	(464)	(11)	—	(77)	—	(1,571)
At 31 May 2021, Net of accumulated depreciation and impairment	147,189	5,000	163,302	2,548	6,436	7,863	1,179	333,517
At 31 May 2021								
Cost	220,866	11,248	297,857	11,820	22,102	17,430	1,179	582,502
Accumulated depreciation	(73,667)	(6,248)	(134,212)	(9,272)	(15,666)	(9,567)	—	(248,632)
Accumulated impairment	(10)	—	(343)	—	—	—	—	(353)
Net carrying amount	147,189	5,000	163,302	2,548	6,436	7,863	1,179	333,517

As at 31 December 2018 and 2019, the Group identified the obsolete machineries, which were idle and not expected to be used in the future. The directors of the Company assessed the recoverable amounts of the obsolete machineries based on the fair value less costs of disposal and provided impairment provision of RMB1,255,000 and RMB351,000, respectively. When determining the fair value less costs of disposal, the fair value is determined based on market price of scrap iron which is Level 2 input that are indirectly observable based on current market expectations.

The Group's property, plant and equipment with carrying values of RMB164,313,000, RMB206,760,000, RMB189,343,000 and RMB190,027,000 at 31 December 2018, 2019 and 2020 and 31 May 2021 were pledged to secure general banking facilities granted to the Group (note 28).

14. INVESTMENT PROPERTIES

Group

	31 December 2018	2019	2020	31 May 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at the beginning of the year/ period				
Cost	33,249	33,948	33,948	33,948
Accumulated depreciation	(10,485)	(11,767)	(13,100)	(14,432)
Net carrying amount at the beginning of the year/period	22,764	22,181	20,848	19,516
Additions	699	—	—	—
Depreciation	(1,282)	(1,333)	(1,332)	(555)
As at the end of the year/period, Net of accumulated depreciation	22,181	20,848	19,516	18,961
Cost	33,948	33,948	33,948	33,948
Accumulated depreciation	(11,767)	(13,100)	(14,432)	(14,987)
Net carrying amount	22,181	20,848	19,516	18,961

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

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

The Group's investment properties with carrying values of RMB22,181,000, RMB20,848,000, RMB19,516,000, and RMB18,961,000 at 31 December 2018, 2019 and 2020 and 31 May 2021 were pledged to secure general banking facilities granted to the Group (note 28).

Fair value hierarchy

The following table illustrates the fair value hierarchy of the Group's investment properties for which fair values are disclosed:

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value disclosure for:				
Industrial properties	—	—	71,290	71,290

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value disclosure for:				
Industrial properties	—	—	79,410	79,410

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value disclosure for:				
Industrial properties	—	—	88,490	88,490

	Fair value measurement as at 31 May 2021 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value disclosure for:				
Industrial properties	—	—	92,560	92,560

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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

			Range or weighted average			
	Valuation technique	**Significant unobservable inputs**	**31 December 2018**	**2019**	**2020**	**31 May 2021**
Industrial properties	Income approach	Expected rental value (per square metre and per month)	RMB36	RMB38	RMB39	RMB41
		Capitalisation rate	11.50%	11.50%	11.50%	11.50%

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

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

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and properties generally have lease terms between 2 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

Group

	Leasehold land	Plant and properties	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2018	6,569	2,887	9,456
Additions	—	3,351	3,351
Depreciation charge	(182)	(1,921)	(2,103)
As at 31 December 2018 and 1 January 2019	6,387	4,317	10,704
Additions	—	747	747
Depreciation charge	(175)	(2,242)	(2,417)
As at 31 December 2019 and 1 January 2020	6,212	2,822	9,034
Additions	—	8	8
Depreciation charge	(175)	(1,312)	(1,487)
As at 31 December 2020 and 1 January 2021	6,037	1,518	7,555
Additions	—	2,074	2,074
Depreciation charge	(73)	(709)	(782)
As at 31 May 2021	5,964	2,883	8,847

The Group's leasehold land with carrying values of RMB6,387,000, RMB6,212,000, RMB6,037,000 and RMB5,964,000 at 31 December 2018, 2019, 2020 and 31 May 2021 was pledged to secure general banking facilities granted to the Group (note 28).

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

Group

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	2,668	4,185	2,671	1,334
New leases	2,746	521	8	2,074
Accretion of interest recognised during the year/period	188	132	79	53
Payments	(1,417)	(2,167)	(1,424)	(635)
Carrying amount at end of the year/period	4,185	2,671	1,334	2,826
Analysed into:				
Current portion	2,161	1,546	738	1,031
Non-current portion	2,024	1,125	596	1,795

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

Group

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on lease liabilities	188	132	79	39	53
Depreciation charge of right-of-use assets	2,103	2,417	1,487	663	782
Expenses relating to short-term leases	1,537	1,309	1,267	591	405
Total amount recognised in profit or loss	3,828	3,858	2,833	1,293	1,240

The Group as a lessor

The Group leases its investment properties (note 14) consisting of four industrial properties in Shanghai under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

The undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants at the end of each of the Relevant Periods are as follows:

		31 December		31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	10,120	10,120	10,231	10,722
After one year but within two years	10,120	10,231	11,603	12,120
After two years but within three years	10,231	11,603	12,467	12,761
After three years but within four years	11,603	12,467	13,126	13,360
After four years but within five years	12,467	13,126	5,685	—
After five years	13,126	5,685	—	—
	67,667	63,232	53,112	48,963

16. OTHER INTANGIBLE ASSETS

Group

	Software	**Trademarks**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2018			
At 1 January 2018:			
Cost	3,451	72	3,523
Accumulated amortisation	(2,367)	(51)	(2,418)
Net carrying amount	1,084	21	1,105
At 1 January 2018, net of accumulated amortisation	1,084	21	1,105
Additions	176	—	176
Exchange differences	(23)	1	(22)
Amortisation provided during the year	(469)	(10)	(479)
At 31 December 2018, net of accumulated amortisation	768	12	780
At 31 December 2018:			
Cost	2,927	77	3,004
Accumulated amortisation	(2,159)	(65)	(2,224)
Net carrying amount	768	12	780

	Software	Trademarks	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2019			
At 1 January 2019:			
Cost	2,927	77	3,004
Accumulated amortisation	(2,159)	(65)	(2,224)
Net carrying amount	768	12	780
At 1 January 2019, net of accumulated amortisation	768	12	780
Additions	937	—	937
Exchange differences	54	—	54
Amortisation provided during the year	(546)	(8)	(554)
At 31 December 2019, net of accumulated amortisation	1,213	4	1,217
At 31 December 2019:			
Cost	3,903	79	3,982
Accumulated amortisation	(2,690)	(75)	(2,765)
Net carrying amount	1,213	4	1,217

	Software	Trademarks	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2020			
At 1 January 2020:			
Cost	3,903	79	3,982
Accumulated amortisation	(2,690)	(75)	(2,765)
Net carrying amount	1,213	4	1,217
At 1 January 2020, net of accumulated amortisation	1,213	4	1,217
Additions	176	—	176
Exchange differences	(1)	—	(1)
Amortisation provided during the year	(438)	(4)	(442)
At 31 December 2020, net of accumulated amortisation	950	—	950
At 31 December 2020:			
Cost	4,058	78	4,136
Accumulated amortisation	(3,108)	(78)	(3,186)
Net carrying amount	950	—	950

	Software	Trademarks	Total
	RMB'000	*RMB'000*	*RMB'000*
31 May 2021			
At 1 January 2021:			
Cost	4,058	78	4,136
Accumulated amortisation	(3,108)	(78)	(3,186)
Net carrying amount	950	—	950
At 1 January 2021, net of accumulated amortisation	950	—	950
Additions	69	—	69
Exchange differences	(48)	—	(48)
Amortisation provided during the period	(193)	—	(193)
At 31 May 2021, net of accumulated amortisation	778	—	778
At 31 May 2021:			
Cost	3,994	72	4,066
Accumulated amortisation	(3,216)	(72)	(3,288)
Net carrying amount	778	—	778

17. INVESTMENT IN A JOINT VENTURE

Group

		31 December		31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	—	235	193	113
Loan to joint venture	—	2,328	2,328	2,328
Carrying amount of the investment	—	2,563	2,521	2,441

The loan to a joint venture is unsecured, interest-free and repayable on demand. In the opinion of the directors, the loan is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investments in the joint venture. There was no recent history of default and past due amounts for the loan to the joint venture. As at 31 December 2018, 2019 and 2020 and 31 May 2021, the loss allowance was assessed to be minimal.

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

Name of company	Place of registration and business	Nominal value of registered share capital *('000)*	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
箱根三丸株式會社	Japan	JPY15,000	33%	33%	33%	Hotel management

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

	31 December 2019 *RMB'000*	31 December 2020 *RMB'000*	31 May 2021 *RMB'000*
Share of the joint venture's loss for the year/period	(152)	(42)	(80)
Share of the joint venture's total comprehensive income	(152)	(42)	(80)
Carrying amount of the Group's investments in the joint venture	2,563	2,521	2,441

18. INVESTMENT IN AN ASSOCIATE

Group

	31 December 2018 *RMB'000*	31 December 2019 *RMB'000*	31 December 2020 *RMB'000*	31 May 2021 *RMB'000*
Share of net assets	—	—	12,572	11,837

The Group's receivable and payable balances with associates are disclosed in note 36(4) to the Historical Financial Information.

Particulars of the Group's associate is as follows:

Name of company	Place of registration and business	Nominal value of registered share capital *('000)*	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
江蘇藍圖眼鏡有限公司 Jiangsu Blue Optics Lens Co., Ltd. ("**Jiangsu Blue Optics Lens**") *(Note 1)*	PRC/ Mainland China	RMB31,800	49%	49%	49%	Sale of spectacle cases and frames

Note 1: The Group acquired 49% interest in Jiangsu Blue Optics Lens in December 2020.

The above investment is indirectly held by the Company.

Jiangsu Blue Optics Lens is considered as a material associate of the Group during the Relevant Periods, principally engaged in the sale of spectacle cases and frames in Mainland China and is accounted for using the equity method.

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

	31 December 2020	31 May 2021
	RMB'000	*RMB'000*
Cash and cash equivalents	420	1,395
Other current assets	24,022	5,367
Current assets	24,442	6,762
Non-current assets	20,100	36,183
Financial liabilities, excluding trade and other payables and accruals	(18,000)	(18,000)
Other current liabilities	(886)	(787)
Current liabilities	(18,886)	(18,787)
Net assets	25,656	24,158
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	49%	49%
Group's share of net assets of the associate	12,572	11,837
Gains on bargain purchase recognised in other income and gains for the year ended 31 December 2020	(2,150)	N/A
Consideration for acquisition of the associate	10,422	N/A
Revenue	13,063	3,151
Loss for the year/period	(3,446)	(1,519)
The above loss for the year/period includes the following:		
Depreciation and amortisation	(491)	(178)
Interest income	—	—
Interest expense	(42)	(45)
Income tax expense	(1,060)	(614)
Share of loss by the Group	—	(735)

The Group had due assessment of the operations and financial performance of Jiangsu Blue Optics Lens and noted that it has limited business operations and is loss-making. Therefore, the Group was able to complete the share purchase with a bargain price.

19. DEFERRED TAXES

Group

The movements in deferred tax liabilities and assets during the years ended 31 December 2018, 2019 and 2020 and five months ended 31 May 2021 are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation *RMB'000*	Fair value adjustments arising from financial assets at fair value through profit or loss *RMB'000*	Withholding taxes *RMB'000*	Total *RMB'000*
At 1 January 2018	943	—	3,414	4,357
Deferred tax charged to profit or loss during the year	7,041	308	(648)	6,701
Exchange differences	58	—	—	58
Gross deferred tax liabilities at 31 December 2018	8,042	308	2,766	11,116
Deferred tax charged to profit or loss during the year	3,022	(187)	160	2,995
Exchange differences	38	—	—	38
Gross deferred tax liabilities at 31 December 2019	11,102	121	2,926	14,149
Deferred tax charged to profit or loss during the year	5,229	(121)	(59)	5,049
Exchange differences	(16)	—	—	(16)
Gross deferred tax liabilities at 31 December 2020	16,315	—	2,867	19,182
Deferred tax charged to profit or loss during the period	572	55	21	648
Exchange differences	(98)	—	—	(98)
Gross deferred tax liabilities at 31 May 2021	16,789	55	2,888	19,732

Deferred tax assets

	Impairment of financial assets RMB'000	Provision of inventories RMB'000	Impairment of property, plant and equipment RMB'000	Impact of share-based payment RMB'000	Government grants RMB'000	Unrealised profits RMB'000	Losses available for offsetting against future taxable profits RMB'000	Expense for offsetting against future taxable profits RMB'000	Derivative financial instruments RMB'000	Total RMB'000
At 1 January 2018	11,842	2,228	117	3,971	792	2,712	20,825	11,291	—	53,778
Deferred tax (charged)/ credited to profit or loss during the year	1,592	(924)	(14)	(180)	415	366	(2,822)	1,248	—	(319)
Deferred tax charged/ (credited) to the reserve	—	—	—	(3,760)	—	—	—	—	—	(3,760)
Exchange differences	—	64	—	—	—	—	1,001	463	—	1,528
At 31 December 2018 and 1 January 2019	13,434	1,368	103	31	1,207	3,078	19,004	13,002	—	51,227
Deferred tax credited/ (charged) to profit or loss during the year	(500)	(258)	(37)	(31)	656	212	(7,428)	1,094	—	(6,292)
Exchange differences	—	35	—	—	9	—	421	259	—	724
At 31 December 2019 and 1 January 2020	12,934	1,145	66	—	1,872	3,290	11,997	14,355	—	45,659
Deferred tax (charged)/ credited to profit or loss during the year	(3)	(22)	(3)	—	270	(938)	(2,862)	(90)	354	(3,294)
Exchange differences	—	(13)	—	—	(7)	—	(121)	(96)	—	(237)
At 31 December 2020 and 1 January 2021	12,931	1,110	63	—	2,135	2,352	9,014	14,169	354	42,128
Deferred tax (charged)/ credited to profit or loss during the period	(2,542)	(50)	(11)	—	(123)	(487)	(1,588)	1,276	(292)	(3,817)
Exchange differences	—	(79)	—	—	(40)	—	(573)	(613)	—	(1,305)
At 31 May 2021	10,389	981	52	—	1,972	1,865	6,853	14,832	62	37,006

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

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	45,828	37,707	32,016	27,407
Net deferred tax liabilities recognised in the consolidated statements of financial position	(5,717)	(6,197)	(9,070)	(10,133)
	40,111	31,510	22,946	17,274

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

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	2,095	12,628	22,392	28,931
Impairment of financial assets	213	233	275	4,452
Provision of inventories	2,729	3,639	2,517	8,685
	5,037	16,500	25,184	36,017

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

The Group had accumulated tax losses arising in Mainland China of RMB575,000, RMB9,957,000, RMB17,716,000 and RMB23,157,000 as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively, which are available for offsetting against future taxable profits in one to five years.

The Group had accumulated tax losses arising in Mexico of RMB1,520,000, RMB2,671,000, RMB4,676,000 and RMB5,774,000 as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively, which are available for offsetting against future taxable profits in one to ten years.

Company

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

	31 December			31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	575	9,957	17,716	23,157
Impairment of financial assets	—	52	79	52
Impairment of investment in a subsidiary	—	2,023	2,023	2,023
	575	12,032	19,818	25,232

20. INVENTORIES

Group

	31 December			31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	144,529	152,290	171,988	167,259
Work in progress	17,710	20,822	10,282	9,188
Finished goods	124,015	159,574	209,092	206,220
	286,254	332,686	391,362	382,667

21. TRADE AND BILLS RECEIVABLES

Group

	31 December			31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	211,839	268,254	290,521	260,067
Bills receivable	408	253	292	127
Impairment	(62,380)	(59,397)	(59,806)	(53,737)
	149,867	209,110	231,007	206,457

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:

Group

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	130,545	186,819	208,036	178,363
3 to 6 months	8,838	14,292	17,674	19,771
6 to 12 months	3,325	6,290	3,110	6,104
1 to 2 years	5,864	559	1,831	1,365
2 to 3 years	887	897	64	727
	149,459	208,857	230,715	206,330

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

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	51,085	62,380	59,397	59,806
Impairment losses recognised	13,378	(2,655)	1,495	3,155
Amount written off as uncollectible	(2,083)	(328)	(1,086)	(9,224)
At the end of year/period	62,380	59,397	59,806	53,737

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.

