



Ocumension Therapeutics 歐康維視生物

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock code 股份代號：1477

2023 INTERIM REPORT 中期報告



Virtus et Lumen
勇氣和光明



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ye LIU (*Chief Executive Officer*)

Dr. Zhaopeng HU

Non-executive Directors

Dr. Lian Yong CHEN (*Chairman of the Board*)

Dr. Wei LI

Mr. Yanling CAO

Ms. Yumeng WANG

Independent Non-executive Directors

Mr. Ting Yuk Anthony WU

Mr. Yiran HUANG

Mr. Zhenyu ZHANG

AUTHORIZED REPRESENTATIVES

Mr. Ye LIU

Ms. Hing Ling CHAU (*HKFCG, FCG*)

AUDIT COMMITTEE

Mr. Ting Yuk Anthony WU (*Chairman*)

Mr. Yiran HUANG

Mr. Zhenyu ZHANG

REMUNERATION COMMITTEE

Mr. Zhenyu ZHANG (*Chairman*)

Mr. Ting Yuk Anthony WU

Mr. Yiran HUANG

NOMINATION COMMITTEE

Dr. Lian Yong CHEN (*Chairman*)

Mr. Yiran HUANG

Mr. Zhenyu ZHANG

JOINT COMPANY SECRETARIES

Ms. Yun JI

Ms. Hing Ling CHAU (*HKFCG, FCG*)

HONG KONG LEGAL ADVISER

Kirkland & Ellis

26th Floor, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

Registered Public Interest Entity Auditors

35/F One Pacific Place

88 Queensway, Admiralty

Hong Kong

REGISTERED OFFICE

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Cayman Islands

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Wuzhong District

Suzhou

Jiangsu Province

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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33 Hysan Avenue

Causeway Bay

Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG 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

1477

COMPANY WEBSITE

www.ocumension.com

Financial Summary

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	103,696	54,535
Gross profit	62,710	34,304
Loss for the period	(208,402)	(192,669)
Non-IFRS adjusted net loss for the period ⁽¹⁾	(125,893)	(76,850)

Note:

(1) Non-IFRS Measure

Adjusted net loss for the period is defined as loss for the period adjusted by adding back share-based payments. The following table reconciles our non-IFRS adjusted net loss for the period with our loss for the period, which is the most directly comparable financial measure calculated with IFRS financial results:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss for the period	(208,402)	(192,669)
Add:		
Share-based payments	82,509	115,819
Non-IFRS adjusted net loss for the period	(125,893)	(76,850)

Corporate Profile

We are a China-based ophthalmic pharmaceutical platform company dedicated to identifying, developing and commercializing first- or best-in-class ophthalmic therapies. Our vision is to provide a world-class pharmaceutical total solution to address significant unmet ophthalmic medical needs in China. We believe our ophthalmic pharmaceutical platform, which enjoys a clear first-mover advantage, will enable us to maintain our leadership position in the field of ophthalmology in China.

To date, we have a portfolio of 25 front- and back-of-the-eye drug assets, and have established a comprehensive ophthalmic drug pipeline covering all major front- and back-of-the-eye diseases, among which five drug candidates are in phase III clinical trials. The following table summarizes our product portfolio and the status of each drug asset as of the date of this interim report:

