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

Interim Report
2023

CONTENTS

Corporate Information

Executive Directors	Mr. Fei Zhengxiang (Chairman) Mr. Zheng Yuhong Mr. Xia Guoping Mr. Chen Junhua
Non-executive Directors	Dr. Takamatsu Ken Ms. Zhao Xiaoyun
Independent non-executive Directors	Dr. Xiao Fei Mr. Chen Yi Mr. Jin Yiting
Supervisors	Mr. Wang Chuanbao Mr. Xu Jingming Mr. Tang Baohua
Joint Company Secretaries	Ms. Cao Xue Ms. Lin Sio Ngo
Authorised Representatives	Mr. Fei Zhengxiang Ms. Lin Sio Ngo
Audit Committee	Mr. Chen Yi (Chairman) Mr. Jin Yiting Dr. Xiao Fei
Remuneration Committee	Mr. Jin Yiting (Chairman) Dr. Xiao Fei Mr. Chen Junhua
Nomination Committee	Dr. Xiao Fei (Chairman) Mr. Chen Yi Mr. Xia Guoping
Strategy Committee	Mr. Fei Zhengxiang (Chairman) Dr. Takamatsu Ken Dr. Xiao Fei

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

Definitions

"Articles of Association"	the articles of association of the Company, as supplemented, amended or otherwise modified from time to time
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of Directors
"Board of Supervisors" or "Supervisory Committee"	the supervisory committee of the Company established pursuant to the PRC Company Law
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules
"China" or the "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this interim report, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Company"	Shanghai Conant Optical Co., Ltd. (上海康耐特光學科技集團股份有限公司), a limited liability company established in the PRC on 20 June 2018 and subsequently converted into a joint stock company with limited liability on 23 February 2021
"connected transaction(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meeting or are in a position to control the composition of a majority of the Board, which as at the Latest Practicable Date consisted of Mr. Fei

"Director(s)" or "our Directors"	the director(s) of our Company
"ESG Committee"	the environmental, social and governance committee of the Board
"Global Offering"	the Hong Kong Public Offering (as defined in the Prospectus) and the International Placing (as defined in the Prospectus)
"Group", "our Group", "we", "our" or "us"	the Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were the Company's subsidiaries at the relevant time, or the businesses acquired or operated by them or (as the case may be) their predecessors
"H Share(s)" or "Share(s)"	overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Stock Exchange (stock code: 2276)
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person of our Company within the meaning of the Hong Kong Listing Rules
"Latest Practicable Date"	8 September 2023, being the latest practicable date prior to the bulk printing and publication of this interim report
"Listing"	the listing and the commencement of dealings of the H Shares on the Main Board
"Listing Date"	16 December 2021, being the date of Listing
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"Mr. Fei"	Fei Zhengxiang (費錚翔), the founder of our Group, chairman of our Board, an executive Director, the general manager of our Company and our Controlling Shareholder
"Nomination Committee"	the nomination committee of the Company
"PRC Company Law"	the Company Law of the PRC* (《中華人民共和國公司法》), as enacted 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
"Prospectus"	the prospectus of the Company dated 30 November 2021
"Remuneration Committee"	the remuneration committee of the Company

"Reporting Period"	the six months ended 30 June 2023
"Risk Management Committee"	the risk management committee of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Company
"Supervisor(s)"	the supervisor(s) of our Company
"%"	per cent

* *for identification only*

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Overview

We are a leading resin spectacle lens manufacturer in the PRC. With the production facilities in our three production bases, namely the Shanghai Production Base, the Jiangsu Production Base in the PRC and the Sabae Production Base in Japan, our Group is capable of manufacturing resin spectacle lenses of various specifications. We offer a wide range of resin spectacle lenses to our customers including standardised lenses and customised lenses. We pride ourselves on our broad network of trusted customers worldwide which include some of the most renowned spectacle lens brand owners and international ophthalmic optic companies. Leveraging on our extensive experience in the spectacle lens industry, we have currently produced and sold quality products to over 90 countries, including but not limited to the PRC, the United States, Japan, India, Australia, Thailand, Germany and Brazil.

In the first half of 2023, our domestic and overseas businesses expanded steadily with sales continued to grow. In particular, the proportion of sales generated from customised lenses increased, together with that of standardised lenses with refractive index of 1.60 and 1.74, which further increased our gross profit margin. We also strove to optimise the allocation of resources, synergise production and management in line with the concept of cost efficiency, which in turn facilitates our profit growth. Our revenue increased by 11.3% from RMB746.6 million for the six months ended 30 June 2022 to RMB831.2 million for the six months ended 30 June 2023, and our profit increased by 34.3% from RMB118.1 million for the six months ended 30 June 2022 to RMB158.6 million for the six months ended 30 June 2023, primarily because (i) the average prices per unit of each product by refractive index have all increased as a result of exchange rate influence and the adjustment of our product portfolio sold. The increased proportion of sales generated from multifunctional lenses, customised products and lenses with high refractive index led to our overall sales growth and increase in gross profit margin and (ii) we have further optimised our financing scale, reduced financing costs and interest expenses. In the first half of 2023, we also recorded gains from foreign exchange differences. The total production volume of our three production bases reached 85.9 million pieces in the first half of 2023, which remained relatively stable compared with the same period in 2022.