The following table sets out the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 31 December 2018:

	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	2.85%	13.74%	20.00%	61.58%	97.13%	100.00%	29.45%
Gross carrying amount *(RMB'000)*	134,378	10,246	4,156	15,263	30,874	16,922	211,839
Expected credit loss *(RMB'000)*	3,833	1,408	831	9,399	29,987	16,922	62,380

The following table sets out the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 31 December 2019:

	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	1.65%	11.56%	19.99%	63.70%	89.47%	100.00%	22.14%
Gross carrying amount *(RMB'000)*	189,946	16,161	7,862	1,540	8,519	44,226	268,254
Expected credit loss *(RMB'000)*	3,127	1,869	1,572	981	7,622	44,226	59,397

The following table sets out the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 31 December 2020:

	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	2.10%	10.56%	20.01%	59.07%	87.52%	100.00%	20.59%
Gross carrying amount *(RMB'000)*	212,506	19,761	3,888	4,473	513	49,380	290,521
Expected credit loss *(RMB'000)*	4,470	2,087	778	2,642	449	49,380	59,806

The following table sets out the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 31 May 2021:

	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%	100.00%	20.66%
Gross carrying amount *(RMB'000)*	181,616	23,291	8,125	5,179	2,404	39,452	260,067
Expected credit loss *(RMB'000)*	3,253	3,520	2,021	3,814	1,677	39,452	53,737

Company

	31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	31 May 2021 RMB'000
Trade receivables — third parties	—	1,721	1,626	1,724
Trade receivables — subsidiaries of the Company	—	1,271	4,713	177
Impairment	—	(52)	(79)	(52)
	—	2,940	6,260	1,849

Trade receivables are non-interest-bearing.

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

	31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	31 May 2021 RMB'000
At beginning of year/period	—	—	52	79
Impairment losses recognised	—	52	27	(27)
At the end of year/period	—	52	79	52

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

	31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000	31 May 2021 RMB'000
Expected credit loss rate	—	1.74%	1.25%	2.74%
Gross carrying amount	—	2,992	6,339	1,901
Expected credit losses	—	52	79	52

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

		31 December		31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Prepayments to suppliers	14,038	4,659	2,988	9,853
Other prepayments	3,032	2,138	5,178	6,794
Other tax recoverable	11,301	9,531	8,105	8,499
Prepaid listing expenditures	—	—	3,194	6,719
Other receivables and deposits	5,568	3,086	1,949	13,610
Export tax refundable	2,648	1,694	4,939	1,212
	36,587	21,108	26,353	46,687
Non-current portion:				
Prepayment for property, plant and equipment	1,609	7,411	1,488	2,485

None of the above balances is past due. The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2018, 2019 and 2020 and 31 May 2021, the loss allowance was assessed to be minimal.

As there was no significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). As at 31 December 2018, 2019 and 2020 and 31 May 2021, the credit rating of other receivables was performing. The Group assessed that the expected credit losses for these receivables were not material under the 12-month expected losses method. In view of the history of cooperation with debtors and the sound collection history of receivables, management believes that the credit risk inherent in the outstanding other receivable balances of the Group is not significant. The expected credit loss rate is close to zero.

Company

		31 December		31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Amounts due from subsidiaries	—	—	—	154,290
Prepayments to suppliers	—	440	—	—
Other receivables and deposits	4	—	—	228
	4	440	—	154,518

Amounts due from subsidiaries and other receivables are non-interest-bearing, unsecured and repayable on demand.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	31 December 2018	31 December 2019	31 December 2020	31 May 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other unlisted investments, at fair value	73,551	98,206	—	53,770

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

The Group's financial assets at fair value through profit or loss amounting to RMB20,229,000 at 31 December 2019 were pledged to secure general banking facilities granted to the Group (note 28).

24. CASH AND CASH EQUIVALENTS

Group

	31 December 2018	31 December 2019	31 December 2020	31 May 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	109,182	62,118	201,850	177,085

	31 December 2018	31 December 2019	31 December 2020	31 May 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents denominated in				
RMB	43,017	10,057	123,240	91,111
JPY	35,797	33,794	54,516	63,183
USD	24,203	14,564	8,672	20,849
HKD	3,342	2,351	14,014	9
Others	2,823	1,352	1,408	1,933
Cash and bank balances	109,182	62,118	201,850	177,085

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

Company

	31 December 2018	31 December 2019	31 December 2020	31 May 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	10,311	254	21,088	8,240

The Company's cash and cash equivalents are denominated in RMB.

25. 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:

Group

	31 December 2018	31 December 2019	31 December 2020	31 May 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 month	44,498	44,112	63,711	48,038
3 to 6 month	5,037	4,137	17,264	12,132
6 to 12 month	207	1,224	2,840	2,771
Over 1 year	142	584	502	462
	49,884	50,057	84,317	63,403

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

26. OTHER PAYABLES AND ACCRUALS

Group

	Notes	31 December 2018	31 December 2019	31 December 2020	31 May 2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payable		60,660	74,221	78,238	73,943
Contract liabilities	*(1)*	8,976	11,667	16,110	20,132
Tax payable other than income tax		3,366	5,903	7,891	7,203
Receipts in advance from customers		2,221	2,331	1,424	814
Other current liabilities	*(3)*	2,825	3,853	4,469	6,199
Deposits received and other payables	*(2)*	17,421	15,204	20,920	19,300
		95,469	113,179	129,052	127,591

Notes:

(1) The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 December 2018, 2019 and 2020 and 31 May 2021 are expected to be recognised within one year:

	31 December 2018	31 December 2019	31 December 2020	31 May 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term advances received from customers				
Sale of goods	8,976	11,667	16,110	20,132

Contract liabilities include short-term advances received to deliver industrial products. The increase in contract liabilities during the Relevant Periods mainly due to the increase in short-term advances received from customers in relation to the sales growing up.

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

(3) Other current liabilities represented accrued sales commission.

Company

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payable	—	1,641	4,222	3,227
Receipts in advance from customers	—	2,331	1,424	814
Amounts due to subsidiaries	—	—	78,108	55,716
Deposits received and other payables	9,434	10,540	15,475	14,774
	9,434	14,512	99,229	74,531

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Deposits received and other payables were related to reimbursements payable to employees, rental deposits received and payables in respect of various expenses. The above balances are unsecured, non-interest-bearing and repayable on demand.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cross-currency interest rate swaps	—	—	2,361	417
Current portion	—	—	2,361	417

The cross-currency interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Fair value loss of non-hedging cross-currency interest rate swaps amounting to RMB2,361,000 was charged to profit or loss for the year ended 31 December 2020. Fair value gain of non-hedging cross-currency interest rate swaps amounting to RMB1,944,000 was credited to profit or loss for the five months ended 31 May 2021.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	31 December 2018			31 December 2019			31 December 2020			31 May 2021		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current												
Bank loans — secured	1.48–5.66	2019	165,626	1.48–5.44	2020	190,164	1.48–5.39	2021	232,227	1.48–4.35	2021–2022	135,683
Bank loans — unsecured	—	—	—	—	—	—	—	—	—	4.20–4.25	2022	40,000
Current portion of long term bank loans — secured	6.86	2019	40,210	6.37	2020	30,837	6.37	2021	40,754	6.37	2021–2022	49,689
Current portion of other loans — secured	—	—	—	6.05	2020	16,028	6.05	2021	17,028	6.05	2021–2022	17,391
Current portion of other loans — unsecured	—	—	—	—	—	—	0.21	2021	1,621	0.21	2021–2022	2,651
			205,836			237,029			291,630			245,414
Non-current												
Bank loans — secured	6.86	2023	160,000	6.37	2021–2026	400,000	6.37	2022–2026	360,000	6.37	2022–2026	335,000
Other loans — secured	—	—	—	6.05	2021–2022	34,532	6.05	2022	17,895	6.05	2022	9,110
Other loans — unsecured	—	—	—	—	—	—	0.21	2023	4,745	0.21	2022–2023	3,143
			160,000			434,532			382,640			347,253
			365,836			671,561			674,270			592,667

Company

	31 December 2018			31 December 2019			31 December 2020			31 May 2021		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current												
Current portion of long term bank loans — secured	6.86	2019	40,150	6.37	2020	30,837	6.37	2021	40,754	6.37	2021–2022	49,689
			40,150			30,837			40,754			49,689
Non-current												
Bank loans — secured	6.86	2023	160,000	6.37	2021–2026	400,000	6.37	2022–2026	360,000	6.37	2021–2026	335,000
			160,000			400,000			360,000			335,000
			200,150			430,837			400,754			384,689

Bank and other borrowings

Group

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Repayable within one year	205,836	237,029	291,630	245,414
Repayable in the second year	—	74,532	197,895	167,003
Repayable within three to five years	160,000	180,000	184,745	180,250
Repayable in more than five years	—	180,000	—	—
	365,836	671,561	674,270	592,667

Notes:

(a) Except for the bank and other loans amounting to RMB1,917,000, RMB1,923,000, RMB15,536,000 and RMB14,195,000 as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively, which are denominated in Japanese Yen, all the Group's bank and other borrowings are denominated in Renminbi.

(b) The Group's bank borrowings amounting to RMB133,388,000, RMB589,639,000, RMB402,202,000 and RMB385,358,000 as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively, were borrowings with floating interest rates.

(c) Certain of the Group's bank and other loans are secured by:

(i) mortgages over the Group's investment properties situated in Mainland China, which had aggregate carrying values of RMB22,181,000, RMB20,848,000, RMB19,516,000 and RMB18,961,000 at 31 December 2018, 2019 and 2020 and 31 May 2021;

(ii) mortgages over the Group's property, plant and equipment, which had aggregate carrying values of RMB164,313,000, RMB206,760,000, RMB189,343,000 and RMB190,027,000 at 31 December 2018, 2019 and 2020 and 31 May 2021;

(iii) mortgages over the Group's leasehold land, which had aggregate carrying values of RMB6,387,000, RMB6,212,000, RMB6,037,000 and RMB5,964,000 at 31 December 2018, 2019 and 2020 and 31 May 2021; and

(iv) the pledge of certain of the Group's financial assets at fair value through profit or loss amounting to RMB20,229,000 at 31 December 2019.

In addition, the Controlling Shareholder, Mr. Fei Zhengxiang, has guaranteed certain of the Group's bank and other borrowings of up to RMB251,388,000, RMB628,413,000, RMB581,532,000 and RMB46,501,000 as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively.

The board of directors of the Company confirmed that all guarantees provided by Mr. Fei Zhengxiang will be fully released upon the Listing.

旗天科技集團股份有限公司 (Qitian Technology Group Co., Ltd., "**Qitian Technology**") has guaranteed certain of the Group's bank borrowings of up to RMB302,000,000 as at 31 December 2018.

(d) The Controlling Shareholder, Mr. Fei Zhengxiang and the shareholder of the Company, Mr. Fan Senxin have pledged their equity interests in the Company, and the Company has pledged the equity interests in certain of its subsidiaries to secure the Company's bank loans of RMB200,150,000, RMB430,837,000, RMB400,754,000 and nil as at 31 December 2018, 2019 and 2020 and 31 May 2021, respectively.

(e) The Group's other loan amounting to RMB50,560,000, RMB34,923,000 and RMB26,501,000 as at 31 December 2019 and 2020 and 31 May 2021, respectively, which is from an independent financial corporation, is pledged by the property, plant and equipment with carrying values of RMB57,286,000, RMB48,902,000 and RMB45,191,000, bears interest at 6.05% per annum and is repayable by 12 quarterly instalments commencing on 3 November 2019.

(f) The Group's other loan amounting to RMB6,366,000 and RMB5,794,000 as at 31 December 2020 and 31 May 2021, which is from a public corporation wholly owned by the Japanese government, is unsecured, bears interest at 0.21% per annum and is repayable by 36 monthly equal instalments commencing on 31 July 2020.

29. DEFINED BENEFIT OBLIGATIONS

		31 December		**31 May**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Termination benefit plans	13,615	13,535	13,046	12,278

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

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

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

		31 December		**31 May**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Discount rate (%)	0.3%	0.3%	0.3%	0.3%
Expected rate of salary increases (%)	0%	0%	0%	0%
Expected rate of voluntary separation (%)	3%	3%	3%	3%
Expected rate of passive separation (%)	0.5%	0.5%	0.5%	0.5%

These plans are exposed to interest rate risk.

A quantitative sensitivity analysis for significant assumptions impact on defined benefit obligation as at the end of the reporting periods are as shown below:

	31 December			31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Discount rate				
0.5% increase	(669)	(672)	(700)	(712)
0.5% decrease	730	732	770	859
Expected rate of salary increases				
1% increase	1,487	1,461	1,555	1,704
1% decrease	(1,271)	(1,251)	(1,307)	(1,432)
Expected rate of voluntary separation				
1% increase	(470)	(453)	(520)	(577)
1% decrease	537	517	603	671
Expected rate of passive separation				
1% increase	(239)	(229)	(279)	(314)
1% decrease	268	257	317	358

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

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

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current service cost	1,147	820	1,513	620	1,998
Recognised in cost of sales	756	311	1,118	467	1,059
Recognised in administrative expenses	377	105	331	131	148
Recognised in selling and distribution expenses	14	404	64	22	791
Interest cost	53	58	57	22	24
Net benefit expenses	1,200	878	1,570	642	2,022

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

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	11,655	13,615	13,535	13,046
Current service cost	1,147	820	1,513	1,998
Interest cost	53	58	57	24
Benefit paid	(450)	(1,623)	(1,808)	(1,151)
Exchange differences on a foreign plan	1,210	665	(251)	(1,639)
At the end of year/period	13,615	13,535	13,046	12,278

30. DEFERRED INCOME

Group

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	8,044	10,515	12,435	11,567

Movements of government grants of the Group during each of the Relevant Periods are as follows:

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	5,279	8,044	10,515	12,435
Received during the year/period	5,330	3,471	3,465	—
Recognised in other income *(note 5)*	(2,565)	(1,000)	(1,545)	(868)
At end of year/period	8,044	10,515	12,435	11,567

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

31. PAID-IN CAPITAL/SHARE CAPITAL

Group and Company

	31 December			31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital	155,030	305,000	305,000	—
Share capital *(note)*	—	—	—	305,000
	155,030	305,000	305,000	305,000

Note: Pursuant to the shareholders' resolution and the promoters' agreement dated 19 February 2021, shareholders of the Company agreed to convert the Company into a joint stock company with limited liability with a registered capital of RMB305,000,000 (305,000,000 shares with a nominal value of RMB1.00 each). Upon completion of the registration with the Shanghai Municipal Administration for Market Regulation on 23 February 2021, the Company was renamed as Shanghai Conant Optical Co., Ltd.

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

	Paid-in capital/ share capital *RMB'000*
At 1 January 2018	—
Paid-in capital contribution by the shareholders	155,030
As at 31 December 2018 and 1 January 2019	155,030
Paid-in capital contribution by the shareholders	149,970
As at 31 December 2019, 31 December 2020, and 31 May 2021	305,000

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(i) Capital reserve

The capital reserve represents any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid for acquisition of non-controlling interests in subsidiaries, equity-settled share award arrangements by the then equity holder of the subsidiaries, contribution from the then equity holder of the subsidiaries, deemed distribution to the then equity holder of the subsidiaries and effect on conversion into a joint stock company. Details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

(ii) Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

(iv) Deemed distribution to the then equity holder of the subsidiaries

The Group made deemed distribution of approximately RMB760,674,000 as consideration paid for regrouping of the entire equity interests of Jiangsu Conant, Conant Lens, Conant Mexico SA, Shanghai Conant and Asahi Holdings and the assets and liabilities related to resin spectacle lens manufacturing, which was determined with reference to an independent valuation of the equity interest and assets and liabilities being transferred.

(b) Company

	Capital reserve *RMB'000*	**Retained profits/ (accumulated losses)** *RMB'000*	**Total** *RMB'000*
As at 31 December 2017 and 1 January 2018	—	—	—
Loss and total comprehensive loss for the year	—	(575)	(575)
Acquisition of subsidiaries from the then equity holder of a subsidiary	6,662	—	6,662
As at 31 December 2018 and 1 January 2019	6,662	(575)	6,087
Loss and total comprehensive loss for the year	—	(21,954)	(21,954)
As at 31 December 2019 and 1 January 2020	6,662	(22,529)	(15,867)
Profit and total comprehensive income for the year	—	19,347	19,347
As at 31 December 2020 and 1 January 2021	6,662	(3,182)	3,480
Profit and total comprehensive income for the period	—	148,283	148,283
Effect on conversion into a joint stock company	(6,835)	6,835	—
As at 31 May 2021	(173)	151,936	151,763
As at 31 December 2019 and 1 January 2020	6,662	(22,529)	(15,867)
Loss and total comprehensive loss for the period (unaudited)	—	(9,884)	(9,884)
As at 31 May 2020 (unaudited)	6,662	(32,413)	(25,751)

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,746,000, RMB521,000, RMB8,000, RMB39,000 (unaudited) and RMB2,074,000 for the years ended 31 December 2018, 2019 and 2020 and five months ended 31 May 2020 and 2021, respectively, in respect of lease arrangements for plant and properties.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Due to related companies *RMB'000*	Total liabilities from financing activities *RMB'000*
At 1 January 2018	255,807	2,668	—	258,475
Cash flows from/(used in) financing activities	109,836	(1,229)	43,400	152,007
New leases	—	2,746	—	2,746
Interest expense	6,696	188	2,511	9,395
Increase arising from deemed distribution to the then equity holder of the subsidiaries	—	—	372,730	372,730
Cash flows used in non-financing activities	(6,503)	(188)	(2,511)	(9,202)
At 31 December 2018	365,836	4,185	416,130	786,151
Cash flows from/(used in) financing activities	304,032	(2,035)	(305,935)	(3,938)
New leases	—	521	—	521
Interest expense	27,952	132	19,305	47,389
Cash flows used in non-financing activities	(26,259)	(132)	(17,932)	(44,323)
At 31 December 2019	671,561	2,671	111,568	785,800
Cash flows from/(used in) financing activities	3,486	(1,345)	(110,195)	(108,054)
New leases	—	8	—	8
Interest expense	40,382	79	6,561	47,022
Cash flows used in non-financing activities	(41,159)	(79)	(7,934)	(49,172)
At 31 December 2020	674,270	1,334	—	675,604
Cash flows used in financing activities	(84,739)	(582)	—	(85,321)
New leases	—	2,074	—	2,074
Interest expense	14,631	53	—	14,684
Cash flows used in non-financing activities	(11,495)	(53)	—	(11,548)
At 31 May 2021	592,667	2,826	—	595,493

(c) Total cash outflow for leases

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

	Year ended 31 December			Five months ended 31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within operating activities	1,725	799	438	458
Within financing activities	1,229	2,035	1,345	582
	2,954	2,834	1,783	1,040

34. CONTINGENT LIABILITIES

During the Relevant Periods, the Group delivered certain resin spectacle lens to Cuba and Iran, which are countries subject to comprehensive international sanctions programs.