PIPELINE

Program	Mechanism of Action	Indication	Commercial Rights	BD Partners	Pre-IND	Phase I / II	Phase III	NDA / BLA
OT-401 (YUTIQ®)	Fluocinolone intravitreal implant	Chronic NIU-PS	Greater China, Korea and 11 countries in Southeast Asia	EYEPOINT				Commercialized US approved (EyePoint)
OT-1004 (Emadine®)	Emedastine difumarate	Allergic conjunctivitis	Mainland China	NOVARTIS				Commercialized
OT-305 (Betoptic® S)	Betaxolol hydrochloride	Glaucoma and ocular hypertension	Mainland China	NOVARTIS				Commercialized
OT-306 (Xalatan®)	Latanoprost	Glaucoma and ocular hypertension	Mainland China	VIATRIS				Commercialized
OT-307 (Xalacom®)	Latanoprost and timolol maleate	Glaucoma and ocular hypertension	Mainland China	VIATRIS				Commercialized
OT-1005 (Azep®)	Azelastine hydrochloride	Allergic conjunctivitis	Mainland China	VIATRIS				Commercialized
OT-204 (歐沁®)	Sodium hyaluronate	Dry eye	Mainland China	匯恩蘭德 HUONLAND				Commercialized
OT-303 ¹	Brimonidine tartrate	Glaucoma and ocular hypertension	Mainland China	匯恩蘭德 HUONLAND				Commercialized
OT-402 (Visudyne®)	Verteporfin	Choroidal neovascularization	Mainland China	CHEPLAPHARM				Commercial Rights
OT-601 (康文清®)	Moxifloxacin	Bacterial conjunctivitis	Global					Commercialized
OT-1001 (ZERVIATE®)	Cetirizine hydrochloride	Allergic conjunctivitis	Greater China and 11 countries in Southeast Asia	nicox				CN NDA Accepted US Approved (Nicox)
OT-101	Low-concentration atropine	Myopia	Global			Global		
OT-101-S	Dual-chamber Low-concentration atropine	Myopia	Global			China IND Accepted		
OT-301 (NCX 470®)	NO-donating prostaglandin analog	Glaucoma and ocular hypertension	Greater China, Korea and 12 countries in Southeast Asia	nicox		Global		
OT-702	Anti-VEGF	wAMD	China's mainland	Lu Ye Boen Biotech 博恩生物		China		
OT-703	Fluocinolone intravitreal implant	DME	Greater China, Korea and 11 countries in Southeast Asia	Qimerio		China		US Approved (Alimera)
OT-502 (DEXYCU®)	Dexamethasone	Postoperative inflammation	Greater China, Korea and 11 countries in Southeast Asia	EYEPOINT				US Approved (EyePoint)
OT-202	Tyrosine kinase inhibitor	Dry eye	Global			China		
OT-601-C	Moxifloxacin-dexamethasone sodium phosphate	Postoperative inflammation	Global			China		
OT-701 ¹	Anti-VEGF	wAMD	Greater China	SENJU		China		Japan Approved (Senju and GTS)
OT-503 ² (NCX 4251®)	Fluticasone propionate nanocrystals	Blepharitis	Greater China	nicox		China		Phase II USA completed (Nicox)
OT-302	Acetazolamide	Acute glaucoma	Global			China		
OT-1301 ³	Cyclosporine implant	Cornea graft rejection	Global			China		
OT-1601 ³	Stem cells	Retinitis pigmentosa and dry AMD	Greater China	SanBio		China		
OT-1602 ³	Stem cells	Optic neuritis	Greater China	SanBio		China		

- In-licensed/acquired ■ Internally developed
1. We acquired Ou Qin® from Huonland and are entitled to all drug registration certificates and data related to Ou Qin. We have registered ourselves as the MAH of Ou Qin®.
 2. We are the exclusive sales agent of Brimonidine Tartrate Eye Drops in Mainland China. Huonland is the drug registrant and registered manufacturer of Brimonidine Tartrate Eye Drops.
 3. May not require Phase I and Phase II clinical trials prior to beginning Phase III clinical trials.
 4. May not require Phase I clinical trials prior to beginning Phase II clinical trials.

Management Discussion and Analysis

BUSINESS REVIEW

Overall Financial Performance

For the Reporting Period, we achieved an operating revenue of RMB103.7 million, representing an increase of 90.1% as compared to the six months ended June 30, 2022, with a consolidated gross profit margin of approximately 60.5%. Our revenue was mainly contributed by the sales of more than ten products, including but not limited to Youshiying® (優施瑩®), Ou Qin® (歐沁®), Emadine® (埃美丁®), Xalatan® (適利達®), Kangwenjuan® (康文涓®). Our R&D expenses amounted to RMB73.1 million, representing a decrease of 25.8% as compared to the six months ended June 30, 2022. Our adjusted net loss amounted to RMB125.9 million, which increased by 63.8% as compared to the six months ended June 30, 2022. In the first half of 2023, the market of ophthalmic drugs has significantly recovered from COVID-19. We have seized such opportunity and made great progress in market exploring and customer development.