Outlook

After the H shares of the Company were listed on the Main Board of the Stock Exchange in 2021, the Company has steadily promote various investment projects to enhance production capacity, product development capability, technology in craftsmanship and brand reputation in 2022 and 2023, which has achieved positive results. So far, our investment in these projects have been well underway and entered the second half of the journey. Going forward, we will continue to strengthen the management of our investment plans and use of funds, effectively apply our increased production capacity, improved technology as well as our market promotion to launch more products with new designs and new functions that meet the market needs and strengthen our market position and increase our market share by pursuing the following strategies:

Enhancing our production capacity. To capture our possible business growth, we plan to enhance the production capacity of our Shanghai Production Base for the production of customised lenses and Jiangsu Production Base for the production of standardised lenses. At present, the production capacity enhancing plan is being implemented steadily, with the various production equipment we invested basically achieving the expected production capacity growth. In the second half of 2023, we will continue to implement the remaining unfinished parts of the plan, which is expected to complete within this year, and will increase the production capacity, optimise production efficiency and promote automation of the production line. Going forward, we will actively look for suitable suppliers of automation equipment for jointly developing customised automation equipment to streamline our labour-intensive production processes. We plan to deploy the aforementioned customised automation equipment on our production line in the near future in order to save labour hours and improve our production efficiency.

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

Expansion of customer base in the PRC market and promotion of our brands. We plan to allocate more resources on sales and marketing. As for offline marketing, our current strategies include participation in industry exhibitions, event organisation and customer visits, and collaboration with ophthalmology service providers and retailers for boosting sales to spectacle lens brand owners, wholesalers, retailers and authorised distributors. We also plan to enhance our online marketing strategies by increasing our online advertising and promotion on multiple platforms and adopt new sales channel such as live streaming e-commerce. The Company currently adopt a vigorous strategy for brand promotion to attract the attention of the market and consumers. The Company has continued its efforts on brand promotion in an orderly manner. We actively participated in various trade fairs, organisational activities and customer visits, and we also established in-hospital ophthalmology centres through collaboration with hospitals to provide customers with one-stop integrated ophthalmology services for diagnosis, treatment, examination and fitting. Meanwhile, hospitals are usually regarded as the authoritative institutes in ophthalmology, which would bring customers sufficient trust and confidence and in turn contribute to enhance the overall image of the brand and the products of the Company. For the second half of 2023, we will focus on enhancing our online marketing strategy by utilising new marketing channels such as Douyin and WeChat mini programme to further promote the Company's brand image.

Advancing our technology in craftsmanship and production process. Our Directors consider that it is important to keep pace with the technological advancement on the production facilities in order to maintain our competitiveness. In this connection, we have (i) enhanced the photochromic production line of the Shanghai Production Base and (ii) upgraded the cold mould processing technology of the Jiangsu Production Base. We will continue to enhance these projects in the second half of 2023. We are committed to enhancing production processes and techniques, keeping our products in line with market and consumer demands, and continuously enhancing product quality. We plan to adopt advanced mould processing equipment to further expand the categories of our high-end mould products in the next two years, effectively improving the accuracy of craftsmanship of our existing high-value-added products and ensuring the processing accuracy required for our newly developed products.

Revenue

We generate revenue primarily through the sales of our resin spectacle lenses. Our revenue increased by 11.3% from RMB746.6 million for the six months ended 30 June 2022 to RMB831.2 million for the six months ended 30 June 2023.

We principally sell our products to customers in the PRC, other Asian countries such as India and Japan, the United States and Europe such as the Netherlands, Germany and Italy. Our sales in most geographic location increased in the first half of 2023 as compared to the first half of 2022, primarily attributable to (i) sales growth through different channels and (ii) the continuous upgrades of our products and services and optimisation of our product mix.

We recorded an increase in our revenue in both the standardised lens segment and customised lens segment. The increase in revenue from standardised lenses was primarily attributable to our promotion of high-end lenses, such as high refractive index lenses and multifunctional lenses. In particular, revenue from standardised lenses with refractive index of 1.60 and 1.74 increased by 12.0% and 23.1% in the first half of 2023, respectively, as compared to that in the first half of 2022. Revenue from customised lenses increased by 22.5% in the first half of 2023 as compared to that in the first half of 2022. Such increases were mainly due to the expansion of our customer base of customised lenses.

Cost of Sales

Our cost of sales increased by 5.0% from RMB496.8 million for the six months ended 30 June 2022 to RMB521.5 million for the six months ended 30 June 2023, which was generally in line with our sales growth.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 24.0% from RMB249.8 million for the six months ended 30 June 2022 to RMB309.6 million for the six months ended 30 June 2023. Our overall gross profit margin increased from 33.5% for the six months ended 30 June 2022 to 37.3% for the six months ended 30 June 2023, primarily due to an increase in the proportion of sales of customised lenses which had higher selling prices.

The gross profit margin of our standardised lenses increased from 28.6% for the six months ended 30 June 2022 to 31.4% for the six months ended 30 June 2023, primarily due to an increase in the proportion of sales of high-end products, such as lenses with higher refractive indices and multifunctional lenses.

The gross profit margin of our customised lenses increased from 54.2% for the six months ended 30 June 2022 to 59.9% for the six months ended 30 June 2023, primarily due to (i) an increase in the proportion of sales of high-end customised products and (ii) the enhancement in our production efficiency.

Other Income and Gains

Our other income increased by 169.3% from RMB13.6 million for the six months ended 30 June 2022 to RMB36.7 million for the six months ended 30 June 2023, primarily due to (i) an increase in net foreign exchange gain in the sum of RMB18.6 million as a result of the appreciation of U.S. dollar against Renminbi and (ii) an increase in fair value gain on financial assets at fair value through profit or loss of RMB6.2 million recorded from our investment in Viner Total Investments Fund (please refer to the announcement of the Company dated 3 January 2022 for details).