As advised by International Sanctions Legal Adviser, the Cuba and Iran Transactions appear to be in violation of US sanctions regulations that are applicable to certain transactions with customers located in Cuba and Iran. The Company filed a voluntary self-disclosure ("**VSD**") with the US Treasury Department's Office of Foreign Assets Control ("**OFAC**") related to Cuba and Iran Transactions. In August 2021, OFAC responded to the Group's VSD with a cautionary letter (the "**Cautionary Letter**") indicating that it had completed its review of all of the information provided in the VSD. OFAC further indicated that the issuance of the Cautionary Letter represents its final determination as to all matters related to the VSD. On this basis, and the view of the International Sanctions Legal Adviser, the directors therefore consider the matter to be fully resolved. No administrative or other penalties were placed on the Group related to the VSD.

35. COMMITMENTS

At the end of each of the Relevant Periods, the Group did not have any significant commitments.

36. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related party	Relationship with the Group
Mr. Fei Zhengxiang	Controlling Shareholder
Mr. Fan Senxin	Shareholder of the Company
Ms. Shen Zhoubo	Spouse of Mr. Fei Zhengxiang
上海錚森健企業管理有限公司 Shanghai Zhengsenjian Enterprise Management Co., Ltd. ("**Shanghai Zhengsenjian**") *(note 1)*	Company controlled by a key management personnel
上海昂贇企業管理中心(有限合夥) Shanghai Angyun Management Centre (Limited Partnership) ("**Shanghai Angyun**")	Company controlled by the Controlling Shareholder
Qitian Technology	Company controlled by the Controlling Shareholder
上海藍圖眼鏡有限公司 Shanghai Blue Optics Lens Co., Ltd. ("**Shanghai Blue Optics Lens**") *(note 2)*	Company controlled by the Controlling Shareholder
西藏翔實創業投資管理合夥企業(有限合夥)Xizang Xiangshi Investment Management Partnership (Limited Partnership) ("**Xizang Xiangshi**")	Company controlled by Mr. Fan Senxin
Jiangsu Blue Optics Lens *(note 3)*	Associate

Note 1: Shanghai Zhengsenjian was a company previously controlled by the Controlling Shareholder and became a company controlled by Mr. Xia Guoping in September 2020.

Note 2: Shanghai Blue Optics Lens was no longer a company controlled by the Controlling Shareholder since July 2020.

Note 3: Jiangsu Blue Optics Lens was a company controlled by the Controlling Shareholder and became an associate of the Group in December 2020. For details, please refer to note 18.

(2) Significant related party transactions

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

	Year ended 31 December			Five months ended 31 May	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Advances from related parties:					
Shanghai Angyun	—	110,195	—	—	—
Shanghai Zhengsenjian	10,000	—	—	—	—
Jiangsu Blue Optics Lens	—	505	—	—	—
Xizang Xiangshi	20,900	—	—	—	—
Mr. Fei Zhengxiang	12,500	—	—	—	—
	43,400	110,700	—	—	—
Repayment of advances from related parties:					
Shanghai Angyun	—	—	110,195	2,224	—
Shanghai Zhengsenjian	—	10,000	—	—	—
Jiangsu Blue Optics Lens	—	505	—	—	—
Xizang Xiangshi	—	20,900	—	—	—
Mr. Fei Zhengxiang	—	12,500	—	—	—
	—	43,905	110,195	2,224	—
Sales of resin spectacle lenses:					
Shanghai Blue Optics Lens	2,826	—	—	—	—
Finance costs to:					
Qitian Technology	2,511	12,083	—	—	—
Shanghai Angyun	—	6,075	6,561	3,664	—
Xizang Xiangshi	—	1,147	—	—	—
	2,511	19,305	6,561	3,664	—
Lease payments to:					
Jiangsu Blue Optics Lens	676	677	678	282	280
Ms. Shen Zhoubo	—	234	218	91	90
	676	911	896	373	370
Interest income from:					
Shanghai Zhengsenjian	—	—	9	—	—

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Advances to related parties:					
Shanghai Zhengsenjian	—	102,500	71,015	—	—
Jiangsu Blue Optics Lens	505	—	—	—	—
Xizang Xiangshi	—	—	553	—	10,260
Mr. Fei Zhengxiang	—	134,070	23,400	—	2,500
	505	236,570	94,968	—	12,760

(2) Significant related party transactions

	Year ended 31 December			Five months ended 31 May	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Receipt of advances to related parties:					
Jiangsu Blue Optics Lens	—	505	—	—	—
Shanghai Zhengsenjian	—	—	13,015	—	—
Mr. Fei Zhengxiang	—	—	143,900	—	70,000
	—	505	156,915	—	70,000

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

(3) Other transactions with related parties

	31 December			31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees provided by related parties:				
Qitian Technology	302,000	—	—	—
Mr. Fei Zhengxiang	251,388	628,413	581,532	46,501

The board of directors of the Company confirmed that all guarantees provided by Mr. Fei Zhengxiang will be fully released upon the Listing.

(4) Outstanding balances with related parties

Group

		31 December		31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties:				
Trade related:				
Jiangsu Blue Optics Lens	—	—	129	119
Shanghai Blue Optics Lens	283	—	—	—
	283	—	129	119
Due from related parties:				
Non-trade related:				
Jiangsu Blue Optics Lens	505	—	—	—
Shanghai Zhengsenjian	—	102,500	—	—
Xizang Xiangshi	—	—	553	10,813
Mr. Fei Zhengxiang	—	134,070	174,070	106,570
	505	236,570	174,623	117,383

The board of directors of the Company confirmed that the non-trade due from related parties of RMB117,383,000 at 31 May 2021 was fully settled in August 2021.

		31 December		31 May
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to an associate:				
Trade related:				
Jiangsu Blue Optics Lens	—	226	—	—
Due to related parties:				
Non-trade related:				
Xizang Xiangshi	20,900	1,147	—	—
Qitian Technology	372,730	—	—	—
Shanghai Angyun	—	110,195	—	—
Shanghai Zhengsenjian	10,000	—	—	—
Mr. Fei Zhengxiang	12,500	—	—	—
	416,130	111,342	—	—

Trade-related amounts with related parties of the Group were unsecured, non-interest-bearing with a credit term of 30 days.

The amount due to Qitian Technology is unsecured and bears interest at 4.35% per annum, with repayment term of one year.

The amount due to Xizang Xiangshi is unsecured, bears interest at 8.35% per annum and is repayable on demand.

The amount due to Shanghai Angyun is unsecured, bears interest at 8% per annum and is repayable on demand.

Except for the amounts due to Qitian Technology, Xizang Xiangshi and Shanghai Angyun in total of RMB393,630,000 and RMB111,342,000 as at 31 December 2018 and 2019, respectively, the non-trade related balances with the above related parties were unsecured, non-interest-bearing and repayable on demand.

Company

Due from related parties of the Company mainly represent the non-trade related amounts due from the Controlling Shareholder and a company controlled by a key management personnel as at 31 December 2019, 2020 and 31 May 2021. The non-trade related balances with the above related parties were unsecured, non-interest-bearing and repayable on demand.

Due to related parties of the Company mainly represent the non-trade related amounts due to the Controlling Shareholder, companies controlled by key management personnel, and companies controlled by the Controlling Shareholder. Except for the amounts due to the Controlling Shareholder and a company controlled by key management personnel which are non-interest-bearing, the amounts due to a company controlled by key management personnel bear interest at 8.35% per annum and the amounts due to the companies controlled by the Controlling Shareholder bear interest ranging from 4.35% to 8% per annum as at 31 December 2018, 2019, 2020 and 31 May 2021. The non-trade related balances with the above related parties were unsecured and repayable on demand.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

31 December 2018

Financial assets

	Financial assets at amortised cost	**Financial assets at FVTPL**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	149,867	—	149,867
Financial assets included in prepayments, deposits and other receivables	8,216	—	8,216
Financial assets at fair value through profit or loss	—	73,551	73,551
Due from related parties	788	—	788
Cash and cash equivalents	109,182	—	109,182
	268,053	73,551	341,604

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	49,884
Financial liabilities included in other payables and accruals	20,246
Due to related parties	416,130
Interest-bearing bank and other borrowings	365,836
	852,096

31 December 2019

Financial assets

	Financial assets at amortised cost	Financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	209,110	—	209,110
Financial assets included in prepayments, deposits and other receivables	4,780	—	4,780
Financial assets at fair value through profit or loss	—	98,206	98,206
Due from related parties	236,570	—	236,570
Cash and cash equivalents	62,118	—	62,118
	512,578	98,206	610,784

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	50,057
Financial liabilities included in other payables and accruals	19,057
Due to related parties	111,568
Interest-bearing bank and other borrowings	671,561
	852,243

31 December 2020

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade and bills receivables	231,007
Financial assets included in prepayments, deposits and other receivables	6,888
Due from related parties	174,752
Cash and cash equivalents	201,850
	614,497

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	84,317	—	84,317
Financial liabilities included in other payables and accruals	25,389	—	25,389
Derivative financial instruments	—	2,361	2,361
Interest-bearing bank and other borrowings	674,270	—	674,270
	783,976	2,361	786,337

31 May 2021

Financial assets

	Financial assets at amortised cost	Financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	206,457	—	206,457
Financial assets included in prepayments, deposits and other receivables	14,822	—	14,822
Financial assets at fair value through profit or loss	—	53,770	53,770
Due from related parties	117,502	—	117,502
Cash and cash equivalents	177,085	—	177,085
	515,866	53,770	569,636

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*	Financial liabilities at FVTPL *RMB'000*	Total *RMB'000*
Trade payables	63,403	—	63,403
Financial liabilities included in other payables and accruals	25,499	—	25,499
Derivative financial instruments	—	417	417
Interest-bearing bank and other borrowings	592,667	—	592,667
	681,569	417	681,986

Company

31 December 2018

Financial assets

	Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments, deposits and other receivables	4
Cash and cash equivalents	10,311
	10,315

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	9,434
Due to related parties	416,130
Interest-bearing bank and other borrowings	200,150
	625,714

31 December 2019

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade and bills receivables	2,940
Due from related parties	134,070
Cash and cash equivalents	254
	137,264

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Financial liabilities included in other payables and accruals	10,540
Due to related parties	177,715
Interest-bearing bank and other borrowings	430,837
	619,092

31 December 2020

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade and bills receivables	6,260
Due from related parties	14,122
Cash and cash equivalents	21,088
	41,470

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	15,475
Amounts due to subsidiaries	78,108
Due to related parties	7,500
Interest-bearing bank and other borrowings	400,754
	501,837

31 May 2021

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade and bills receivables	1,849
Financial assets included in prepayments, deposits and other receivables	154,518
Due from related parties	813
Cash and cash equivalents	8,240
	165,420

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals	70,490
Due to related parties	23,930
Interest-bearing bank and other borrowings	384,689
	479,109

Offsetting financial assets and financial liabilities

The gross amounts of recognised financial assets and liabilities (i.e. before offsetting) and the amounts offset in the consolidated statements of financial position of the Group at the end of each of the Relevant Periods, are as follows:

As at 31 December 2019

	Gross amounts of recognised financial assets/ (liabilities)	Amounts set off	Net amounts presented on the consolidated statements of financial position of the Group
	RMB'000	*RMB'000*	*RMB'000*
Due from related parties	244,070	(7,500)	236,570
Due to related parties	(119,068)	7,500	(111,568)

As at 31 December 2020

	Gross amounts of recognised financial assets/ (liabilities)	Amounts set off	Net amounts presented on the consolidated statements of financial position of the Group
	RMB'000	*RMB'000*	*RMB'000*
Due from related parties	182,252	(7,500)	174,752
Due to related parties	(7,500)	7,500	—

As at 31 May 2021

	Gross amounts of recognised financial assets/ (liabilities)	Amounts set off	Net amounts presented on the consolidated statements of financial position of the Group
	RMB'000	*RMB'000*	*RMB'000*
Due from related parties	141,432	(23,930)	117,502
Due to related parties	(23,930)	23,930	—

There was no financial asset and liability offset as at 31 December 2018.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts				Fair values			
	31 December 2018	31 December 2019	31 December 2020	31 May 2021	31 December 2018	31 December 2019	31 December 2020	31 May 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets								
Financial assets at FVTPL *(note 23)*	73,551	98,206	—	53,770	73,551	98,206	—	53,770
Financial liabilities								
Derivative financial instruments	—	—	2,361	417	—	—	2,361	417
Interest-bearing bank and other borrowings *(note 28)*	365,836	671,561	674,270	592,667	357,105	642,146	655,906	598,603
	365,836	671,561	676,631	593,084	357,105	642,146	658,267	599,020

The carrying amounts and fair values of the Company's financial instruments as at the end of each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts				Fair values			
	31 December 2018	31 December 2019	31 December 2020	31 May 2021	31 December 2018	31 December 2019	31 December 2020	31 May 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities								
Interest-bearing bank and other borrowings *(note 28)*	200,150	430,837	400,754	384,689	191,419	397,763	381,200	390,418

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

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings was assessed to be insignificant as at 31 December 2018 and 2019 and 2020 and 31 May 2021.

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

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

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

Fair value hierarchy

Group

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

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	—	73,551	—	73,551

As at 31 December 2019

Financial assets at FVTPL

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	—	98,206	—	98,206

There was no financial instrument for which fair value was measured at fair value as at 31 December 2020.

As at 31 May 2021

Financial assets at FVTPL

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	—	53,770	—	53,770

Liabilities for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	357,105	—	357,105

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	642,146	—	642,146

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	655,906	—	655,906
Derivative financial instruments	—	2,361	—	2,361
	—	658,267	—	658,267

As at 31 May 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	598,603	—	598,603
Derivative financial instruments	—	417	—	417
	—	599,020	—	599,020

Company

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

There was no financial instrument for which fair value was measured at fair value as at 31 December 2018, 2019 and 2020 and 31 May 2021.

Liabilities for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	191,419	—	191,419

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	397,763	—	397,763

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	381,200	—	381,200

As at 31 May 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	—	390,418	—	390,418

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group also enters into derivative transactions, including principally cross-currency interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

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

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group enters into cross-currency interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

If the interest rate of bank and other borrowings had increased/decreased by 1% and all other variables were held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB810,000, RMB2,917,000, RMB5,223,000 and RMB1,655,000 for the years ended 31 December 2018, 2019 and 2020 and five months ended 31 May 2021, respectively.

Foreign currency risk

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

In addition, the Group has currency exposures from its interest-bearing bank borrowings. The Group has used cross-currency interest rate swaps to reduce the exposure to RMB arising from the borrowings.

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

	Increase/ (decrease) in US$ rate in	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
31 December 2018		
If the RMB weakens against the US$	(5%)	5,063
If the RMB strengthens against the US$	5%	(5,063)
31 December 2019		
If the RMB weakens against the US$	(5%)	6,013
If the RMB strengthens against the US$	5%	(6,013)
31 December 2020		
If the RMB weakens against the US$	(5%)	7,381
If the RMB strengthens against the US$	5%	(7,381)
31 May 2021		
If the RMB weakens against the US$	(5%)	6,923
If the RMB strengthens against the US$	5%	(6,923)

Credit risk

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

The Group expects that the credit risk associated with trade receivables and other receivables from related parties is considered to be low, since related parties have strong financial capacity and commitment to meet contractual cash flow obligation in the near term. The impairment provision recognised during the Relevant Periods refer to notes 21 and 22.

Maximum exposure and year-end staging as at 31 December 2018, 2019 and 2020 and 31 May 2021

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018, 2019 and 2020 and 31 May 2021.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	212,247	212,247
Financial assets included in prepayments, deposits and other receivables					
— Normal**	8,216	—	—	—	8,216
Due from related parties	788	—	—	—	788
Cash and cash equivalents					
— Not yet past due	109,182	—	—	—	109,182
	118,186	—	—	212,247	330,433

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	268,507	268,507
Financial assets included in prepayments, deposits and other receivables					
— Normal**	4,780	—	—	—	4,780
Due from related parties	236,570	—	—	—	236,570
Cash and cash equivalents					
— Not yet past due	62,118	—	—	—	62,118
	303,468	—	—	268,507	571,975

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	290,813	290,813
Financial assets included in prepayments, deposits and other receivables					
— Normal**	6,888	—	—	—	6,888
Due from related parties	174,752	—	—	—	174,752
Cash and cash equivalents					
— Not yet past due	201,850	—	—	—	201,850
	383,490	—	—	290,813	674,303

As at 31 May 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	260,194	260,194
Financial assets included in prepayments, deposits and other receivables					
— Normal**	14,822	—	—	—	14,822
Due from related parties	117,502	—	—	—	117,502
Cash and cash equivalents					
— Not yet past due	177,085	—	—	—	177,085
	309,409	—	—	260,194	569,603

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Historical Financial Information.