Research and Development Performance

During the Reporting Period, we seized the opportunity in the recovery of ophthalmic diagnosis and treatment and accelerated the R&D of new clinical drugs. The NDA of OT-1001 (0.24% cetirizine eye drop), an innovative drug of our Company, has been accepted by the CDE and has been included in the priority review and approval process of the NMPA. We have completed the enrollment of patients for the global phase III clinical trial for OT-101 (0.01% atropine sulfate eye drop), a new drug to treat the progression of myopia in children. The application of clinical trial authorization for initiating phase III clinical trial of OT-101-S (0.01% and 0.05% atropine sulfate eye drops), a self-developed product of the Group, has been accepted by CDE, which improves the level of convenience for the storage and usage of atropine sulfate. With five drug candidates in phase III clinical trials, we continue to be one of the innovative pharmaceutical companies with the largest number of ophthalmic drugs in phase III clinical trials in China. We will seek to put more efforts to strengthen our R&D capabilities and overcome new technical barriers for ophthalmic preparations, and continuously improve the competitiveness of our products.

Progress of Our Key Drug Candidates

OT-101 (0.01% atropine sulfate eye drop)

OT-101, a low-concentration (0.01%) atropine eye drop for retarding or slowing down the progression of myopia in children and adolescents, completed the enrollment of 170 patients in China in February 2023 for its global phase III randomized, double-blind, placebo-controlled, parallel and multi-center clinical trial.

In June 2023, OT-101 completed the enrollment of 678 patients for the global phase III randomized, double-blind, placebo-controlled, parallel-group and multi-center clinical trial.

We expect to continue to advance the phase III clinical trials this year.

Management Discussion and Analysis

OT-101-S (0.01% and 0.05% atropine sulfate eye drops)

In July 2023, the application of clinical trial authorization for initiating phase III clinical trial of OT-101-S, a low-concentration (0.01% and 0.05%) atropine sulfate eye drop developed to slow down the progression of myopia in children, in China was accepted by CDE. As compared to OT-101, which is designed to contain two chambers of atropine sulfate lyophilized powder and solvent for each dosage unit, OT-101-S is designed to contain two chambers of atropine sulfate concentrated solution and diluted solution for each dosage unit (both preservative-free), and before use, two chambers are mixed to make low-concentration atropine sulfate eye drops, thus leading to a higher level of convenience for the storage and usage of atropine sulfate. The neutral solution environment also significantly improves the compliance and effectiveness of the product.

We expect that the progress achieved in the clinical trial of OT-101-S will shorten the registration and marketing period of our low-concentration atropine products.

OT-1001 (ZERVIA[®], 0.24% cetirizine eye drop)

In April 2023, the NDA of OT-1001 was accepted by the NMPA and was included in the priority review and approval process. OT-1001 is the first and only eye drop formulation of the antihistamine cetirizine, the active ingredient in ZYRTEC[®] which is used for ocular itching associated with allergic conjunctivitis. The inclusion of OT-1001 in the priority review and approval process of NMPA will speed up the review and approval process of its NDA, which is an important step towards commercialization of OT-1001.

OT-702 (aflibercept biosimilar)

OT-702, a recombinant human vascular endothelial growth factor receptor antibody fusion protein ophthalmic injection, completed the enrollment of all patients for the phase III clinical trial in March 2023.

We expect to further advance the phase III clinical trials this year.

OT-502 (DEXYCU[®], dexamethasone implant)

During the Reporting Period, we continued to advance the real-world study and phase III clinical trials for OT-502.

We expect to organize data and prepare NDA documents in the second half of 2023.