Selling and Distribution Expenses

Our selling and distribution expenses increased by 21.7% from RMB36.6 million for the six months ended 30 June 2022 to RMB44.5 million for the six months ended 30 June 2023. The increase was primarily due to the increases in advertisement expenses, travel expenses and sales commissions for business expansion.

Administrative Expenses

Our administrative expenses increased by 16.9% from RMB62.6 million for the six months ended 30 June 2022 to RMB73.2 million for the six months ended 30 June 2023, primarily attributable to our continuous investment in research and development.

Other Expenses

Our other expenses decreased by 86.8% from RMB15.6 million for the six months ended 30 June 2022 to RMB2.1 million for the six months ended 30 June 2023, primarily because we recorded a fair value loss on derivative financial instruments of RMB13.1 million for the six months ended 30 June 2022, representing losses on fair value changes of cross-currency interest rate swaps, while we did not record such fair value loss for the six months ended 30 June 2023.

Impairment on Financial Assets

Our impairment loss on financial assets increased by 865.0% from RMB3.2 million for the six months ended 30 June 2022 to RMB30.9 million for the six months ended 30 June 2023. The increase was mainly due to the increase in the provision for impairment of receivables along with the increased gross amount of other receivables resulting from the redemption of our investment in Viner Total Investments Fund.

Finance Costs

Our finance costs decreased by 49.3% from RMB14.7 million for the six months ended 30 June 2022 to RMB7.5 million for the six months ended 30 June 2023, primarily due to a decrease in interest on bank loans of RMB6.7 million as a result of the reduction in external financing.

Income Tax Expenses

Our income tax increased by 133.0% from RMB12.7 million for the six months ended 30 June 2022 to RMB29.6 million for the six months ended 30 June 2023, primarily because (i) the unused tax loss of our Japanese subsidiary had been fully utilised in 2022 and (ii) our overall taxable income increased following our sales growth.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 34.3% from RMB118.1 million for the six months ended 30 June 2022 to RMB158.6 million for the six months ended 30 June 2023.

Capital Structure

Our total assets increased by 5.9% from RMB1,788.6 million as at 31 December 2022 to RMB1,894.7 million as at 30 June 2023. Our total liabilities increased by 2.5% from RMB643.0 million as at 31 December 2022 to RMB659.2 million as at 30 June 2023. Liabilities-to-assets ratio decreased from 36.0% as at 31 December 2022 to 34.8% as at 30 June 2023.

The current ratio, being current assets divided by current liabilities as at the respective date, decreased from 3.0 times as at 31 December 2022 to 2.8 times as at 30 June 2023.

Liquidity and Financial Resources

The Group adopts a prudent funding and treasury policy with a view to optimise our financial position. We regularly monitor our funding requirements to support our business operations and perform ongoing liquidity review. Our primary uses of cash are to satisfy our working capital needs and our capital expenditure needs. For the six months ended 30 June 2023, we financed our operations primarily through internal resources and bank and other borrowings. Our cash and cash equivalents increased by 40.3% from RMB335.6 million as at 31 December 2022 to RMB470.8 million as at 30 June 2023, primarily attributable to an increase in our net cash generated from operating activities.

Our gearing ratio, which is calculated based on the total borrowings divided by the total equity and multiplied by 100%, decreased from 30.8% as at 31 December 2022 to 24.3% as at 30 June 2023 as a result of (i) the decrease in the total borrowings and (ii) the increase in total equity attributable to our increased retained profits.

As at 30 June 2023, the Group had interest-bearing and other borrowings with floating interest rates of RMB300.3 million (as at 31 December 2022: RMB352.4 million), representing 45.6% (as at 31 December 2022: 54.8%) of its total liabilities as at the same date. Of all the borrowings of the Group as at 30 June 2023, RMB155.3 million were repayable within one year and RMB145.0 million were repayable beyond one year.

Except for the bank and other loans amounting to RMB5.1 million as at 30 June 2023 (as at 31 December 2022: RMB6.8 million), which were denominated in Japanese Yen, all the Group's bank and other borrowings as at 30 June 2023 were denominated in Renminbi. The Group mainly uses Renminbi, Japanese Yen, U.S. dollar and Hong Kong dollar to make borrowings and loans and to hold cash and cash equivalents.

As at 30 June 2023, banking facilities of the Group totalling RMB547.3 million (as at 31 December 2022: RMB445.5 million) were utilised to the extent of RMB300.0 million (as at 31 December 2022: RMB351.8 million).

Capital Expenditures

Our capital expenditure increased by 36.3% from RMB26.7 million for the six months ended 30 June 2022 to RMB36.4 million for the six months ended 30 June 2023. Our capital expenditure was used primarily for the purchase of plant and machineries and other items of fixed assets. We financed our capital expenditure primarily through our cash flow generated from operating activities and bank borrowings.

Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Pledge of Assets

As at 30 June 2023, the Group's property, plant and equipment with carrying values of RMB129.8 million (as at 31 December 2022: RMB136.4 million), investment properties with carrying values of RMB16.2 million (as at 31 December 2022: RMB16.9 million) and leasehold land with carrying values of RMB5.6 million (as at 31 December 2022: RMB5.7 million) were pledged to secure general banking facilities granted to the Group. The Company has pledged the equity interests in certain of its subsidiaries to secure the Company's bank loans of RMB210.3 million as at 30 June 2023.