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

Liquidity risk

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

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

The maturity profile of the Group's financial liabilities as at 31 December 2018, 2019 and 2020 and 31 May 2021, based on the contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018					
Trade payables	49,884	—	—	—	49,884
Other payables and accruals	20,246	—	—	—	20,246
Due to related parties	416,130	—	—	—	416,130
Lease liabilities	—	812	1,349	2,495	4,656
Interest-bearing bank and other borrowings	—	55,523	162,387	160,000	377,910
	486,260	56,335	163,736	162,495	868,826

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019					
Trade payables	50,057	—	—	—	50,057
Other payables and accruals	19,057	—	—	—	19,057
Due to related parties	111,568	—	—	—	111,568
Lease liabilities	—	171	1,389	1,407	2,967
Interest-bearing bank and other borrowings	—	29,743	216,987	531,127	777,857
	180,682	29,914	218,376	532,534	961,506

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020					
Trade payables	84,317	—	—	—	84,317
Other payables	25,389	—	—	—	25,389
Lease liabilities	—	—	738	671	1,409
Interest-bearing bank and other borrowings	—	42,013	212,331	443,589	697,933
	109,706	42,013	213,069	444,260	809,048

	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
31 May 2021					
Trade payables	63,403	—	—	—	63,403
Other payables	25,499	—	—	—	25,499
Lease liabilities	—	168	895	1,881	2,944
Interest-bearing bank and other borrowings	—	18,474	235,007	406,356	659,837
	88,902	18,642	235,902	408,237	751,683

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018, 2019 and 2020 and five months ended 31 May 2021.

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

	31 December			31 May
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	49,884	50,057	84,317	63,403
Other payables and accruals	84,272	99,181	111,518	106,645
Due to related parties	416,130	111,568	—	—
Interest-bearing bank and other borrowings	365,836	671,561	674,270	592,667
Lease liabilities	4,185	2,671	1,334	2,826
Less: Cash and cash equivalents	(109,182)	(62,118)	(201,850)	(177,085)
Net debt	811,125	872,920	669,589	588,456
Equity attributable to owners of the parent	113,158	378,198	504,534	558,646
Capital and net debt	924,283	1,251,118	1,174,123	1,147,102
Gearing ratio	87.8%	69.8%	57.0%	51.3%

40. EVENTS AFTER THE RELEVANT PERIODS

On 10 August 2021, the shareholders of the Company resolved to amend another resolution of the Shareholders dated 20 March 2021, the shareholders of the Company approved a special dividend distribution plan, pursuant to which a special cash dividend (the "**Special Dividend**") from the distributable reserve of the Company as of 31 May 2021, would be distributed to the existing shareholders of the Company as of 31 May 2021 in proportion of their respective shareholdings as of 31 May 2021, and a special dividend of approximately RMB149.5 million (inclusive of tax) was declared as a result. The Special Dividend has been fully settled in August 2021 by the Company with the internal resources including proceeds from the repayment of the amount due from the Controlling Shareholder and related parties.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2021.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the owners of the Company as of 31 May 2021 as if it had taken place on 31 May 2021.

The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 31 May 2021 or any future date. It is prepared based on our consolidated net tangible assets as of 31 May 2021 as set out in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as of 31 May 2021	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$4.46 per Share	557,868	404,789	962,657	2.26	2.76
Based on an Offer Price of HK$6.10 per Share	557,868	561,629	1,119,497	2.62	3.20

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 31 May 2021 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as of 31 May 2021 of approximately RMB558.9 million less the Group's intangible assets as at 31 May 2021 of approximately RMB1.0 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$4.46 per Share and HK$6.10 per Share after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately HK$20,587,000 of listing expenses recognised in profit or loss up to 31 May 2021), and do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.8193.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 426,600,000 Shares in issue immediately following the completion of the Global Offering and on the basis that 426,600,000 Shares are in issue and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8193.

(5) The unaudited pro forma adjusted consolidated net tangible assets of the Company does not take into account of the Special Dividend approved by the Shareholders on 10 August 2021, which resolved to amend another resolution of the Shareholders dated 20 March 2021. The special dividend was declared from our distributable reserves as of 31 May 2021, to the then existing Shareholders as of 31 May 2021 in proportion to their respective shareholdings as of 31 May 2021, which amounted to RMB149.5 million (inclusive of tax). The special dividend has been fully settled in August 2021. Had such dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be approximately HK$2.33, assuming an Offer Price of HK$4.46 per Share, and HK$2.77, assuming an Offer Price of HK$6.10 per Share.

(6) No adjustment has been made to reflect any trading result or open transaction of the Group entered into subsequent to 31 May 2021.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Shanghai Conant Optical Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shanghai Conant Optical Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 May 2021, and related notes as set out on page II-1 to II-2 of the prospectus dated 30 November 2021 issued by the Company (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 May 2021 as if the transaction had taken place at 31 May 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 May 2021, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants
Hong Kong

30 November 2021

The following is the text of a report prepared for the purpose of incorporation in this prospectus received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 30 September 2021 of the property.

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30 November 2021

Shanghai Conant Optical Co., Ltd.
1st Floor, Building 36,
No. 1–42 Lane 83,
Hongxiang North Road,
Lin-gang Special Area,
China (Shanghai) Pilot Free Trade Zone,
Shanghai, the PRC

Dear Sir/Madam,

Re: Valuation of an industrial development located at Nos. 555 and 585 Chuanda Road, Pudong New District, Shanghai, the People's Republic of China

In accordance with your instruction for us to value the property held by Shanghai Conant Optical Co., Ltd. (the "**Company**") and/or its subsidiaries (together with the Company referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 September 2021 (the "**Date of Valuation**") for the purpose of incorporation in the prospectus of the Company dated 30 November 2021.

BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

Due to the specific purpose and unique nature of the buildings and structures of the property, no relevant market sale evidence is readily available for reference and therefore cost approach with reference to the depreciated replacement cost was adopted to assess the market value of the property. Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". We have assessed the replacement/reproduction cost of the structures and buildings of the property as at the Date of Valuation with adjustments of physical deterioration and all relevant forms of obsolescence and optimization; and assessed the market value of the land portion of the property with sales evidence of lands with comparable characteristics in the locality. The market value of the property is arrived at the summation of the values of the buildings and land portions. The depreciated replacement cost of the property is subject to adequate potential profitability of the concerned business. It applies to the whole of the complex or development as a unique interest and no piecemeal transaction is assumed. Unless otherwise stated, for the purpose of this valuation we have not considered any redevelopment potential which might affect the market value of the property.

TITLE INVESTIGATION

For the property in the PRC, we have been shown copies of extracts of various title documents and have been advised by the Group that no further relevant documents have been produced. Furthermore, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. We have relied on the information given by the Group and advice given by its PRC legal advisor, Han Kun Law Offices (漢坤律師事務所), regarding the titles of the properties in the PRC.

We have also relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

VALUATION STANDARD

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the "RICS Valuation — Global Standards" published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

REMARKS

Unless otherwise stated, all monetary amount stated in our valuation is in Renminbi (RMB).

Our Valuation Certificate is attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited
Frank F Wong
BA (Business Admin in Acct/Econ) MSc (Real Est)
MRICS Registered Valuer MAusIMM ACIPHE
Director

Note: Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 22 years' valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 14 years' experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

VALUATION CERTIFICATE

Property held by the Group for investment and owner-occupation purposes in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2021
An industrial development located at Nos. 555 and 585 Chuanda Road Pudong New District Shanghai City the PRC	The property comprises a parcel of land with a total site area of approximately 30,477.00 sq.m., and 15 industrial buildings erected thereon completed between 2005 and 2011 with a total gross floor area ("**GFA**") of about 45,510.38 sq.m. The land use rights of the property have been granted for a term expiring on 30 October 2053 for industrial use.	As advised by the Group, portion of the property is subject to various tenancies. Details refer to Note Nos. 2 to 4. The remaining portion of the property is occupied by the Group.	RMB155,300,000

Notes:

1. Pursuant to Real Estate Title Certificate, Hu (2018) Pu Zi Bu Dong Chan Quan Di No.075243 (滬(2018)浦字不動產權第075243號), issued by the Shanghai Real Estate Registration Bureau on 2 June 2018, the land use rights of the property with a site area of approximately 30,477 sq.m. and a building area of approximately 45,510.38 sq.m. have been granted to Shanghai Conant Optics Co., Ltd ("**Shanghai Conant**") (上海康耐特光學有限公司), for terms expiring on 30 October 2053 for industrial uses. The details of building area are as follows:

Buildings	No. of storey	GFA *(sq.m.)*
Block No. 1, 555 & 585 Chuanda Road	1	75.90
Block No. 2, 555 & 585 Chuanda Road	4	2,033.36
Block No. 3, 555 & 585 Chuanda Road	2	927.85
Block No. 4, 555 & 585 Chuanda Road	3	8,753.77
Block No. 5, 555 & 585 Chuanda Road	1	112.52
Block No. 6, 555 & 585 Chuanda Road	3	2,949.16
Block No. 7, 555 & 585 Chuanda Road	1	127.30
Block No. 8, 555 & 585 Chuanda Road	1	52.35
Block No. 9, 555 & 585 Chuanda Road	3	4,305.15
Block No. 10, 555 & 585 Chuanda Road	3	4,305.15
Block No. 11, 555 & 585 Chuanda Road	4	5,089.99
Block No. 12, 555 & 585 Chuanda Road	5	6,368.74
Block No. 13, 555 & 585 Chuanda Road	1	89.62
Block No. 14, 555 & 585 Chuanda Road	1	31.97
Block No. 15, 555 & 585 Chuanda Road	6	10,287.55
Total		45,510.38

2. Pursuant to a tenancy agreement No. 2019 Zu 001 (2019租001) made between Shanghai Conant as lessor and Shanghai Linwu Industrial Co., Ltd. (上海林梧實業有限公司) formerly name of the Company ("**Shanghai Linwu**") as lessee, Block Nos. 2, 9, 10, 11, and 12 of the property with a total GFA of approximately 22,102.39 sq.m is leased, with a monthly rent of RMB160,000 for a term from 1 January 2019 to 31 May 2025.

3. Pursuant to a tenancy agreement No. 2019 Zu 002 (2019租002) made between Shanghai Linwu as lessor, and Medicilon Medical Technology (Shanghai) Co., Ltd. (美迪西普亞醫藥科技(上海)有限公司) as lessee, Block Nos. 9 and 10 of the property with a total GFA of approximately 8,610.30 sq.m is leased. The details are as follow:

Property	**Term**	**Rent Per Day** *(RMB/sq.m.)*
2/F and 3/F of Block 9 and Block 10	1/1/2019–31/12/2019	1.229
	1/1/2020–31/5/2020	1.280
	1/6/2020–31/5/2021	1.344
	1/6/2021–15/3/2022	1.412
1/F of Block 9	1/1/2019–31/5/2019	1.280
	1/6/2019–31/5/2020	1.331
	1/6/2020–31/5/2021	1.398
	1/6/2021–15/3/2022	1.467
Block 9 and Block 10	16/3/2022–31/12/2022	1.621
	1/1/2023–31/12/2023	1.702
	1/1/2024–31/12/2024	1.787
	1/1/2025–31/5/2025	1.876

4. Pursuant to a tenancy agreement 2019 Zu 003 (2019租003) made between Shanghai Linwu as lessor, and Medicilon Medical Technology (Shanghai) Co., Ltd. as lessee, Block Nos. 11 and 12 with a total GFA of approximately 11,458.73 sq.m. is leased. The details are as follow:

Property	**Term**	**Rent Per Day** *(RMB/sq.m.)*
Block 11 and 5/F of Block 12	1/1/2019–31/12/2019	1.280
	1/1/2020–31/5/2020	1.331
	1/6/2020–31/12/2020	1.344
	1/1/2021–31/12/2021	1.412
	1/1/2022–15/3/2022	1.482
1/F-4/F of Block 12	1/1/2019–9/3/2019	1.229
	10/3/2019–31//5/2020	1.280
	1/6/2020–31/5/2021	1.344
	1/6/2021–15/3/2022	1.412
Block 11 and Block 12	16/3/2022–31/12/2022	1.621
	1/1/2023–31/12/2023	1.702
	1/1/2024–31/12/2024	1.787
	1/1/2025–31/5/2025	1.876

5. Pursuant to a mortgage contract No.31310194080057 dated 15 August 2019, the property is subject to a mortgage in favour of Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司), as security to guarantee the principal obligation under a contracts for an amount of RMB262,000,000 with the security term from 15 August 2019 to 14 August 2026.

6. The site inspection was performed by Mr. Jack Jun Jie Zhou, MSc (Real Estate & Hospitality Asset), with about 2 years property valuation experience in the PRC in March 2021.

7. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information:

   a. Shanghai Conant has obtained the state-owned land use rights and building ownership rights of the property and is in possession of a proper legal title to the property;

   b. Except the mortgage mentioned above, the property is not subject to mortgage or any other material encumbrances; and

   c. Shanghai Conant should obtain prior consent from the Mortgagee when transferring, sell, lease, re-mortgaging or otherwise disposing of such land use rights and ownership rights of the buildings.

PRC TAXATION

(i) Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, hereinafter referred to as "**EIT Law**"), which was promulgated by the National People's Congress ("**NPC**") on 16 March 2007 and came into effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, and the Implementation Regulations of EIT Law (《企業所得稅法實施條例》), which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008 and was amended on 23 April 2019, the income tax rate of 25% applies to all companies in the PRC.

These enterprises are classified as either resident enterprises or non-resident enterprises. An enterprise that is established in China in accordance with PRC laws, or that is established in accordance with the law of a foreign jurisdiction but whose "de facto management bodies" is inside China is resident enterprise, which is subject to enterprise income tax at the rate of 25% on their global income. The Implementation Regulations of EIT Law defines the term "de facto management bodies" as "bodies that conduct substantial and all-round management and control with respect to the production, operations, personnel, finance, property, etc. of the enterprise."

An enterprise that is established according to the law of a foreign jurisdiction and whose "de facto management bodies" are not in China, but which have established institutions or premises in China or which have not established institutions or premises in China but have income earned in China is non-resident enterprise. According to the Implementation Regulations of EIT Law, non-resident enterprises which have not established institutions or premises in China or which have established institutions in China but whose incomes have no actual connection to its institution or establishment inside China shall be subject to a reduced enterprise income tax rate of 10% on incomes derived from China.

(ii) Income Tax relating to Dividend Distribution

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) and relevant protocols, which was promulgated by State Administration of Taxation on 21 August 2006 and came into effect on 8 December 2006, the withholding tax rate of 5% applies to dividends paid by a PRC company to a Hong Kong company if such Hong Kong company directly holds at least 25% of the equity interests in the PRC company, otherwise the 10% withholding tax rate applies.

Pursuant to Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) which was promulgated and became effective on 20 February 2009, to enjoy the treatment under the tax treaties, the fiscal resident of the other contracting party shall meet all of the following requirements (i) the fiscal resident of the other contracting party shall be limited to a company; (ii) both the proportion of all ownership interest and the proportion of all voting shares in the Chinese resident company of the fiscal resident of the other contracting party shall meet the prescribed proportions; and (iii) the proportion of capital of the Chinese resident company directly owned by the fiscal resident of the other contracting party shall meet the proportion prescribed in the tax treaties at any time during 12 consecutive months before dividends are obtained.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》) which was promulgated by the State Administration of Taxation on 14 October 2019 and became effective on 1 January 2020, non-resident taxpayers are entitled to preferential treatment under tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. A non-resident taxpayer may enjoy the preferential tax treatment at the time of tax return filings or withholding declaration through a withholding agent if it determines that it is eligible for the preferential tax treatment keeps and documents relevant information for future inspection in accordance with the regulations under the treaties, subject to the relevant follow-up administration by the tax authority.

(iii) Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and was amended respectively on 10 November 2008, 6 February 2016, 19 November 2017, entities and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《財政部、稅務總局關於調整增值稅稅率的通知》), which was promulgated on 4 April 2018, and came into force on 1 May 2018, the VAT rates shall be adjusted, including for VAT taxable sales or imports of goods originally subject to 17% and 11% shall be adjusted to 16% and 10%, respectively.

Pursuant to the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Policies for Deepening the VAT Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), which was promulgated on 20 March 2019, and came into force on 1 April 2019, the VAT rates were further adjusted, including for general VAT payers' sales activities or imports that were subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rates shall be adjusted to 13% or 9% respectively.

(iv) Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which was promulgated by the State Council on 6 August 1988, came into effect on 1 October 1988, and was amended on 8 January 2011, and the Implementation Rules of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), which was promulgated by the Ministry of Finance on 29 September 1988 and came into effect on 1 October 1988, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside PRC.