OT-202 (tyrosine kinase inhibitor)

In February 2023, the Company initiated the phase II clinical trial of OT-202, a class I innovative drug for the treatment of dry eye. In its phase I clinical trial successfully completed in February 2023, OT-202 demonstrated good safety and tolerability profile in healthy adult subjects.

We expect to complete the enrollment of patients for phase II clinical trials in the second half of 2023.

Management Discussion and Analysis

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND/OR MARKET OUR CORE PRODUCT AND/OR DRUG CANDIDATES SUCCESSFULLY.

Commercialization Performance

For the Reporting Period, we achieved an operating revenue of RMB103.7 million from commercialized products, representing an increase of 90.1% as compared to the six months ended June 30, 2022. We continued accelerating the penetration of our drugs in hospitals in the PRC ophthalmology market, achieving a coverage of 9,361 hospitals nationwide, 1,426 of which are Grade III hospitals. With a commercialization team of 210 employees, we have continued expanding our business network coverage nationwide.

During the Reporting Period, we officially launched the commercialization of Youshiying® (fluocinolone intravitreal implant), a new drug for the treatment of chronic non-infectious uveitis. Uveitis is a complex eye disease, including but not limited to iritis and iridocyclitis, choroiditis, peripheral inflammation and degeneration of retina and vascular, retinal pigment epithelium, vitreous body and optic nerve. Disease can cause significant effects on patients, and specifically, each episode of inflammation of uveitis would cause irreversible damage to the intraocular tissues of patients, among which an average number of 46% of patients will eventually develop into irreversible visual impairment, even blindness. Uveitis is the second most common eye disease in China causing blindness.

Youshiying® can release fluocinolone and has precise effects on the lesion at an initial rate of 0.25 mcg per day through proprietary technology of patent, releasing fluocinolone to the eye for up to 36 months, so as to keep efficacy stable during the whole treatment. It helps patients to stabilize uveitis in the long run and reduce the recurrences of uveitis, avoiding damage to intraocular tissues and decreased visual acuity caused by recurrences of uveitis. At the same time, this drug only has effect on eyes instead of body, which can greatly reduce the adverse side effect brought by oral corticosteroids.

The signing ceremony for strategic cooperation on Youshiying® between the Company and Shanghai Pharmaceutical Co., Ltd. (上藥控股有限公司) (“**Shaphar**”), a wholly-owned subsidiary of Shanghai Pharmaceuticals Holding Co., Ltd., whose shares are listed on the Stock Exchange (stock code: 2607) and Shanghai Stock Exchange (stock code: 601607), was held on February 21, 2023. Upon reaching the agreement on strategic cooperation, the parties will further integrate resources and strengthen the overall cooperation on Youshiying® in China to benefit all patients. Focusing on pre-marketing service, import and distribution, with the support from its controlled network nationwide and other aspects, Shaphar will also deepen its cooperation and further consolidate strategic partnership with us.

We have progressively expanded our market through organizing and holding academic conferences discussing advanced diagnosis and treatment of uveitis. At the first national training conference for vitreous chamber standardized implantation, renowned scholars and professionals in the field of uveitis introduced a more practical and standardized guideline for the injection of Youshiying® to the clinicians and physicians in attendance.

Manufacturing Performance

During the Reporting Period, we mainly focus on pilot scale production and validation batch production of our products at our Suzhou manufacture site, such as Emadine®. Additionally, we maintained the ongoing production of products transferred from other manufacture sites, such as Ou Qin®.