Foreign Exchange Risk and Hedging

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

Significant Investment

In the first half of 2023, the Group did not have any significant investment which exceeded 5% of the Group's total assets. As at 30 June 2023, the Group held financial assets at fair value through profit or loss of RMB15.0 million (as at 31 December 2022: RMB116.5 million), accounting for less than 5% of the Group's total assets as at the same date. Such financial assets included investments in various fund or wealth management products which were managed or issued by several major and reputable financial institution or commercial banks in the PRC. The value of such investments from any single financial institution or bank did not reach 5% of the Group's total assets as at 30 June 2023.

Material Acquisitions and Future Plans for Major Investment

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

Significant Events After the Reporting Period

Change of Auditor

On 18 July 2023, Ernst & Young tendered its resignation as the auditor of the Company with effect from 18 July 2023. On 21 July 2023, Deloitte Touche Tohmatsu has been appointed as the auditor of the Company with effect from 21 July 2023 to fill the causal vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company. For details, please refer to the announcements of the Company dated 18 July 2023 and 21 July 2023.

Subscription of Wealth Management Products

On 4 July 2023, Shanghai Conant Optics Co., Ltd.* (上海康耐特光學有限公司), a subsidiary of the Company, subscribed for a number of wealth management products from Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司) in the aggregate principal amount of RMB160 million with the internal funds of the Group. For details, please refer to the announcement of the Company dated 4 July 2023.

Except as disclosed in this interim report, there are no material events subsequent to 30 June 2023 which could have a material impact on our operating and financial performance as at the date of this interim report.

Company Information

The Company was incorporated in the PRC on 20 June 2018 and is a joint stock company with limited liability. The H shares of the Company were listed on the Stock Exchange on 16 December 2021.

Employees

As at 30 June 2023, we had a total of 2,533 employees who were based in PRC, Japan, United States and Mexico.

The ability to recruit and retain experienced and skilled labour is crucial to our business development and growth. The remuneration payable to our employees generally includes basic salaries and discretionary bonuses. The basic salaries of our employees are generally determined by the employee's rank, position, qualification, experience and performance. The discretionary bonuses are paid on an annual basis, depending on the performance of the individual staff. In order to incentivise, attract and retain our employees, we assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made. For the six months ended 30 June 2023, our employee benefit expenses including director's and chief executive's remuneration, wages salary, and other allowances amounted to approximately RMB177.9 million. The Group has provided various training opportunities including induction courses for new employees, training courses on management skills and technical skills.

No Material Change

Since the publication of the Group's audited financial statements for the year ended 31 December 2022 on 17 March 2023, there has been no material change to the Group's business.

Material Litigation

The Company was not involved in any material litigation or arbitration during the six months ended 30 June 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Company during the six months ended 30 June 2023.

Rounding

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

Other Information

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2023, to the best knowledge of the Directors, interests and short positions of Directors, Supervisors and chief executives in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under provision of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to herein, or will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

Long positions in shares of the Company

Name of Director/ Supervisor/ chief executive	Nature of interests	Number and Class of Shares	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	49.87	49.87

Notes:

1. The calculation is based on the total number of Shares in issue as at 30 June 2023, being 426,600,000 Shares.

Save as disclosed above, as at 30 June 2023, none of the Directors, Supervisors or chief executives of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under provision of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to herein, or will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, as far as known to the Directors, no persons (excluding Directors, Supervisors and chief executives of the Company) had interests and short positions in Shares and underlying Shares of the Company that fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

COMPLIANCE WITH THE CG CODE

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance through continuous effort in improving its corporate governance practices and processes. Through the establishment of a sound and effective corporate governance framework, the Company strives to achieve completeness and transparency in its information disclosure and enhance stable operation, so as to safeguard the interests of the Shareholders to the greatest extent. The Company has adopted the principles of all code provisions of the CG Code as the basis of its corporate governance practices. Other than the deviation from Code Provision C.2.1 of Part 2 to the CG Code, the Company has complied with all the code provisions during the Reporting Period.

Deviation from the Code Provision C.2.1 of Part 2 to the CG Code

Mr. Fei is the chairperson the Board and the general manager of the Company and he has been managing the Group's business and supervising the overall operations of the Group since 2006. The Board considers that vesting the roles of the chairman of the Board and the general manager of the Company in Mr. Fei is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. The Company believes that the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. As at the Latest Practicable Date, the Board comprises four executive Directors (including Mr. Fei), two non-executive Directors and three independent non-executive Directors. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that:

i. there is sufficient check and balance in the Board as the decisions to be made by the Board require approval by at least a majority of the Directors;

ii. Mr. Fei and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly;

iii. the balance of power and authority is ensured by the operations of the Board which comprises experienced and high-calibre individuals who meet regularly to discuss issues affecting the operations of the Company; and

iv. the overall strategy and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review and consider splitting the roles of the chairman of the Board and the general manager at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its model code of conduct for securities transactions by the Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors, the Company confirms that the Directors and Supervisors have complied with the provisions regarding the securities transactions by Directors and Supervisors as set out in the Model Code for the Reporting Period. No incident of non-compliance in relation to the guidelines of the Model Code by the Directors, Supervisors and relevant employees was noted by the Company during the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Company established the Audit Committee with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the CG Code. As of the Latest Practicable Date, the Audit Committee consists of three independent non-executive Directors, namely Mr. Chen Yi (Chairman, and who possesses the appropriate professional qualifications and accounting and related financial management expertise), Dr. Xiao Fei and Mr. Jin Yiting.