FOREIGN EXCHANGE CONTROL IN THE PRC

Pursuant to the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and came into effect on 1 April 1996 and was amended respectively on 14 January 1997 and 5 August 2008, PRC imposes no restrictions on regular international payments and transfers, such as trade and service-related foreign exchange transactions and dividend payments, but it shall be based on true and legitimate transactions and financial institutions engaging in conversion and sale of foreign currencies shall carry out reasonable examination, and the foreign exchange control authorities shall have the right to carry out supervision and inspection.

For capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans, shall be conducted upon the prior approval by or registration/filing with the administration of foreign exchange unless otherwise stipulated.

Pursuant to the Circular on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), which was promulgated and effective on 26 December 2014, a company limited by shares registered in the PRC shall, within 15 working days after the completion of the overseas initial public offering, register the overseas listing with the Foreign Exchange Bureau at the place of its incorporation. After overseas listing, a domestic shareholder intending to increase or reduce his shares of overseas listing companies shall register his shareholding with the local Foreign Exchange Bureau at the place where he resides within 20 working days before the increase and reduction of shares with related materials in accordance with relevant regulations. The proceeds raised from overseas listing of a domestic issuer can be repatriated to the PRC or deposited overseas, and the usage of such proceeds shall be consistent with the relevant contents set out in the document and other public disclosure documents.

Pursuant to the Notice of State Administration of Foreign Exchange on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account (Hui Fa [2016] No. 16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which was promulgated and came into effect on 9 June 2016, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, proceeds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks as actually needed for business operation. The discretionary exchange settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. The State Administration of Foreign Exchange may adjust the above ratio in due course in accordance with the balance of payment status.

Pursuant to the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》, "**Circular 28**"), which was promulgated by the State Administration of Foreign Exchange on 23 October 2019, non-investment foreign-invested enterprises are permitted to use their capital funds to make equity investments in the PRC, provided that such investments do not violate the Special Administrative Measures for the Access of Foreign Investment (Negative List) (外商投資准入特別管理措施(負面清單)) and the target investment projects in the PRC are genuine and in compliance with laws.

HONG KONG TAXATION

Taxation on Dividends

Under the current practise of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax on corporations, which is currently imposed at the rate of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arising in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for, or the market value of, the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of H Shares. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

There is no taxation in the nature of estate duty in Hong Kong.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**"), the National People's Congress (the "**NPC**") and the Standing Committee of the NPC ("**SCNPC**") are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, People' Bank of China, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加强法律解釋工作的决議》) passed on 10 June 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organisation of the People's Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organised into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organised into divisions similar to those of the primary people's courts, and are entitled to organise other courts as needed such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgement or order of a local people's court to the people's court at the next higher level. Second judgements or orders given at the next higher level are final. First judgements or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgement or an order which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgement which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**") sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgement or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same.

There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by either party, enforce the judgement in accordance with the law.

A party seeking to enforce a judgement or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgement or ruling.

A foreign judgement or ruling may also be recognised and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Stock Exchange is mainly subject to the following three laws and regulations in the PRC

- The Company Law of the People's Republic of China (《中華人民共和國公司法》) which was promulgated by the SCNPC on 29 December 1993, came into effect on 1 July 1994, amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively and the latest revision of which was implemented on 26 October 2018;

- The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-Stock Limited Liability Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "**Special Regulations**") which were promulgated by the State Council on 4 August 1994 pursuant to Articles 85 and 155 of the PRC Company Law in force at that time, and were applicable, to the overseas share offering and listing of joint stock limited companies; and

- The Mandatory Provisions of Articles of Association of Companies Listing Overseas (《到境外上市公司章程必備條款》) (the "**Mandatory Provisions**") which were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on 29 September 1994, stating the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in "Appendix VI — Summary of Articles of Association" to this Prospectus.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing more than half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting. Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business licence has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the public offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value. If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency. Under Mandatory Provisions, shares issued by the company in RMB to domestic investors shall be called domestic shares. Shares issued by the company in foreign currency to foreign investors shall be called foreign shares. Foreign shares which are listed overseas shall be called overseas listed and foreign invested shares.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares." Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign invested shares, are known as "domestic shares." Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance programme may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders.

When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;

- it shall apply to the relevant administration of industry and commerce for the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) where its shares are used to convert corporate bonds issued by a listed company that can be converted into stocks; or (vi) where it is necessary for a listed company to maintain its corporate value and stockholders' equity.

The purchase of shares on the grounds set out in (i) to (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be cancelled within 10 days from the date of purchase in the case of (i) above and transferred or cancelled within six months in the case of (ii) or (iv) above, or in the event of a purchase made pursuant to Item (iii), (v) or (vi), hold a total number of its own shares not more than 10% of the total shares issued by the company and transfer or cancel within three years of the purchase.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's Articles of Association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the Articles of Association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-up share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the Articles of Association.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the PRC Company Law, where the company convenes annual shareholders' general meeting, shareholder alone or together with other shareholders holding 3% or more of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholders' general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by two-thirds or more of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; and (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;

- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business licence revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one-third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management; and
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy general managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy general manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favour of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorised divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company's approval department authorised by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business licence is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution. The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;

- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Termination of Listing

The PRC Company Law has deleted provisions governing termination of listing. The PRC Securities Law stipulates that the trading of shares of a company on a stock exchange may be terminated if so decided by the stock exchange.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the draughting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities- related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the draughting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for listing of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On 25 December 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on 1 July 1999 and revised on 28 August 2004, 27 October 2005, 29 June 2013, 21 August 2014 and 28 December 2019 respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that any domestic enterprise that seeks to issue securities overseas either directly or indirectly or to list its stocks in overseas markets shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

The "Full Liquidity"

According to the CSRC Pilot Programme for the Deepening Reforms on Overseas Listing Systems and the "Full Liquidity" of H Shares (《中國證監會深化境外上市制度改革開展H股「全流通」試點》) issued by the CSRC on 29 December 2017 and the Reply to the Press by the CSRC Spokesperson, Chang Depeng regarding the implementation of the "Full Liquidity" Pilot Programme of H Shares (《中國證監會新聞發言人常德鵬就開展H股「全流通」試點相關事宜答記者問》) issued by the CSRC on 29 December 2017 and approved by the State Council, the CSRC carried out the "Full Liquidity" Pilot Programme of H-share listed Companies, which required enterprises involved in the pilot programme to perform some procedures and meet the following four basic conditions:

(1) fulfilled the relevant legal provisions and policy requirements of foreign investment access, state-owned assets management, state security and industrial policy.

(2) their respective industries are in line with the development concept of innovative, coordinated, green, open and sharing, the development direction of the industrial policy of the state, as well as the national strategy of serving the real economy and supporting the "One Belt, One Road" construction, they also have to be high-quality enterprises.

(3) the equity structures of existing shares are relatively simple and their respective market value will be not less than HK$1 billion.

(4) the corporate governance is standard, the internal decision-making procedures are in compliance with the laws, which can practicably and adequately protect shareholders' rights of knowledge, participation and voting.

On 14 November 2019, CSRC issued the Guidance of Applying "Full Liquidity" for Domestic Unlisted Shares of H Shares Company (《H股公司境內未上市股份申請「全流通」業務指引》), and the Reply to the Press by the CSRC Spokesperson regarding the Fully Implementation of the "Full Liquidity" Reform of H Shares (《中國證監會新聞發言人就全面推開H股「全流通」改革答記者問》) issued by the CSRC on 15 November 2019, H Shares company can apply for "full liquidity" alone or together with refinance application. Unlisted company can apply for "full liquidity" together with listing. Once been approved by CSRC, shareholders of domestic unlisted shares shall change shares registration according to relevant rules of China Securities Depository and Clearing Corporation Limited, as well as relevant rules of shares registration and shares listing of HK market, and shall disclose information lawfully.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the SCNPC on 31 August 1994, became effective on and was amended on 27 August 2009 and 1 September 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement elected arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration Centre ("**HKIAC**") in accordance with its Securities Arbitration Rules (the "**Securities Arbitration Rules**"). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on 4 November 2014 and implemented on 1 January 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centres have been set up in Shenzhen, Shanghai, Tianjin and Chongqing.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the SCNPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On 18 June 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on 1 February 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgement and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on 3 July 2008 and implemented on 1 August 2008, in the case of final judgement, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognise and enforce the final judgement made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong are the Companies Ordinance and the Companies (WUMP) Ordinance and are supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Stock Exchange, our Company is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Companies Ordinance applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Incorporation of Corporate

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or stock flotation. The newly amended PRC Company Law which came into effect on October 26, 2018, has no provisions on minimum registered capital of joint stock companies, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock companies, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

The Hong Kong company law does not provide for authorised share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company.

The PRC Company Law provides that any increase in our Company's registered capital must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). If capital contribution is made other than in cash, valuation and verification of the assets contributed must be carried out and converted into shares according to the laws. Non-monetary assets used for capital contributions shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares issued prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares transferred each year by the directors, supervisors and senior management of a joint stock limited company during their respective term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person leave office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by our Company and our Controlling Shareholder to the Stock Exchange.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain special restrictions provisions on a company and its subsidiaries on providing aforesaid financial assistance similar to those under the Companies Ordinance.

Variation of Class Rights

The PRC Company Law has no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate separate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. The relevant provisions have been incorporated in the Articles of Association, summary of which is set out in "Summary of Articles of Association" in Appendix VI to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Listing Rules and the Mandatory Provisions, our Company has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) with the approval by a special resolution at the general meeting, our Company issues Domestic Shares or overseas listed foreign shares alone or at the same time at each interval of 12 months and the number of the proposed Domestic Shares and overseas listed foreign shares does not exceed 20% of the respective outstanding shares of such class; (ii) our Company has made the plans to issue Domestic Shares or overseas listed foreign shares at the time of incorporation and the implementation of such plan has been completed within fifteen months from the date of approval by the Securities Commission of the State Council; and (iii) where, as approved by the securities regulatory authorities under the State Council, the transfer of Domestic Shares to overseas investors or the conversion of them into overseas listed shares and the listing and trading of such shares on an overseas stock exchange.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on interested contracts and specify the circumstances under which a director may receive compensation for loss of office.

Supervisory Board

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of supervisory board. There is no mandatory requirement for the establishment of supervisory board for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. In the event that the supervisory board violates their obligations and cause damages to company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of aforesaid written request from the shareholders, if the supervisory board or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Mandatory Provisions also provides further remedies against the directors, supervisors and senior management who breach their duties to the company.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

The PRC Company Law provides that, a company which encounters substantial operational or management difficulties, and its continuance will cause significant loss to the interests of its shareholders and the situation cannot be resolved by other means, shareholders of the company who hold more than 10% of the voting rights of all shareholders may apply to a people's court for the dissolution of the company.

The Mandatory Provisions, however, except as required by laws and regulations or the Listing Rules provides that a controlling shareholder shall not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an interim general meeting must be given to shareholders no less than 20 days and 15 days before the date of such meeting, respectively. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least seven days for an unlimited company.

Quorum for Shareholders' General Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member.

The PRC Company Law does not specify the quorum for a shareholders' general meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting.

Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly issued must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

The Mandatory Provisions and regulations requires that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international accounting standards or accounting standards of the overseas listing place, and such financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP. The lower of the after-tax profits stated in the abovementioned two kinds of financial statements shall prevail in the allocation of after-tax profits for the accounting year. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, while an annual financial report shall be published within 120 days after the end of each accounting year.

The Special Regulations require that there should not be any contradiction between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared become liabilities payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC laws this limitation period is three years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganisation

Corporate reorganisation involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to section 237 of the Companies (WUMP) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to sections 673 and 674 of the Companies Ordinance, which requires the sanction of the court. Under the PRC laws, merger, division, dissolution or change the form of a joint stock limited company has to be approved by shareholders at the shareholders' general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Centre or the China International Economic and Trade Arbitration Commission, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited company is required to contribute 10% of the profit into their statutory reserve funds upon distribution of their post-tax profits of the current year. There are no corresponding provisions under Hong Kong law.

Remedies of our Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The Company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC laws on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors and senior management should be loyal and diligent. Under the Mandatory Provisions, directors, supervisors and senior management are not permitted, without the knowledge and approval of the shareholders' general meeting, to engage in any activities which compete with the interests of the company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the base date set for the purpose of distribution of dividends.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions and the Listing Rules.

This Appendix contains the summary of the principal provisions of the Articles of Association. The Articles of Association of the Company shall take effect on the date of the H Shares being listed on the Stock Exchange. The main purpose of this appendix is to provide an overview of the Company's Articles of Association for potential investors, so it may not contain all the information that is important.

1. SHARES AND REGISTERED CAPITAL

The Company shall set up ordinary Shares at any time. According to the Company's needs, the Company may create other classes of Shares upon approval from the authorised department of the State Council.

The Shares of the Company shall take the form of share certificates. All the shares issued by the Company shall have a par value, which shall be RMB1 for each share.

The Shares of the Company shall be issued in accordance with the principles of open, fairness and justice. Each share of the same class shall carry the same rights.

Shares of the same class and in the same issue shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the Shares it/he/she subscribes for.

2. INCREASE AND REDUCTION OF CAPITAL AND BUYBACK OF SHARES

(1) Capital Increase

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to relevant requirements of these Articles of Association and a resolution of the general meeting, by any of the following methods:

(i) a public offering of shares;

(ii) allotment of new shares to existing shareholders;

(iii) allotment of bonus shares to existing shareholders;

(iv) conversion of capital reserve to share capital; or

(v) other methods permitted by laws and administrative regulations and approved by relevant competent authorities.

(2) Reduction of Capital

The Company may reduce its registered capital in accordance with the Articles of Association. If the Company reduces its registered capital, it shall do so by the procedures set forth in the Company Law, other relevant regulations and these Articles of Association.

If the Company is to reduce its registered capital, it must prepare a balance sheet and a list of its property.

The Company shall notify its creditors to reduce its registered capital and publish a public announcement in accordance with the Company Law, and pay its debts or provide a corresponding security for repayment as required by the creditors.

(3) Repurchase of Shares

The Company shall not acquire its shares. However, the Company may, in the following circumstances, buy back its own outstanding shares by the procedures provided for in laws and these Articles of Association:

(i) to reduce the registered capital of the Company;

(ii) to merge with other companies that hold shares in the Company;

(iii) to use the shares for employee shareholding schemes or as share incentives;

(iv) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any general meetings on the merger or division of the Company;

(v) to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;

(vi) to safeguard corporate value and shareholders' equity as the Company deems necessary; or

(vii) other methods permitted by laws, administrative regulations and listing rules of the stock exchange on which the Company's shares are listed.

Unless the Company is undergoing liquidation, it shall comply with the following provisions in repurchasing its outstanding shares:

(i) for repurchases of shares by the Company at their par value, payment shall be made from the book balance of distributable profit of the Company or from the proceeds of issuance of new shares for that purpose;

(ii) where the Company repurchases its shares at a premium to its par value, payment up to the par value shall be made from the book balance of distributable profit of the Company or from the proceeds of issuance of new shares for that purpose. Payment of the portion which is in excess of the par value shall be made as follows:

(a) if the shares being repurchased were issued at par value, payment shall be made from the book balance of distributable profit of the Company;

(b) if the shares being repurchased were issued at a premium to its par value, payment shall be made from the book balance of distributable profit of the Company and or the proceeds of issuance of new shares for that purpose, provided that the amount deducted from the proceeds of issuance of new shares shall not exceed the aggregate amount of the premium received by the Company from the issuance of the shares so repurchased, nor shall it exceed the amount in the Company's capital reserve fund amount (including premiums on the new share) at the time of such repurchase;

(iii) the Company shall make the following payments from the Company's distributable profits:

(a) acquisition of the right to repurchase its own shares;

(b) modification of any contracts for the repurchase of its shares;

(c) release from any of its obligations under any repurchase contract.

(iv) after the aggregate par value of the cancelled shares is deducted from the Company's registered capital in accordance with relevant provisions, the amount deducted from the distributable profit used for the repurchase of the shares at par value shall be credited to the Company's capital reserve fund account.

3. FINANCIAL ASSISTANCE FOR THE PURCHASE OF COMPANY SHARES

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to purchasers or prospective purchasers of shares of the Company. Purchasers of shares of the Company as referred to above shall include persons that directly or indirectly assumes obligations as a result of purchasing shares of the Company.

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to the above obligors in order to reduce or release them from their obligations.

The term "financial assistance" shall include but not be limited to financial assistance in the forms set forth below:

(i) gift;

(ii) security (including the assumption of liability or the provision of property by the guarantor to secure the performance of obligations by the obligor), indemnity (excluding, however, indemnity arising from the Company's own fault), release or waiver of any rights;

(iii) provision of a loan or conclusion of a contract under which the obligations of the Company are to be fulfilled before the fulfilment of obligations of the other party to the contract, or a change in the parties to, or the assignment of rights under, such loan or contract; and

(iv) any other form of financial assistance given by the Company when the Company is insolvent or has no net asset or when its net assets would thereby be reduced to a material extent.