Management Discussion and Analysis

FUTURE DEVELOPMENT AND OUTLOOK

Over the past three years, we have made remarkable achievements. In particular, we successfully developed and marketed our Core Product Youshiying®, broadened our product pipeline, built a high-quality production base and promoted our products. In the second half of 2023, we will keep focusing on the following aspects:

- 1) We will keep speeding up the progress of new product development and plan to facilitate at least two new drug candidates to enter registration stage, keeping our pace of continuous launch of new products.
- 2) We expect our Suzhou manufacture site to achieve commercialized mass production to ensure stability of supply and quality of products.
- 3) We will spare no efforts in the promotion of our Core Product, Youshiying®, to ensure its successful marketing with the aim of benefiting a larger number of patients.
- 4) We will enhance our efforts in marketing and promotion of our other drugs, including Xalatan®, Xalacom® (適利加®), Betoptic® S (貝特舒®), Emadine® and AZEP® (愛塞平®), thus to strengthen our leading position in the fields of the treatment of uveitis, anti-allergy and glaucoma and maintain the exponential growth of our sales revenue.
- 5) We are committed to strengthen the development of our corporate culture, establishing a distinctive identity that will serve as a foundation for our sustainable growth and advancement in the upcoming phase.

Going forward, we will upholding the philosophy of “Virtus et Lumen”, be committed to providing comprehensive solution with patients to protect their eyes and further to improve their quality of life. We will continue to make efforts to create better results and value for our Shareholders and investors, making our Company a leader in the industry of ophthalmology.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The revenue of our Group increased from RMB54.5 million for the six months ended June 30, 2022 to RMB103.7 million for the six months ended June 30, 2023. The increase was mainly attributable to (i) a significant increase in the revenue generated from the sales of our ophthalmic products; and (ii) an increase in the revenue generated from the pharmaceutical products promotion services, in particular, the promotion services provided by the Group to Viartis in relation to Xalatan® and Xalacom®; partially offset by the decrease in the sales-based royalty income in relation to licensing ophthalmic pharmaceutical products to a third party. The following table sets forth the components of our revenue for the periods indicated:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of ophthalmic products	84,216	28,219
Pharmaceutical products promotion services	18,185	8,608
Sales-based royalty income	1,035	17,708
Contract development and manufacturing services	260	–
Total Revenue	103,696	54,535

The increase in our revenue was primarily attributable to (i) an increase of 198.4% in the sales of ophthalmic pharmaceutical products from RMB28.2 million for the six months ended June 30, 2022 to RMB84.2 million for the six months ended June 30, 2023; and (ii) an increase in the revenue generated from the provision of pharmaceutical products promotion services from RMB8.6 million for the six months ended June 30, 2022 to RMB18.2 million for the six months ended June 30, 2023; partially offset by the decrease in the revenue generated from the sales-based royalty income from RMB17.7 million for the six months ended June 30, 2022 to RMB1.0 million for the six months ended June 30, 2023 as the relevant revenue was recorded as revenue from sales of ophthalmic products instead of revenue from sales-based royalty income. The change in revenue recognition was due to the change of business model of Emadine® during the Reporting Period.

For the sale of ophthalmic products, revenue is recognized when the control of goods is transferred, being the time when the goods are delivered to the location specified by customers, i.e. when the products are delivered and titles are passed to customers upon receipt by customer. For pharmaceutical products promotion services, revenue is recognized when we satisfy the obligation to arrange for sales and/or delivery of pharmaceutical products pursuant to the service contracts. The sales-based royalty income is based on the profit margin of each sale and is recognized at a point of time upon the customer completes its sales.

Cost of Sales

Our cost of sales consists of purchase price of goods and amortization of license rights. The cost of sales of our Group increased from RMB20.2 million for the six months ended June 30, 2022 to RMB41.0 million for the six months ended June 30, 2023. The increase was mainly due to the increased cost in relation to our sales of ophthalmic products and amortization of license rights, which was generally in line with our revenue growth.

Management Discussion and Analysis

Gross Profit

The gross profit of our Group increased by 82.8% from RMB34.3 million for the six months ended June 30, 2022 to RMB62.7 million for the six months ended June 30, 2023. The increase in our gross profit was mainly in line with our revenue growth.

Other Income

Our other income mainly consists of bank interest income arising from our bank deposit and government grant income. For the six months ended June 30, 2023, our other income was RMB14.4 million, representing a decrease of RMB0.8 million from RMB15.2 million for the six months ended June 30, 2022, primarily due to the decrease in bank interest income.