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

CHANGES OF INFORMATION OF DIRECTORS AND SUPERVISORS UNDER RULE 13.51B(1) OF THE HONG KONG LISTING RULES

With effect from 14 June 2023, the remuneration of Ms. Zhao Xiaoyun, a non-executive Director, has been revised from HK$36,000 per annum to HK$120,000 per annum.

As of the Latest Practicable Date, save as disclosed above, there was no information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

The H Shares were listed on the Stock Exchange in December 2021, and the Company obtained net proceeds of approximately HK$473.5 million from the Global Offering. In order to enhance the efficiency of the use of the net proceeds and to balance the use of the net proceeds in a more reasonable manner while aligning with the Company's business development need, coupled with the changes in external environmental factors, the Board has resolved on 29 November 2022 to utilise approximately HK$36.9 million of the net proceeds (approximately RMB30.0 million and approximately 7.8% of the net proceeds) to repay existing bank borrowings of the Group. For further details in respect of the change in use of proceeds from the Global Offering, please refer to the announcement of the Company dated 29 November 2022 (the "**Change in Use of Proceeds Announcement**").

As at 30 June 2023, the Group has utilised approximately HK$345.8 million of the net proceeds for the intended purposes set out in the Prospectus and the Change in Use of Proceeds Announcement, accounting for 73.0% of all raised funds, and the remaining unutilised net proceeds was approximately HK$126.7 million. It is expected that the unutilised net proceeds from the Global Offering will continue to be used according to the purposes and proportions as disclosed in the Prospectus and the Change in Use of Proceeds Announcement. Details of the use of proceeds from the Global Offering was as follows:

Intended use of proceeds	Original allocation of net proceeds as stated in the Prospectus (HK$million)	Revised allocation of net proceeds[1] (HK$million)	Actual use of net proceeds up to 30 June 2023 (HK$million)	Unutilised proceeds as of 30 June 2023 (HK$million)	Expected timeline for use of unutilised proceeds
Increase the Group's production capacity of the Shanghai Production Base (as defined in the Prospectus) and the Jiangsu Production Base (as defined in the Prospectus)	219.7	219.7	163.1	56.6	Before December 2023
Strengthening the Group's research and development capability	94.2	94.2	46.0	48.2	Before December 2023[2]
Enhancing the Group's sales and marketing efforts	48.8	10.9	2.0	8.9	Before December 2023[2]
Working capital and general corporate purposes	47.3	47.3	47.3	–	Not applicable
Enhance the Group's production efficiency and technology in craftsmanship	38.4	38.4	25.4	13.0	Before December 2023
Repayment of the Group's bank borrowings, while such borrowings were principally used to finance the Group's working capital to support its business operation	25.1[4]	62.0[3]	62.0	–	Not applicable

Notes:

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

2. The Company expects to fully utilise the remaining unutilised net proceeds for (1) strengthening the Group's research and development capability; and (2) enhancing the Group's sales and marketing efforts by the second half of 2023, representing a one-year delay in its expected timeframe. The delay is primarily due to the adjustment of its business development strategy as affected by the social, economic and environmental impacts on the macroeconomic environment in China.

3. The Board has resolved on 29 November 2022 to utilise approximately HK$36.9 million of the net proceeds (approximately RMB30.0 million and approximately 7.8% of the net proceeds) to repay existing bank borrowings of the Group. For further details in respect of the change in use of proceeds from the Global Offering, please refer to the Change in Use of Proceeds Announcement.

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

Consolidated Statement of Profit or Loss

Six months ended 30 June 2023

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	**831,156**	746,622
Cost of sales		**(521,507)**	(496,843)
Gross profit		**309,649**	249,779
Other income and gains	4	**36,711**	13,634
Selling and distribution expenses		**(44,527)**	(36,586)
Administrative expenses		**(73,191)**	(62,607)
Impairment loss on financial assets		**(30,948)**	(3,207)
Other expenses		**(2,071)**	(15,638)
Finance costs	6	**(7,455)**	(14,706)
Share of gains/(losses) of:			
A joint venture		**(50)**	(30)
An associate		**36**	160
PROFIT BEFORE TAX	5	**188,154**	130,799
Income tax expense	7	**(29,578)**	(12,695)
PROFIT FOR THE PERIOD		**158,576**	118,104
Attributable to:			
Owners of the parent		**158,576**	118,104
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB0.37**	RMB0.28

Consolidated Statement of Comprehensive Income

Six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**158,576**	118,104
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,611)**	(10,298)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**153,965**	107,806
Attributable to:		
Owners of the parent	**153,965**	107,806

Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**424,504**	402,733
Investment properties		**16,153**	16,852
Right-of-use assets		**7,815**	8,551
Other intangible assets		**297**	309
Investment in a joint venture		**2,248**	2,299
Investment in an associate		**60,266**	60,230
Long-term prepayments		**28,110**	5,750
Deferred tax assets		**18,865**	28,460
Total non-current assets		**558,258**	525,184
CURRENT ASSETS			
Inventories	10	**498,172**	533,244
Trade and bills receivables	12	**287,655**	251,292
Due from related parties		**1,390**	2
Prepayments, deposits and other receivables		**63,457**	26,769
Financial assets at fair value through profit or loss		**15,000**	116,523
Cash and cash equivalents		**470,817**	335,618
Total current assets		**1,336,491**	1,263,448
CURRENT LIABILITIES			
Trade payables	13	**95,206**	94,132
Other payables and accruals		**209,340**	135,783
Interest-bearing bank and other borrowings		**155,313**	172,430
Lease liabilities		**1,750**	1,750
Due to related parties		**365**	214
Tax payable		**13,874**	17,317
Total current liabilities		**475,848**	421,626
NET CURRENT ASSETS		**860,643**	841,822
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,418,901**	1,367,006