The "assumption of obligations" means the assumption of obligations by way of contract or by way of arrangement (irrespective of whether such contract or arrangement is enforceable or not, and irrespective of whether such obligations are to be borne by the obligor solely or jointly with other persons), or by any other means which results in a change in the obligor's financial condition.

The following acts shall not be prohibited:

(i) the financial assistance provided by the Company is either genuinely for the interests of the Company and the main principal purpose of such financial assistance is not to purchase shares of the Company, or the financial assistance is an incidental part of certain overall plan of the Company;

(ii) the lawful distribution of the Company's properties by way of dividends;

(iii) the allotment of bonus shares as dividends;

(iv) a reduction of registered capital, repurchase of shares or adjustment of the share capital structure effected in accordance with these Articles of Association;

(v) the provision by the Company of a loan within its scope of operation and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of its distributable profit);

(vi) the provision of funds by the Company for an employee shareholding schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of its distributable profit).

4. SHARE CERTIFICATES AND REGISTER OF MEMBERS

(1) Share Certificates

The share certificates of the Company shall be in registered form.

The share certificates of the Company shall contain items required by the Company Law and other items required to be specified by the Stock Exchange.

The share certificates shall be signed by the chairman of the Board of Directors of the Company. Where the stock exchange on which the shares of the Company are listed requires the share certificates to be signed by other senior management of the Company, the share certificates shall also be signed by such senior management. The share certificates shall take effect after being affixed or printed with the seal of the Company. The share certificates shall only be affixed with the Company's seal with the authorisation of the Board of Directors. The signatures of the chairman of the Board of Directors or other relevant senior management on the share certificates may also be in printed form.

If the Company's shares are issued and traded in paperless form, the regulations of the securities regulator of the place where the shares of the Company are listed shall apply.

(2) Register of Members

The Company shall keep a register of shareholders, in which the following items shall be recorded:

(i) the name, address (place of domicile), occupation or nature of business of each shareholder;

(ii) the class and number of shares held by each shareholder;

(iii) the amount paid-up or payable in respect of shares held by each shareholder;

(iv) the serial numbers of the shares held by each shareholder;

(v) the date on which each shareholder was registered as a shareholder;

(vi) the date on which any shareholder ceased to be a shareholder.

Unless there is evidence to the contrary, the register of members shall be the sufficient evidence of the shareholders' shareholding in the Company.

The Company may, in accordance with the mutual understanding and agreements made between the CSRC and overseas securities regulatory authorities, keep its register of holders of overseas-listed foreign shares outside of the PRC and appoint overseas agent(s) to manage such register. The original register of holders of H shares shall be maintained in Hong Kong.

The Company shall maintain a duplicate of the register of holders of overseas-listed foreign shares at its place of domicile. The designated overseas agent(s) shall ensure consistency between the original version and the duplicate register of holders of overseas-listed foreign shares at all times. If there is any inconsistency between the original and the duplicate register of holders of overseas-listed foreign shares, the original version shall prevail.

The Company shall maintain a complete register of members. The register of members shall include the following parts:

(i) the register of members which is maintained at the Company's place of domicile (other than those share registers which are described in paragraphs (ii) and (iii) of this Article);

(ii) the register of members in respect of the holders of overseas-listed foreign shares of the Company which is maintained at the place where the overseas stock exchange on which the shares are listed is located;

(iii) the register of members which is maintained in such other place as the Board of Directors may consider necessary for the purpose of listing of the Company's shares.

Different parts of the register of members shall not overlap one another. No transfer of the shares registered in any part of the register shall, during the existence of that registration, be registered in any other part of the register of members.

Alteration or rectification of each part of the register of members shall be made in accordance with the laws of the place where that part of the register of members is maintained.

Applicable laws, regulations and the provisions of the Listing Rules of the Stock Exchange on the period of suspension of share registration and transfers before the convening of the shareholders' meeting or the benchmark date, on which the Company decides to distribute dividends, shall prevail.

When the Company intends to convene a general meeting, distribute dividends, enter into liquidation and engage in other activities that require determination of shareholdings, the Board of Directors shall determine a specific date as equity determination date, registered shareholders at the end of which shall be the shareholders entitled to the relevant rights and interests.

Any person who challenges the register of members and requests to have his/her name included in or removed from the register of members may apply to the court having jurisdiction for rectification of the register of members.

Any shareholder who is registered in, or any person who requests to have his name (title) entered into, the register of members may apply to the Company for issuance of a replacement share certificate in respect of such shares (the "**relevant shares**") if his/her share certificate (the "**original share certificate**") is lost.

The Company shall not have any obligation to indemnify any person for any damage suffered thereby arising out of the cancellation of the original share certificate or the issuance of a replacement share certificate, unless such person concerned can prove fraud on the part of the Company.

5. RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS

A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is recorded in the register of members.

A shareholder shall enjoy relevant rights and assume relevant obligations in accordance with the class and number of shares he/she holds. Shareholders holding the same class of shares shall have the same rights and assume the same obligations.

Where the shareholder of the Company is a legal person, its legal representative or a person authorised by the legal representative shall exercise its rights on its behalf.

Holders of the ordinary shares of the Company shall enjoy the following rights:

(i) the right to dividends and other distributions in proportion to the number of shares held;

(ii) the right to attend or appoint proxies to attend general meetings and to exercise the corresponding voting right;

(iii) the right to supervise, present proposals or raise enquiries in respect of the Company's business operations;

(iv) the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations, the Listing Rules of the Stock Exchange and the Articles of Association;

(v) the right to obtain relevant information in accordance with the Articles of Association, including:

A. The right to obtain a copy of the Articles of Association, subject to payment of a reasonable fee;

B. The right to inspect and copy, subject to a payment of a reasonable fee:

1) All parts of the register of members;

2) Personal information of each of the Company's directors, supervisors and senior management, including:

a. present and former name or alias;

b. principal address (place of domicile);

c. nationality;

d. full-time and all other part-time occupations and positions;

e. identity document and its number.

3) the state of the Company's issued share capital;

4) reports showing the aggregate par value, quantity, the maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the last financial year, and the aggregate amount paid by the Company for this purpose;

5) minutes of general meetings (only the Company's shareholders are entitled to inspect).

(vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of shares held;

(vii) such other rights conferred by laws, administrative regulations and the Articles of Association.

Shareholders of common shares of the Company shall have the following obligations:

(i) to abide by laws, regulations and the Articles of Association;

(ii) to pay the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;

(iii) not to return Shares unless prescribed otherwise in laws and administrative regulations;

(iv) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to harm the interests of the Company's creditors;

Any shareholder who abuses shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law;

Any shareholder who abuses the status of the Company as an independent legal entity or the limited liability of shareholders to evade debts and severely harm the interests of the Company's creditors shall assume joint and several liability for the Company's debts;

(v) to assume other obligations required by laws, administrative regulations and the Articles of Association.

Shareholders shall not be liable to make any further contributions to the share capital other than according to the terms agreed by the subscribers at the time of share subscription.

6. RESTRICTION ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

In addition to obligations imposed by laws and regulations or required by the Listing Rules of the Stock Exchange, a controlling shareholder of the Company exercises his/her right as a shareholder, he/she shall not exercise his/her voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the shareholders of the Company:

(i) to waive a director or supervisor of his responsibility to act honestly in the best interests of the Company;

(ii) to approve the expropriation by a director or supervisor (for his/her own benefits or for the benefits of another person), in any way, of the Company's properties, including but not limited to any opportunities beneficial to the Company;

(iii) to approve the expropriation by a director or supervisor (for his own benefits or for the benefits of another person) of personal rights of other shareholders, including but not limited to rights to distributions and voting rights save pursuant to a corporate restructuring passed at a general meeting in accordance with the Articles of Association.

7. GENERAL MEETING

(1) General Rules for Convening a General Meeting

The general meeting is the organ of the highest authority of the Company and shall exercise the following functions and powers:

(i) to decide on the operating policies and investment plans of the Company;

(ii) to elect and replace directors or supervisors respectively other than a director or supervisor who is an employee representative; and to decide on matters relating to their remuneration;

(iii) to review and approve reports of the Board of Directors;

(iv) to review and approve reports of the Board of Supervisors;

(v) to review and approve the annual financial budgets and final accounts of the Company;

(vi) to review and approve the profit distribution plans and loss recovery plans of the Company;

(vii) to adopt resolutions on increasing or reducing the registered capital of the Company;

(viii) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(ix) to adopt resolutions on the issuance of corporate bonds, other securities and their listing;

(x) to adopt resolutions on the engagement, renewal or non-renewal, or dismissal of the engagement of accounting firms by the Company;

(xi) to amend the Articles of Association;

(xii) to provide guarantee for the benefit of the shareholders;

(xiii) to review and approve the provision of guarantee within one year at an amount in the aggregate exceeding 30% of the latest audited total assets of the Company;

(xiv) to review and approve the purchase or the sale of major assets by the Company within one year, the amount of which exceeds 30% of the latest audited total assets of the Company;

(xv) to review matters raised by a shareholder alone or shareholders jointly holding no less than 3% of the voting shares of the Company;

(xvi) to view other matters that required to be resolved by the general meeting as prescribed by the law, administrative regulations, departmental rules, the Listing Rules of the Stock Exchange and these Articles of Association.

The Company shall not conclude any contract with any person other than a director, a supervisor, senior management whereby such person is put in charge of the management of all or a substantial part of the Company's business without the approval of the general meeting.

General meetings include annual general meetings and extraordinary general meetings. In general, general meetings shall be convened by the Board of Directors. Annual general meetings shall be convened once a year and within six months after the end of the preceding fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in these Articles of Association;

(ii) the losses of the Company that have not been made up reach one-third of its total paid in share capital;

(iii) such is requested in writing by a shareholder alone or shareholders jointly holding no less than 10% of the Company's outstanding voting shares;

(iv) the Board of Directors considers it necessary;

(v) two or more independent non-executive directors propose that such a meeting shall be held;

(vi) the Board of Supervisors proposes that such a meeting shall be held;

(vii) other circumstances as specified by laws, regulations and the Listing Rules of the Stock Exchange and these Articles of Association.

A shareholder alone or shareholders jointly holding no less than 10% of the Company's shares shall have the right to make a request to the Board of Directors in writing to convene an extraordinary general meeting. If the Board of Directors fails to issue a notice calling the general meeting within 30 days after the receipt of the request, the shareholder alone or shareholders jointly holding no less than 10% of the Company's shares shall have the right to propose to the Board of Supervisors in writing to convene an extraordinary general meeting. If the Board of Supervisors fails to issue a notice calling the general meeting within 30 days, a shareholder who alone or shareholders who jointly holding no less than 10% of the shares of the Company for at least 90 days in succession may himself/herself/themselves convene and preside over such meeting.

(2) Proposals of General Meetings

A shareholder alone or shareholders jointly holding no less than 3% of the voting shares of the Company may submit extempore motions in writing to the convenor ten (10) days prior to the date of general meeting. The convenor shall issue a supplemental notice of general meeting and make a public announcement of the contents of such extempore motion within two (2) days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. The contents of such an extempore motion shall fall within the authority of general meetings, with definite topics to discuss and specific matters to resolve.

Except as provided in the preceding paragraph, the convenor, after issuing the notice of the general meeting, shall neither modify the proposals stated in the notice of general meetings nor add new proposals.

(3) Notices of General Meetings

Where a general meeting is convened by the Company, it shall issue a written notice twenty (20) days prior to the convening of the annual general meeting or fifteen (15) days prior to the convening of the extraordinary general meeting to notify shareholders. When calculating the starting date, the date of the meeting shall be excluded. The notice shall include date, time and venue of the meeting and matters to be considered at the meeting and a statement indicating that shareholders is entitled to appoint proxies to attend and vote at such meeting on his/her behalf in writing.

Notice of general meeting shall be served to any shareholder (whether has voting right on general meeting or not) either by hand or by post in a prepaid mail, addressed to such shareholder at his/her/its registered address as shown in the register of members, or by public announcement through the Company's website or website designated by the stock exchange on which the Company's shares are listed, subject to the applicable laws, regulations and listing rules. For holders of domestic shares, the notice of a general meeting may also be given by public announcement.

(4) Convening of General Meetings

Any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one (1) or more persons (who may not be a shareholder) as his/her proxies to attend and vote on his/her behalf. Such proxies may exercise the following rights as entrusted by the shareholder:

(i) the shareholder's right to speak at the general meeting;

(ii) the right to demand by himself or jointly with others, to vote by way of poll;

(iii) unless otherwise provided by the Listing Rules of the Exchange or other securities laws and regulations, the right to vote by show of hands or on a poll, except that if a shareholder has appointed more than one (1) proxy, such proxies may only exercise their voting rights on a poll.

Shareholders shall appoint their proxies by written instruments, which shall be signed by the principals or their agents appointed in writing. If the principal is a legal person, the instrument shall be under the seal of the legal person or signed by its director(s) or duly authorised agent(s).

The instrument appointing a voting proxy shall be placed at the domicile of the Company or at such other place as specified in the notice of the meeting at least 24 hours before the commencement of the relevant meeting at which the proxy is authorised to vote or 24 hours before the specified time of the vote.

If a general meeting is convened by the board of directors, the chairman of the Board of Directors shall serve as host and preside over the meeting. If the chairman of the Board of Directors fails or is unable to perform his or her duties, the meeting shall be presided by the vice chairman of the board of directors, if the vice chairman of the board of directors fails or is unable to perform his or her duties, the meeting shall be presided over by the director designated by the Board of Directors.

If the Board of Directors fails or is unable to perform its duty to convene the general meeting, the Board of Supervisors shall convene and preside the general meeting. If the Board of Supervisors fails or is unable to convene and preside the general meeting, a shareholder alone or shareholders jointly holding no less than 10% of the shares of the Company for 90 consecutive days or more may by itself/himself/herself/themselves convene and preside the general meeting.

(5) Voting and Resolutions of General Meeting

Resolutions of the general meeting include ordinary resolutions and special resolutions. Ordinary resolution at a general meeting shall be adopted by shareholders in attendance (including proxies) holding more than half of the voting rights. Special resolution at a general meeting shall be adopted by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share. Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

When a poll is taken at a meeting, a shareholder (including his proxy) who has the right to two (2) or more votes need not cast all his votes in the same way. When the number of votes for and against a resolution is equal, whether the vote is taken by a show of hands or on a poll, the chairman of the meeting shall be entitled to one additional vote.

Decisions of the general meeting on any of the following matters shall be adopted by special resolution:

(i) the increase or reduction of the registered capital and issuance of any class of shares, warrants or other similar securities by the Company;

(ii) the issuance of corporate bonds;

(iii) the division, merger, dissolution and liquidation or change in the corporate form of the Company;

(iv) the amendment to these Articles of Association;

(v) other matters which the laws, administrative regulations or these Articles of Association require to be adopted by special resolutions and which the general meeting considers will have a material impact on the Company and therefore require, by an ordinary resolution, to be adopted by special resolution.

(6) Procedures for Voting by Class Shareholders

Shareholders that hold different classes of shares shall be class shareholders. Class shareholders shall enjoy rights and assume obligations in accordance with laws and these Articles of Association.

Apart from holders of other classes of shares, holders of Domestic Shares and overseas-listed foreign shares are deemed to be shareholders of different classes. The Company shall not proceed to change or abrogate the rights of class shareholders unless such proposed change or abrogation has been approved by way of a special resolution at a general meeting and by a separate shareholder meeting convened by the class shareholders so affected in accordance with the Articles of Association.

The rights of shareholders of a certain class shall be deemed to have been changed or abrogated in the following circumstances:

(i) An increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;

(ii) a conversion of all or part of the shares of such class into shares of another class, a conversion of all or part of the shares of another class into shares of such class or the grant of the right to such conversion;

(iii) a removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such class;

(iv) a reduction or removal of a dividend preference or property distribution preference during liquidation of the Company, attached to shares of such class;

(v) an addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, pre-emptive rights to rights issues or rights to acquire securities of the Company attached to shares of such class;

(vi) a removal or reduction of rights to receive amounts payable by the Company in a particular currency attached to shares of such class;

(vii) a creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that class;

(viii) an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;

(ix) an issuance of rights to subscribe for, or convert into, shares of such class or another class;

(x) an increase in the rights and privileges of shares of another class;

(xi) restructuring of the Company which causes shareholders of different classes to bear liability to different extents during the restructuring;

(xii) any amendment or abrogation of the provisions of this section.

Shareholders of the affected class, whether or not having the right to vote at general meeting, shall have the right to vote at class meetings in respect of matters referred to in above paragraphs (ii) to (viii) and (xi) to (xii), except that interested shareholders shall not have the right to vote at class meetings.

The term "interested shareholders" in the preceding paragraph shall have the following meanings:

(i) if the Company has made a buyback offer to all shareholders in the same proportion or has bought back its own shares through open market transactions on a stock exchange in accordance with Article 32 of these Articles of Association, the controlling shareholders as defined in these Articles of Association shall be "interested shareholders";

(ii) if the Company has bought back its own shares by an agreement outside of a stock exchange in accordance with Article 32 of these Articles of Association, holders of shares in relation to such agreement shall be "interested shareholders";

(iii) under a restructuring proposal of the Company, shareholders who will bear liability in a proportion smaller than that of the liability borne by other shareholders of the same class, or shareholders who have an interest in a restructuring proposal of the Company that is different from the interest in such restructuring proposal of other shareholders of the same class shall be "interested shareholders".