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**145,000**	180,000
Defined benefit obligations		**10,435**	10,435
Lease liabilities		**982**	901
Deferred tax liabilities		**17,148**	18,457
Deferred income		**9,746**	11,599
Total non-current liabilities		**183,311**	221,392
NET ASSETS		**1,235,590**	1,145,614
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	**426,600**	426,600
Reserves		**808,990**	719,014
TOTAL EQUITY		**1,235,590**	1,145,614

Consolidated Statement of Changes In Equity

Six months ended 30 June 2023

	Attributable to owners of the parent						
	Share capital RMB'000 Note 14	Paid-in capital RMB'000	Share premium* RMB'000	Statutory surplus reserves* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000
As at 1 January 2022	426,600	–	286,725	72,381	(12,741)	164,433	937,398
Profit for the period	–	–	–	–	–	118,104	118,104
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	–	–	–	–	(10,298)	–	(10,298)
Total comprehensive income for the period	–	–	–	–	(10,298)	118,104	107,806
Dividend paid to the then equity holder of the subsidiaries	–	–	–	–	–	(36,261)	(36,261)
As at 30 June 2022	426,600	–	286,725	72,381	(23,039)	246,276	1,008,943

Consolidated Statement of Changes In Equity

Six months ended 30 June 2023

	Attributable to owners of the parent						
	Share capital RMB'000 Note 14	Paid-in capital RMB'000	Share premium* RMB'000	Statutory surplus reserves* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000
As at 1 January 2023	**426,600**	**–**	**286,725**	**103,439**	**(16,830)**	**345,680**	**1,145,614**
Profit for the period	–	–	–	–	–	158,577	158,576
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	–	–	–	–	(4,611)	–	(4,611)
Total comprehensive income for the period	–	–	–	–	(4,611)	158,577	153,965
Dividend paid to the then equity holder of the subsidiaries	–	–	–	–	–	(63,990)	(63,990)
As at 30 June 2023	**426,600**	**–**	**286,725**	**103,439**	**(21,441)**	**440,267**	**1,235,590**

* These reserve accounts comprise the total consolidated reserves of RMB808,990,000 (as at 30 June 2022: RMB582,346,000) in the consolidated statement of financial position as at 30 June 2023.

Consolidated Statement of Cash Flows

Six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**188,155**	133,642
Adjustments for:		
Depreciation of property, plant and equipment	**25,165**	22,659
Depreciation of prepaid land use rights	**88**	88
Depreciation of right-of-use assets	**737**	817
Amortisation of intangible assets	**13**	226
Depreciation of investment properties	**698**	666
Deferred income recognised in profit or loss	**(1,070)**	(1,350)
Share of losses of a joint venture	**50**	30
Share of losses of an associate	**(37)**	(160)
Profit on disposal of items of property, plant and equipment	**1,060**	930
Fair value gain on financial assets at fair value through profit or loss	**(6,165)**	13,304
Impairment of financial assets included in prepayment, other receivables and other assets	**30,948**	3,207
Impairment recognised for inventories	**338**	(791)
Fair value (gain)/loss on financial instruments	**368**	(517)
Finance costs	**7,455**	14,706
Bank interest income	**(2,281)**	(900)
	245,522	186,557
(Increase)/Decrease in inventories	**34,734**	7,042
Decrease/(Increase) in receivables	**(41,861)**	(51,961)
Decrease/(Increase) in amounts due from related parties	**(1,388)**	57
(Increase)/Decrease in prepayments, deposits and other receivables	**(63,526)**	(53,774)
Decrease/(Increase) in long-term prepayments	**(22,360)**	(25,472)
(Decrease)/Increase in trade and bills payables	**1,074**	(9,371)
Increase/(Decrease) in other payables, deposits and accruals	**9,567**	(10,797)
Cash generated from operations	**161,762**	61,023
Interest received	**2,281**	900
Interest paid	**(7,790)**	(15,088)
Tax paid	**(33,477)**	(14,812)
Net cash flows from operating activities	**122,776**	32,023

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at fair value through profit or loss	**246,155**	84,000
Disposal of property, plant and equipment	**247**	176
Receipt of government grants for property, plant and equipment	**–**	308
Purchases of items of property, plant and equipment	**(36,413)**	(26,650)
Investments in associates	**–**	(30,000)
Acquisition of financial assets at fair value through profit or loss	**(145,000)**	(79,189)
Net cash flows (used in)/generated from investing activities	**64,989**	(51,355)
CASH FLOWS FROM FINANCING ACTIVITIES		
Effect of exchange rates on interest-bearing bank borrowings	**(1,634)**	(1,558)
Proceeds from interest-bearing bank borrowings	**60,000**	18,592
Repayment of interest-bearing bank and other borrowings	**(110,483)**	(167,215)
Payment of lease liabilities	**(449)**	(589)
Net cash flows from/(used in) financing activities	**(52,566)**	(150,770)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**135,199**	(170,102)
Cash and cash equivalents at beginning of the period	**335,618**	589,836
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**470,817**	419,734
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the statement of financial position	**470,817**	419,734

Notes to Financial Statements

30 June 2023

1. CORPORATE AND GROUP INFORMATION

Shanghai Conant Optical Co., Ltd. (the "**Company**") was incorporated and registered in the People's Republic of China ("**PRC**") on 20 June 2018. The address of the registered office is 4th Floor, Building 35, No. 1-42 Lane 83, Hongxiang North Road, Lin-gang Special Area China (Shanghai) Pilot Free Trade Zone, China.

During the six months ended 30 June 2023, the Company and its subsidiaries (collectively, the "**Group**") were principally engaged in manufacture and sale of resin spectacle lenses.

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

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to IFRSs disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

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

The application of the amendments to IFRSs in the current interim period has no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 June			
	2023		2022	
	RMB'000 (Unaudited)	**% of total revenue**	RMB'000 (Unaudited)	% of total revenue
Mainland China	**246,061**	**29.6**	202,113	27.1
Asia (except mainland China)	**200,876**	**24.2**	184,260	24.7
Americas	**189,890**	**22.8**	190,100	25.4
Europe	**144,387**	**17.4**	140,491	18.8
Oceania	**37,401**	**4.5**	22,035	3.0
Africa	**12,541**	**1.5**	7,623	1.0
	831,156	**100.0**	746,622	100.0

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

(b) *Non-current assets*

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Mainland China	**519,349**	473,671
Japan	**19,341**	22,314
United States	**643**	670
Mexico	**60**	69
	539,393	496,724

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

3. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

For the six months ended 30 June 2023, revenue of approximately RMB94,419,000 (six months ended 30 June 2022: RMB101,640,000) was derived from a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**831,156**	746,622

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Disaggregated revenue information

	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
Type of goods or services		
Standardised lenses	**657,415**	602,480
Customised lenses	**170,921**	139,482
Others	**2,820**	4,660
	831,156	746,622
Geographical markets		
Mainland China	**246,061**	202,113
Asia (except Mainland China)	**200,876**	184,260
Americas	**189,890**	190,100
Europe	**144,387**	140,491
Oceania	**37,401**	22,035
Africa	**12,541**	7,623
Total revenue from contracts with customers	**831,156**	746,622

	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	**831,156**	746,622

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Disaggregated revenue information (Continued)

An analysis of other income and gains is as follows:

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other income			
Government grants and subsidies			
related to income	(i)	**1,607**	598
related to assets	(ii)	**1,070**	1,060
Gross rental income from investment property operating leases		**5,970**	5,451
Bank interest income		**2,281**	900
Others		**83**	616
		11,011	8,625
Gains			
Foreign exchange differences, net		**18,618**	5,009
Fair value gain on financial assets at fair value through profit or loss		**6,165**	–
Fair value gain on financial instruments		**917**	–
		25,700	5,009
		36,711	13,634

(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.

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold*	**521,507**	496,843
Research and development costs	**30,699**	25,615
Depreciation of property, plant and equipment	**25,165**	22,795
Depreciation of right-of-use assets	**737**	816
Depreciation of investment properties	**699**	698
Amortisation of intangible assets	**12**	205
Lease payments not included in the measurement of lease liabilities	**881**	930
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other allowances	**136,295**	138,565
Pension scheme contributions and social welfare	**41,598**	30,957
	177,893	169,522
Foreign exchange differences, net	**(18,618)**	(5,009)
Fair value (gain)/loss on financial instruments	**(6,165)**	13,091
Impairment of trade and other receivables	**30,948**	3,207
Write-down of inventories to net realisable value	**338**	(791)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**73**	76

* During the six months ended 30 June 2023, employee benefit expense of RMB118,613,000 (six months ended 30 June 2022: RMB113,032,000), and write-down of inventories to net realisable value of RMB338,000 (six months ended 30 June 2022: RMB(791,000)) were included in cost of inventories sold disclosed above.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	**7,393**	14,134
Interest on other loans	**–**	479
Interest on lease liabilities	**33**	64
Interest on defined benefit obligations	**29**	29
	7,455	14,706

7. INCOME TAX

Jiangsu Conant Optics Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2020, and therefore the Company is entitled to a preferential EIT rate of 15% for the six months ended 30 June 2023 (six months ended 30 June 2022: 15%). "High and New Technology Enterprise" qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Shanghai Conant Optics Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2021, and therefore the Company is entitled to a preferential EIT rate of 15% for the six months ended 30 June 2023 (six month ended 30 June 2022: 15%). "High and New Technology Enterprise" qualifications are subject to review by the relevant tax authority in the PRC for every three years.

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

Hong Kong profits tax was provided at the rate of 16.5% on the estimated taxable income arising in Hong Kong for the six months ended 30 June 2023.

7. INCOME TAX (Continued)

Pursuant to the relevant tax laws, the subsidiary incorporated in the United States was subject to federal corporation income tax at the rate of 21% (six months ended 30 June 2022: 21%) on the federal taxable income as well as Georgia's state corporate income tax at the rate of 5.75% (six months ended 30 June 2022: 5.75%) on its Georgia taxable income for the six months ended 30 June 2023.

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

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan was subject to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rates for these taxes were 34.26% for the six months ended 30 June 2023 (six months ended 30 June 2022: 34.26%).