The quorum of a class meeting shall be holder(s) of no less than one-third of the issued shares of such class. Resolutions of a class meeting may be passed only by shareholders present at the class meeting representing no less than two-thirds of the voting rights in accordance with relevant provisions in the Articles of Associations.

When convening a class meeting, the Company shall issue a written notice within the time requirement of the non-class meeting. If the regulations where the Company is listed regulates otherwise, such regulations shall prevail.

The procedure according to which class shareholders' meetings are held shall, to the extent possible, be identical to the procedure according to which general meetings are held. Provisions of these Articles of Association relevant to procedures for the holding of general meetings shall be applicable to class shareholders' meetings.

The special procedure for voting by class shareholders shall not apply under the following circumstances:

(i) where the Company issues domestic shares and overseas-listed foreign shares, upon approval by a special resolution of the general meeting, either separately or concurrently once every 12 months, and the quantity of domestic investment shares and overseas-listed foreign investment shares intended to be issued does not exceed 20% of the outstanding shares of the respective classes;

(ii) where the Company's plan to issue domestic shares and overseas-listed foreign shares upon its incorporation is implemented within 15 months from the date of approval by the securities regulatory authorities under the State Council;

(iii) where, as approved by the State Council or its authorised regulatory authorities, the conversion of domestic shares of the Company into foreign shares and the listed and trading of such shares on an overseas stock exchange.

8. DIRECTORS AND BOARD OF DIRECTORS

(1) Directors

Directors shall be elected or replaced at the general meeting and may be removed before the expiry of the term at the general meeting. Every term of a director is three (3) years, and upon expiry of the term, a director shall be eligible for re-election and re-appointment.

Subject to the compliance with the relevant laws and administrative regulations, the general meeting may by ordinary resolution remove any director before the expiration of his term of office without prejudice to the director's right as provided in any contracts to claim for damages arising from his removal.

A Director is not required to hold any share in our Company by way of qualification.

(2) Board of Directors

The Company shall set up a board of directors which shall be accountable to the general meetings. The board of directors shall consist of 7-9 directors, including at least 3 independent non-executive directors and accounting for at least one-third of the members of the Board of Directors. The board of directors shall consist of one (1) chairman. The chairman shall be elected and removed by more than one-half of all directors. The term of office of the chairman shall be three (3) years, renewable upon re-election.

The board of directors is accountable to the general meetings and exercise the following functions and powers:

(i) to convene general meetings and report to the general meetings;

(ii) to implement resolutions of the general meetings;

(iii) to decide on the Company's business plans and investment plans;

(iv) to formulate the annual financial budgets and final accounts of the Company;

(v) to formulate the Company's profit distribution plans and plans on making up losses;

(vi) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing of shares of the Company;

(vii) to formulate plans for the Company's merger, division, dissolution or change of corporate form;

(viii) to formulate plans for the Company's substantial acquisitions and sale, and repurchase of shares of the Company;

(ix) within the scope authorised by the general meeting, to decide on such matters as the Company's external investments, acquisition and disposal of assets, provision of security on the Company's assets, provision of guarantee, wealth management entrustment and related party transactions etc.;

(x) to decide on establishment of internal management organs of the Company;

(xi) to decide the establishment of committees of the Board of Directors; appoint or dismiss chairman (convenor) of the committees of the Board of Directors;

(xii) to engage or dismiss the Company's general manager and secretary to the Board of Directors, company secretary; to engage or dismiss senior management including deputy general manager(s) and the person in charge of finance of the Company in accordance with the nominations by general manager, and to decide on their remunerations;

(xiii) to formulate the basic management system of the Company;

(xiv) to formulate proposals to amend these Articles of Association;

(xv) to formulate proposals to adopt share incentive plan of the Company;

(xvi) to manage information disclosure of the Company;

(xvii) to propose to the general meeting the appointment or replacement of the accounting firm that provides audit service of annual financial statement to the Company;

(xviii) to listen to work reports submitted by the general manager of the Company and review his/her work;

(xix) to decide material matters and administrative matters other than those matters required to be decided by the general meeting of the Company in accordance with laws, administrative regulations, department regulations and these Articles of Association;

(xx) other functions and powers provided for in laws, administrative regulations, department regulations, listing rules of the Stock Exchange and these Articles of Association, and conferred at general meetings.

Except for the Board of Directors resolutions in respect of the matters specified in paragraphs (vi), (vii) and (xiv) which shall be passed by no less than two-thirds of the directors, the Board of Directors resolutions in respect of all other matters set out in the preceding paragraph may be passed by more than half of the directors.

Meetings of the board of directors may be held only if more than one half of the directors are present. Vote on Board of Directors resolution shall be carried out on the basis of one person one vote.

If any director is associated with the enterprises that are involved in the matters to be resolved at the meeting of the Board of Directors, he or she shall not exercise his or her voting rights for such matters, nor shall such director exercise voting rights on behalf of other directors. Such meeting of the Board of Directors may be held only if more than one half of the directors without a connected relationship are present, and the resolutions made at such a meeting of the Board of Directors shall be passed by more than one half of the directors without a connected relationship. If the number of non-connected directors present at such meeting is less than three, the matter shall be submitted to the general meeting for consideration.

9. SECRETARY OF THE BOARD

The Company shall have a secretary to the Board of Directors. The secretary to the Board of Directors is a member of the senior management of the Company.

The secretary to the Board of Directors of the Company shall be a natural person with the requisite professional knowledge and experience and shall be appointed by the Board of Directors.

Any accountant from the accounting firm engaged by the Company shall not concurrently serve as the secretary to the Board of Directors of the Company.

10. BOARD OF SUPERVISORS

The Company shall establish a Board of Supervisors. The Board of Supervisors shall consist of three (3) supervisors, one of which shall be the chairman. The term of office of each supervisor shall be a period of three (3) years, renewable upon re-election. Any directors, general managers and other senior management shall not act concurrently as supervisors.

The Board of Supervisors consists of two (2) shareholders' representative supervisors and one (1) employee representative supervisor. Shareholders' representative supervisors shall be elected and removed by the general meeting, the employee representative supervisor shall be elected and removed by the employees of the Company democratically.

The Board of Supervisors shall be accountable to the general meeting and exercise the following functions and powers in accordance with law:

(i) to examine the Company's financial matters;

(ii) to supervise the performance by the directors and senior management of their duties to the Company to ensure that there is no violation of laws, administrative regulations and the Articles of Association of the Company during their performance of the duties to the Company; to propose the dismissal of the directors and senior management who violates laws, administrative regulations, the Articles of Association of the Company or the resolutions of the general meeting;

(iii) to demand rectification from the directors and senior management when the acts of such persons are harmful to the Company's interests;

(iv) to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board of Directors to the general meetings and, should any queries arise, to engage, in the name of the Company, certified public accountants and practising auditors for a re-examination of the aforesaid information;

(v) to propose the convening of extraordinary general meetings; to convene and preside the general meetings in the event that the Board of Directors fails to perform its duties to convene and preside the general meetings;

(vi) to submit motion to the general meetings;

(vii) to propose the convening of interim meeting of the Board of Directors;

(viii) to communicate or sue directors and senior management on behalf of the Company in accordance with the Company Law;

(ix) to investigate any abnormal matters during the business operation of the Company; if necessary, to engage professionals such as accounting firms or law firms to assist it in exercising its functions and powers with expenses being borne by the Company;

(x) other functions and powers provided by these Articles of Association.

Supervisors may attend as a nonvoting delegate at the meeting of the Board of Directors.

11. GENERAL MANAGER AND OTHER MEMBERS OF THE SENIOR MANAGEMENT

The Company has one general manager, several deputy general managers and a chief finance officer. The general manager shall serve terms of three (3) years and may serve consecutive terms if reappointed by the Board of Directors.

Directors may concurrently serve as general manager or other senior management personnel.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(i) to be in charge of the production, operation and management of the Company, and to report his/her works to the Board of Directors;

(ii) to organise the implementation of the resolutions of the Board of Directors;

(iii) to organise the implementation of the Company's annual business plans and investment plans;

(iv) to draft plans for the establishment of the Company's internal management organisation;

(v) to draft plans for the establishment of the Company's branches;

(vi) to draft the Company's basic management system;

(vii) to formulate the Company's basic regulations;

(viii) to propose the appointment or dismissal of the Company's deputy general manager, chief financial officer or other senior management personnel;

(ix) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;

(x) such other functions and powers conferred by these Articles of Association or the Board of Directors.

12. BORROWING POWER

The Articles of Association do not contain any specific provision regarding the manner in which the Directors may exercise the right to borrow money or the manner in which such a right is given provided that the Board of Directors shall be entitled to develop proposals for the Company to issue bonds and to list its Shares, and that such bond issues must be approved by the Shareholders by a special resolution at the general Shareholders' meeting.

13. FINANCIAL AND ACCOUNTING SYSTEMS

The Company shall formulate its financial and accounting systems in accordance with the PRC laws and the PRC accounting standards formulated by relevant state authorities.

The Company shall prepare financial reports at the end of each fiscal year. Such reports shall be audited by an accounting firm in accordance with the law.

The Company shall publish financial reports twice every fiscal year, namely an interim financial report within 60 days after the end of the first six months of the fiscal year and an annual financial report within 120 days after the end of the fiscal year. Notwithstanding the foregoing, if the listing rules of the stock exchange on which the Company's shares are listed provide otherwise, such listing rules shall prevail.

The financial reports of the Company shall be made available for inspection by shareholders 20 days prior to the convening of an annual general meeting. Each shareholder of the Company shall have the right to obtain a copy of the financial reports referred to in this Chapter. Such financial reports shall include the report of the Board of Directors and financial reports together with the balance sheet (including all documents annexed to the balance sheet as prescribed by applicable laws), and the profit or loss statement or income and expenditure statement, or, to the extent not violate the PRC laws, the financial summary as approved by the Stock Exchange.

At least 21 days before the convening of the annual general meeting, the Company shall deliver copies of the aforesaid financial reports to each holder of overseas-listed foreign shares with the postage-paid mail, or other means as permitted by the laws and regulations of the place of listing of the Company's shares and the listing rules of the stock exchange where the Company's shares are listed (including by means of announcement on the Company's website or website(s) designated by the stock exchange where the Company's shares are listed). The addresses of the recipient shall be registered address as shown on the register of members.

The financial statements of the Company shall be prepared not only in accordance with PRC accounting standards and regulations, but also in accordance with international accounting standards or the accounting standards of the place outside the PRC where shares of the Company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in notes appended to such financial statements.

14. PROFIT DISTRIBUTIONS

Where the Company distributes its after-tax profits for a given year, it shall allocate 10% of the profits to its statutory reserve.

The Company shall no longer be required to make allocations to its statutory reserve once the aggregate amount of such reserve reaches at least 50% of its registered capital.

If the Company's statutory reserve is insufficient to make up losses from previous years, the Company shall use its profits from the current year to make up such losses before making the allocation to its statutory reserve in accordance with the preceding paragraph.

After making the allocation from its after-tax profits to its statutory reserve, the Company may, subject to a resolution of the general meeting, make an allocation from its after-tax profits to the discretionary reserve.

After the Company has made up its losses and made allocations to its reserves, the remaining profits of the Company shall be distributed in proportion to the shareholdings of its shareholders, unless these Articles of Association provide that distributions are to be made otherwise than proportionally. If the general meeting or the Board of Directors breaches the provisions of the preceding paragraphs by distributing profits to shareholders before the Company has made up its losses and made allocations to the statutory reserve, the shareholders must return to the Company the profits that were distributed in breach of the said provisions.

Shares of the Company that are held by the Company itself shall not participate in the distribution of profits.

The Company shall appoint receiving agents for holders of overseas-listed foreign investment shares to collect on behalf of the relevant shareholders the dividends distributed and other amount payable by the Company in respect of overseas-listed foreign investment shares.

The receiving agents appointed by the Company shall meet the requirements of the laws of the place or the relevant regulations of the stock exchange where the Company's shares are listed.

The receiving agents appointed by the Company for holders of overseas-listed foreign investment shares listed on the Stock Exchange shall be a trust company registered under the Trustee Ordinance of Hong Kong.

Subject to the laws of the PRC, the Company may exercise power to forfeit unclaimed dividends, provided that it does so only after the expiration of the applicable relevant period after the declaration of the dividends.

The Company has the power to cease sending dividend warrants by post to a given holder of overseas-listed foreign investment shares, provided that such power shall not be exercised until such dividend warrants have been so left uncashed on two consecutive occasions.

However, the Company may exercise such power after the first occasion on which such a warrant is returned undelivered.

The Company shall have the power to sell, in such manner as the Board of Directors thinks fit, any shares of a shareholder of overseas-listed foreign shares who is untraceable subject to the following conditions:

(i) the Company has distributed dividends at least three times in respect of such shares within 12 years, but none of such dividends was claimed;

(ii) the Company has, after the expiration of a period of 12 years, made an announcement on one or more newspapers in the place in which the Company's shares are listed, stating its intention to sell such shares, and notify the securities regulatory authority of the place in which the Company's shares are listed of such intention.

15. DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved in accordance with the law under any of the following circumstances:

(i) other circumstances triggering dissolution of the Company as set forth in these Articles of Association;

(ii) the general meeting resolves to dissolve the Company;

(iii) dissolution is necessary as a result of the merger or division of the Company;

(iv) the Company is declared bankrupt in accordance with law because it is unable to pay its debts as they fall due;

(v) the Company's business licence is revoked or it is ordered to close down or it is deregistered according to laws;

(vi) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding at least 10% of all shareholders' voting rights of the Company may petition a People's Court to dissolve the Company.

Where the Company is dissolved according to the provisions of sub-paragraphs (i), (ii), (v) and (vi) of the preceding Article, it shall establish a liquidation committee and liquidation shall commence within 15 days from the date on which the cause for dissolution arose. The liquidation committee shall be composed of Directors or persons determined by a general meeting. If the Company fails to establish the liquidation committee and carry out the liquidation within the time limit, its creditors may petition a People's Court to designate relevant persons to form a liquidation committee and carry out the liquidation.

If the Company is to be dissolved pursuant to item (iv) of the preceding Article, the People's Court shall, in accordance with the provisions of relevant laws, arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out liquidation.

If the Board of Directors decides that the Company shall be liquidated (except for the liquidation as a result of the Company's declaration of bankruptcy), the notice of the general meeting convened for such purpose shall include a statement to the effect that the Board of Directors has made full inquiry into the conditions of the Company and that the Board of Directors is of the opinion that the Company can pay its debts in full within 12 months after the commencement of the liquidation. The functions and powers of the Board of Directors of the Company shall terminate immediately after the general meeting has passed the resolution to carry out liquidation.

The liquidation committee shall take instructions from the general meeting and shall make a report to the general meeting on the committee's income and expenditure as well as the business of the Company and the progress of the liquidation at least annually. It shall make a final report to the general meeting when the liquidation is completed. The liquidation committee shall notify creditors within 10 days of its establishment, and make announcements on the newspapers designated by the stock exchange where the Company's shares are listed within 60 days of its establishment. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the written notice or, if they did not receive a written notice, within 45 days from the date of the announcement. When declaring their claims, creditors shall explain the particulars relevant to their claims and submit supporting documentation. The liquidation committee shall register the claims.

After the liquidation committee has liquidated the Company's property and prepared a balance sheet and property list, it shall formulate a liquidation plan and submit such plan to the general meeting or the People's Court for confirmation. The Company's property remaining after payment of the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the taxes owed and all the Company's debts shall be distributed by the Company to the shareholders in proportion to the shares they hold.

During liquidation, the Company shall continue to exist but may not engage in any business activities unrelated to the liquidation. The Company's property will not be distributed to the shareholders until repayment of its debts in accordance with the preceding paragraph.

If the liquidation committee, having liquidated the Company's property and prepared a balance sheet and property list, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of bankruptcy in accordance with the law. After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the People's Court.

Following the completion of liquidation of the Company, the liquidation committee shall formulate a liquidation report, a revenue and expenditure statement and financial accounts in respect of the liquidation period and, after verification thereof by a certified public accountant in China, submit the same to the general meeting or the People's Court for confirmation. Within 30 days from the date of the general meeting's or the People's Court's confirmation, the liquidation committee shall submit the aforementioned documents to the company registration authority to apply for company deregistration, and announce the Company's termination.

16. AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend these Articles of Association in accordance with the laws and these Articles of Association. If an amendment to these Articles of Association involves matters requires the approval from the competent regulatory authority to become effective, it shall be submitted to the competent regulatory authority for approval. If an amendment to these Articles of Association involves a registered item of the Company, registration of the change shall be carried out in accordance with the law.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

The predecessor of our Company was established as a limited liability company in the PRC on 20 June 2018 with an initial registered capital of RMB1 million. On 23 February 2021, our Company was converted to a joint stock company with limited liability under the PRC Company Law. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. The relevant PRC laws and regulatory provisions and a summary of our Articles of Association are set out in Appendices V and VI to this prospectus, respectively.

Our registered place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 March 2021. Wong Keith Shing Cheung has been appointed as our authorised representative for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of the predecessor of our Company, our registered capital was RMB1 million, which was fully paid on 30 July 2018. On 23 February 2021, our Company was converted into a joint stock company with limited liability. Our registered capital was RMB305,000,000 divided into 305,000,000 Domestic Shares with a nominal value of RMB1.00 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On 9 August 2019, our Shareholders resolved to increase the share capital of our Company from RMB10,000,000 to RMB305,000,000, by way of Mr. Fei and Mr. Fan injecting RMB293,549,700 and RMB1,450,300 into our Company by cash, respectively.

Assuming the Over-allotment Option is not exercised, upon completion of the Global Offering, our issued share capital will increase to RMB426,600,000, made up of 426,600,000 H Shares (including 305,000,000 Converted H Shares) fully paid up or credited as fully paid up. For further details, see "History and Development" in this prospectus. Save as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants' Report as set out in Appendix I to this prospectus. There has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. The Shareholders' Resolutions of our Company

At the extraordinary general meeting of our Company held on 20 March 2021, among other things, the following resolutions were passed by the Shareholders of our Company:

(a) the Global Offering has been approved and the Board has been authorised to apply for the listing of our H Shares on the Stock Exchange as well as to approve matters in relation to the Global Offering;

(b) the issue by our Company of the H Shares of nominal value of RMB1.00 each up to 121,600,000 H Shares in total and such H Shares to be listed on the Stock Exchange;

(c) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective on the Listing Date;

(d) the Board has been authorised to revise and amend the Articles of Association in accordance with laws, regulations, requirements and suggestions of related governmental authorities and regulatory authorities; and

(e) the Board has been authorised to draft, sign, execute, implement, revise, and complete the applications, memos, reports, and all other necessary documents for submission to the relevant domestic and overseas authorities, governmental authorities, regulatory authorities, institutions or individuals and to deal with approval, registration, filing, verifications or other formalities in relation to the Global Offering.

5. Restrictions on Repurchase

Please refer to Appendices IV and V to this prospectus for details.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the Hong Kong Underwriting Agreement;

(b) the Non-competition Undertaking;

(c) the loan agreement dated 9 October 2020 entered into between Shanghai Conant and Shanghai Zhengsenjian Enterprise Management Co., Ltd. (上海錚森健企業管理有限公司) ("**Shanghai Zhengsenjian**"), pursuant to which Shanghai Conant provided a loan in the sum of RMB10,421,800 (the "**Loan**") to Shanghai Zhengsenjian;

(d) the equity pledge agreement dated 9 October 2020 entered into between Shanghai Conant and Shanghai Zhengsenjian, pursuant to which Shanghai Zhengsenjian pledged its 49% equity interest in Jiangsu Blue to Shanghai Conant to secure its obligation to repay the Loan; and

(e) the equity transfer agreement dated 21 December 2020 entered into between Shanghai Zhengsenjian and Jiangsu Conant, pursuant to which Jiangsu Conant acquired 49% equity interest in Jiangsu Blue for a consideration of RMB10,421,800.

2. Our Material Intellectual Property Rights

As at the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	conant 康耐特	5, 7, 9, 35 and 44	Our Company	Hong Kong	305224752	19 March 2020	18 March 2030
2.	conant康耐特	5, 7, 9, 35 and 44	Our Company	Hong Kong	305224761	19 March 2020	18 March 2030
3.	conant	9	Shanghai Conant	PRC	4568055	21 January 2018	20 January 2028
4.	conant 康耐特	9	Shanghai Conant	PRC	9855978	21 October 2012	20 October 2032
5.	康耐特	9	Shanghai Conant	PRC	3026453	21 February 2013	20 February 2023
6.	朝日富士	9	Shanghai Conant	PRC	30432386	14 February 2019	13 February 2029
7.	朝日富士	44	Shanghai Conant	PRC	30423059	14 February 2019	13 February 2029
8.	学智优	44	Shanghai Conant	PRC	37381790	14 December 2019	13 December 2029
9.	学智优	9	Shanghai Conant	PRC	37377977	14 December 2019	13 December 2029
10.	学智优	35	Shanghai Conant	PRC	37370952	14 December 2019	13 December 2029
11.	瞬非	44	Shanghai Conant	PRC	36226985	21 September 2019	20 September 2029
12.	瞬非	35	Shanghai Conant	PRC	36226978	7 October 2019	6 October 2029
13.	瞬非	9	Shanghai Conant	PRC	36214354	14 October 2019	13 October 2029
14.	镜宝贝	9	Shanghai Conant	PRC	40725038	7 June 2020	6 June 2030
15.	镜宝贝	35	Shanghai Conant	PRC	40718139	14 April 2020	13 April 2030
16.	HI·VEX Optical lens	9	Shanghai Conant	PRC	7259789	14 November 2020	13 November 2030
17.	舒视悦读	9	Shanghai Conant	PRC	53479997	28 September 2021	27 September 2031

(b) Domain names

As at the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Expiry date
1.	conant.com.cn	Shanghai Conant	27 October 2022
2.	conantoptical.com.cn	Shanghai Conant	27 October 2022
3.	conantoptical.com	Shanghai Conant	30 August 2022
4.	conantoptics.com	Shanghai Conant	30 August 2022
5.	asahi-lite.jp	Asahi Optical	31 May 2022

(c) Patents

As at the Latest Practicable Date, we have registered the following patents which are material to our business:

No.	Patent	Category	Patentee	Place of registration	Patent Number	Application Date
1.	Anti-blue-light optical resin lens and preparation method thereof	International patent	Jiangsu Conant	US and EU	PCT/CN2016/072191	26 January 2016
2.	Photochromic resin lens and manufacturing method thereof (光致變色樹脂鏡片及其製造方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2018109774345	24 August 2018
3.	Antibacterial coated resin lens and manufacturing method thereof (一種抗菌鍍膜樹脂鏡片及其製造方法)	Invention patent	Shanghai Conant	PRC	2016112232278	27 December 2016
4.	Method for making and correcting progressive lens molds and the lens molds made therefrom (漸進鏡片模具的製作和修正方法及其製得的鏡片模具)	Invention patent	Shanghai Conant	PRC	2016111355868	12 December 2016
5.	Impact-resistant optical resin lens and manufacturing method thereof (一種抗衝擊光學樹脂鏡片及其製造方法)	Invention patent	Shanghai Conant	PRC	2008100436848	6 August 2008
6.	Method for manufacturing blue-light-proof optical resin lens and products therefrom (一種防藍光樹脂鏡片的製造方法及產品)	Invention patent	Shanghai Conant	PRC	2013104084054	10 September 2013
7.	Medium refractive index resin material and method for preparation lens thereof (一種中折射率樹脂材料及其鏡片的製備方法)	Invention patent	Shanghai Conant	PRC	201410283196X	23 June 2014
8.	Method for manufacturing composite photochromic optical resin lens (複合型光致變色光學樹脂鏡片的製造方法)	Invention patent	Shanghai Conant	PRC	2006101164714	25 September 2006
9.	Antiskid coated resin spectacle lens and preparation method thereof (一種防滑鍍膜樹脂眼鏡片及其製作方法)	Invention patent	Jiangsu Conant	PRC	2014102236644	24 May 2014

No.	Patent	Category	Patentee	Place of registration	Patent Number	Application Date
10.	Anti-infrared resin lens and preparation method thereof (一種防紅外樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2017109009787	28 September 2017
11.	Dyed resin lens and preparation method thereof (一種染色樹脂鏡片及其製備方法)	Invention patent	Jiangsu Conant	PRC	2014102243351	24 May 2014
12.	Method for preparation of blue-light-proof and frog-proof coated resin lens (一種防藍光防霧鍍膜樹脂鏡片的製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2016111424834	13 December 2016
13.	Frog-proof optical resin lens and preparation method thereof (一種防霧光學樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2016111424707	13 December 2016
14.	Dyed resin lens with refractive index of 1.50 and preparation method thereof (折射率1.50染色樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2017109105197	29 September 2017
15.	Blue-light-proof and dazzle-light-proof coated resin lens and preparation method thereof (一種防藍光防眩光鍍膜樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2017111933400	24 November 2017
16.	Anti-reflection and anti-infrared coated resin lens and preparation method thereof (一種增透防紅外鍍膜樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2018100446877	17 January 2018
17.	Blue-light-proof resin lens and preparation method thereof (一種防藍光樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2018103323188	13 April 2018
18.	Multifunctional resin lens and preparation method thereof (一種多功能樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2018104322816	8 May 2018
19.	Photochromic resin lens with refractive index of 1.50 and preparation method thereof (一種折射率1.50的光致變色樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	PRC	2020101301251	28 February 2020
20.	Resin lens dyeing equipment (一種樹脂鏡片染色設備)	Utility model	Shanghai Conant and Jiangsu Conant	PRC	2020224928412	2 November 2020

As at the Latest Practicable Date, we have applied for the registration of the following patents which are material to our business:

No.	Patent	Category	Applicant	Application number	Application date
1.	Coated frog-proof resin lens with high anti-reflection (一種高增透鍍膜防霧樹脂鏡片)	Invention patent	Shanghai Conant and Jiangsu Conant	2020111966764	30 October 2020
2.	Colour-changing lens and preparation method and application thereof (一種變色鏡片及其製備方法和應用)	Invention patent	Shanghai Conant	2019109802617	15 October 2019
3.	Dyeable resin lens with refractive index of 1.74 and preparation method thereof (一種可染色1.74樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	202110356100.8	1 April 2021
4.	Laminated functional resin lens and preparation method and application thereof (一種貼合式功能性樹脂鏡片及其製備方法和應用)	Invention patent	Shanghai Conant	202110437144.3	22 April 2021
5.	Myopia corrective lens and myopia corrective glasses comprising the same (一種近視矯正鏡片及包括其的近視矯正眼鏡)*(Note)*	Utility model	Shanghai Conant	202121219115.1	2 June 2021
6.	High temperature resistant and permeable resin lens and preparation method thereof (一種抗高溫增透樹脂鏡片及其製備方法)	Invention patent	Shanghai Conant and Jiangsu Conant	202110795766.3	14 July 2021
7.	Lens design method and a lens and mould (一種鏡片設計方法以及鏡片和模具)	Invention patent	Shanghai Conant	202110862248.9	29 July 2021

Note: According to the patent announcement published on the official website of the China National Intellectual Property Administration (http://epub.cnipa.gov.cn/), the patent right has been granted to the utility model on 23 November 2021, after the Latest Practicable Date.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors, Supervisors and the chief executive of our Company

Immediately following the completion of the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of our Directors, Supervisors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interest in our Company

Name of Director	Nature of Interest	Number and Class of Shares to be held after the Global Offering	Approximate percentage of shareholding in relevant class of Shares(1)	Approximate percentage of shareholding in the total share capital of our Company(1)
Mr. Fei	Beneficial owner	212,740,030 H Shares(4)	49.87%	49.87%
Zhang Huixiang (張惠祥)(2)	Interest in a controlled corporation	18,396,670 H Shares(4)	4.31%	4.31%
Zheng Yuhong (鄭育紅)(2)	Interest in a controlled corporation	18,396,670 H Shares(4)	4.31%	4.31%
Xia Guoping (夏國平)(3)	Interest in a controlled corporation	11,948,300 H Shares(4)	2.80%	2.80%

Notes:

(1) The calculation is based on the total number of Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(2) Zhang Huixiang, the chairman of our Supervisory Committee, and Zheng Yuhong, an executive Director, are the managing partners of Shanghai Shuyun, a limited partnership established in the PRC which beneficially owns 18,396,670 Shares. Accordingly, Zhang Huixiang and Zheng Yuhong are deemed to be interested in all the Shares held by Shanghai Shuyun upon Listing.

(3) Xia Guoping, an executive Director, is the managing partner of Shanghai Fengchang, a limited partnership established in the PRC which beneficially owns 11,948,300 Shares. Accordingly, Xia Guoping is deemed to be interested in all the Shares held by Shanghai Fengchang upon Listing.

(4) Subject to the approvals by the CSRC and the Stock Exchange, the Domestic Shares held by Mr. Fei, Shanghai Shuyun and Shanghai Fengchang will be converted into Converted H Shares and listed on the Stock Exchange immediately upon Listing.

(b) Interests of the Substantial Shareholders

Save as disclosed in "Substantial Shareholders", immediately following the completion of the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors or chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company.

2. Directors' and Supervisors' Service Contracts

Each of our Directors has entered into a service contract with our Company on 22 November 2021. The principal particulars of these service contracts are (a) for a term of three years commencing from their respective effective date of appointment until the day on which the next general meeting of the shareholders for re-election of Directors is held, and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Each of the Supervisors has entered into a contract with our Company on 22 November 2021, in respect of, among others, compliance with relevant laws, regulations, the Articles of Association and applicable provision on arbitration.

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

3. Directors' and Supervisors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing allowances and other allowances and other benefits in kind) paid to our Directors and Supervisors for three years ended 31 December 2020 and the five months ended 31 May 2021 were approximately RMB4.9 million, RMB5.9 million, RMB5.4 million and RMB2.4 million, respectively, which included the aggregate contributions we paid to pension schemes for our Directors and Supervisors in respect of the three years ended 31 December 2020 and the five months ended 31 May 2021 of approximately RMB124,000, RMB203,000, RMB17,000 and RMB98,000, respectively.

Save as disclosed above, no other payments have been made or are payable, by us to our Directors and Supervisors for the Track Record Period.

Pursuant to existing arrangements that are currently in force as at the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors and Supervisors by our Company for the year ending 31 December 2021 is estimated to be approximately RMB5.1 million in aggregate.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once our H Shares are listed on the Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, once our H Shares are listed on the Stock Exchange;

(c) none of our Directors or Supervisors nor any of the persons listed in "— D. Other Information — 5. Qualification of Experts" is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors or Supervisors nor any of the persons listed in "— D. Other Information — 5. Qualification of Experts" is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(e) save in connection with Underwriting Agreements, none of the persons listed in "— D. Other Information — 5. Qualification of Experts" has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors or Supervisors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) save as contemplated under the Underwriting Agreements, none of our Directors or Supervisors their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to the section headed "Underwriting — Independence of the Sole Sponsor" for details regarding the independence of the Sole Sponsor.

The fees payable to the Sole Sponsor are HK$7,450,000, together with an incentive commission being 0.5% of the gross proceeds of the Global Offering (including, if applicable, any gross proceeds relating to the exercise of the Over-allotment Option, before deducting any fees, taxes and expenses), and are payable by our Company.

4. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2021 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (WUMP) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Guotai Junan Capital Limited	Licenced corporation under the SFO permitted to carry out type 6 (Advising on Corporate Finance) regulated activities (as defined under the SFO)
Ernst & Young	Certified public accountants Registered Public Interest Entity Auditor
Ernst & Young Tax Services Limited	Transfer pricing consultant
Han Kun Law Offices	Legal advisers as to PRC law
Kamimura Ohira & Mizuno	Legal advisers as to Japanese laws
Stephen Peepels, Esq.	Legal advisers as to International Sanctions laws
Roma Appraisals Limited	Independent property valuer and consultant in relation to our Group's property interests
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

6. Consents of Experts

Each of the experts as referred to in "— D. Other Information — 5. Qualification of Experts" has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our promoters comprised of Mr. Fei, Mr. Fan and each of the Pre-IPO Investors. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately RMB600,000 and were payable by us.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that:

(i) since 31 May 2021 (being the date on which the latest audited consolidated financial statements of our Group was made up), there has been no material adverse change in our financial or trading position or prospects;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and

(iii) our Company has no outstanding convertible debt securities or debentures.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **GREEN** Application Forms;

(b) copies of each of the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII to this prospectus; and

(c) the written consents referred to in "Statutory and General Information — D. Other Information — 6. Consents of Experts" in Appendix VII to this prospectus.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.conantoptical.com.cn** up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the audited consolidated financial statements of our Group for the Track Record Period;

(c) the Accountants' Report for the Track Record Period issued by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(d) the report on the unaudited pro forma financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(e) the property valuation report relating to the property interests of our Group prepared by Roma Appraisals Limited, the text of which is set out in Appendix III to this prospectus;

(f) the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII to this prospectus;

(g) the service contracts referred to in "Statutory and General Information — C. Further Information about our Directors, Supervisors and Substantial Shareholders — 2. Directors' and Supervisors' Service Contracts" in Appendix VII to this prospectus;

(h) the legal opinions issued by Han Kun Law Offices, our legal advisers as to PRC laws, dated 30 November 2021 in respect of certain aspects and the property interests of our Group;

(i) the legal opinion issued by Kamimura Ohira & Mizuno, our legal advisers as to Japanese laws, dated 30 November 2021 in respect of certain aspects of our Group;

(j) the legal memorandum issued by Stephen Peepels, Esq., our legal advisers as to International Sanctions laws, dated 30 November 2021 in respect of certain aspects of our Group;

(k) copies of the following PRC laws, together with unofficial English translation thereof:

  (i) the PRC Company Law;

  (ii) the PRC Securities Law;

  (iii) the Special Regulations; and

  (iv) the Mandatory Provisions;

(l) the industry report issued by Frost & Sullivan;

(m) the transfer pricing analysis report issued by Ernst & Young Tax Services Limited; and

(n) the written consents referred to in "Statutory and General Information — E. Other Information — 6. Consents of Experts" in Appendix VII to this prospectus.

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