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current – Mainland China	**13,508**	12,203
Current – Hong Kong	**663**	617
Current – Japan	**3,563**	–
Current – Mexico	**–**	–
Current – United States	**1,121**	1,720
Deferred tax expense	**10,723**	(1,845)
Total tax charge for the period	**29,578**	12,695

7. INCOME TAX (Continued)

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**188,154**	130,799
Tax at the statutory tax rate of 25%	**47,039**	32,700
Impact of different tax rates applied to subsidiaries	**(16,989)**	(11,427)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries	**663**	617
Gains/(losses) attributable to a joint venture and an associate	**3**	(19)
Income not subject to tax	**(160)**	(185)
Expenses not deductible for tax	**245**	283
Additional deduction on research and development expenses	**(4,386)**	(3,650)
Unrecognised deductible temporary differences	**1,608**	69
Tax losses not recognised	**1,451**	(5,929)
Others	**104**	236
Tax charge at the Group's effective rate	**29,578**	12,695

8. DIVIDENDS

During the six months ended 30 June 2023, a final dividend for the year 2022 of RMB0.15 (tax inclusive) per ordinary share, amounting to a total of RMB63,990,000, proposed to the shareholders of the Company was approved at the annual general meeting held on 14 June 2023, which has been fully paid on 14 August 2023.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 426,600,000 (six months ended 30 June 2022: 426,600,000) in issue during the six months ended 30 June 2023.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2023.

10. INVENTORIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Raw materials	245,973	286,387
Finished goods	240,596	232,646
Work in progress	11,603	14,211
	498,172	533,244

11. PROPERTY, PLANT AND EQUIPMENT

	Total RMB'000
At 1 January 2023	
Net carrying amount	402,733
Additions	46,148
Disposals	(1,413)
Depreciation provided for the period	(25,165)
Exchange differences	2,201
At 30 June 2023	424,504

12. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	**324,521**	288,262
Bills receivables	**505**	–
Impairment	**(37,371)**	(36,970)
	287,655	251,292

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

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

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	**248,628**	214,035
3 to 6 months	**28,425**	27,160
6 to 12 months	**5,929**	5,986
1 to 2 years	**3,626**	3,948
2 to 3 years	**542**	163
	287,150	251,292

12. TRADE AND BILLS RECEIVABLES (Continued)

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
At beginning of year/period	**36,970**	44,087
Impairment losses recognised	**4,110**	7,216
Exchange realignment	**1,070**	1,879
Amount written off as uncollectible	**(4,779)**	(16,212)
At the end of year/period	**37,371**	36,970

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.

12. TRADE AND BILLS RECEIVABLES (Continued)

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

As at 30 June 2023 (unaudited)

	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	3.6%	15.0%	20.0%	24.9%	67.7%	100.0%	11.5%
Gross carrying amount (RMB'000)	257,859	33,441	7,411	4,831	1,680	19,299	324,521
Expected credit loss (RMB'000)	9,231	5,016	1,482	1,205	1,138	19,299	37,371

As at 31 December 2022 (audited)

	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	3.9%	11.4%	21.4%	30.1%	90.2%	100.0%	12.8%
Gross carrying amount (RMB'000)	227,291	25,597	7,616	5,647	1,659	20,452	288,262
Expected credit loss (RMB'000)	8,765	2,928	1,630	1,699	1,496	20,452	36,970

13. 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:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	77,958	82,553
3 to 6 months	14,348	10,739
6 to 12 months	2,376	193
Over 1 year	524	647
	95,206	94,132

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

14. SHARE CAPITAL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid:		
426,600 (30 June 2022: 426,600) ordinary shares	**426,600**	426,600

15. CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities (six months ended 30 June 2022: nil).

16. COMMITMENTS

At the end of 30 June 2023, the Group did not have any significant commitments (six months ended 30 June 2022: nil).

17. RELATED PARTY TRANSACTIONS

Significant related party transactions

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Lease payments to:		
Associate	**149**	302
Spouse of Mr. Fei Zhengxiang	**18**	110
	167	412

17. RELATED PARTY TRANSACTIONS (Continued)

Outstanding balances with related parties

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Due from related parties:		
Trade related:		
Associate	**1,390**	2
Due to related parties:		
Trade related:		
Associate	**365**	214

Trade-related amounts with related parties of the Group were unsecured and non-interest-bearing, with a credit term of 30 days.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets				
Financial assets at FVTPL	**15,000**	116,523	**15,000**	116,523
Financial liabilities				
Interest-bearing bank and other borrowings	**300,313**	352,430	**290,702**	341,151

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

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

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 30 June 2023.

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

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

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Financial assets at FVTPL	–	15,000	–	15,000

As at 31 December 2022

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

19. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Change of auditor

On 18 July 2023, Ernst & Young tendered its resignation as the auditor of the Company with effect from 18 July 2023. On 21 July 2023, Deloitte Touche Tohmatsu has been appointed as the auditor of the Company with effect from 21 July 2023 to fill the causal vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company. For details, please refer to the announcements of the Company dated 18 July 2023 and 21 July 2023.

Subscription of wealth management products

On 4 July 2023, Shanghai Conant Optics Co., Ltd.* (上海康耐特光學有限公司), a subsidiary of the Company, subscribed for a number of wealth management products from Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司) in the aggregate principal amount of RMB160 million with the internal funds of the Group. For details, please refer to the announcement of the Company dated 4 July 2023.

Except as disclosed above, there are no material events subsequent to 30 June 2023 which could have a material impact on our operating and financial performance as at the date of this interim report.