Other Gains and Losses

For the six months ended June 30, 2023, our other gains and losses primarily consist of (i) net foreign exchange gains of RMB2.6 million, as compared to the net foreign exchange gains of RMB11.7 million for the six months ended June 30, 2022, which is primarily because the appreciation of the USD against RMB narrowed during the Reporting Period as compared to the corresponding period last year; and (ii) the gain of RMB1.2 million from changes in fair value of other financial assets as compared to the gain of RMB0.3 million from changes in fair value of other financial assets for the six months ended June 30, 2022, which was primarily attributable to our effective short-term cash management.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of (i) salary and benefits expenses for our commercialization team; (ii) share-based payments for our commercialization team; and (iii) marketing and promotion expenses. For the six months ended June 30, 2023, our selling and marketing expenses were RMB114.7 million, representing an increase of RMB36.0 million from RMB78.7 million for the six months ended June 30, 2022, which was primarily due to (i) the expansion of our commercialization team; and (ii) the increasing marketing and promotion activities for our products post COVID-19.

The following table sets forth the components of our selling and marketing expenses for the periods indicated:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salary and benefits	43,615	34,665
Share-based payments	30,957	33,402
Marketing and promotion	26,750	5,833
Others	13,338	4,796
Total selling and marketing expenses	114,660	78,696

Management Discussion and Analysis

R&D Expenses

During the Reporting Period, we recorded R&D expenses of RMB73.1 million, representing a decrease of 25.8% from RMB98.4 million for the six months ended June 30, 2022, which was primarily due to the decrease in staff costs, partially offset by (i) the increase in third-party contracting costs; and (ii) the increase in depreciation and amortization.

The following table sets forth the components of our R&D expenses for the periods indicated:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Third-party contracting costs	28,781	21,195
Staff costs	35,422	73,608
Depreciation and amortization	4,448	890
Others	4,440	2,746
Total R&D expenses	73,091	98,439

Administrative Expenses

Our administrative expenses consist of (i) salaries and other expenses such as benefits, travel and share-based payments; (ii) professional service fee; and (iii) depreciation and amortization of the property for the purpose of administrative use and right-of-use assets.

For the six months ended June 30, 2023, our administrative expenses were RMB99.6 million, representing an increase of RMB24.2 million from RMB75.4 million for the six months ended June 30, 2022, which was primarily due to (i) an increase in operational costs incurred for the trial production at our Suzhou manufacture site; and (ii) an increase in the depreciation of property for the purpose of administrative use at our Suzhou manufacture site and the depreciation of right-of-use assets during the Reporting Period.

Income Tax Expenses

Our income tax expense for the six months ended June 30, 2023 was RMB0.1 million, representing a decrease of RMB0.3 million from RMB0.4 million for the six months ended June 30, 2022, which was primarily because no taxable sublicense income was generated during the Reporting Period as compared to the same period in 2022.

Management Discussion and Analysis

Loss for the Period

As a result of the above factors, for the six months ended June 30, 2023, our loss was RMB208.4 million, representing an increase of RMB15.7 million from RMB192.7 million for the six months ended June 30, 2022, which is mainly attributed to the increased costs and expenses incurred by (i) the pilot scale production and validation batch production of our product candidates at our Suzhou manufacture site; and (ii) the increasing marketing and promotion activities for our products as compared to the same period in 2022.

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net loss for the period, a non-IFRS measure to present our operating performance.

Adjusted net loss for the period, as an additional financial measure, is not required by, or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of our operating performance from period to period by eliminating impacts of non-cash items that our management considers to be not indicative of our operating performance, and provides useful information to Shareholders and investors to evaluate our operating results in the same manner as our management does. However, our presentation of the adjusted net loss for the period may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRS. We define adjusted net loss for the period as loss for the period adjusted by adding back share-based payments. The following table reconciles our non-IFRS adjusted net loss for the period with our loss for the period, which is the most directly comparable financial measure calculated with IFRS financial results:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss for the period	(208,402)	(192,669)
<i>Add:</i>		
Share-based payments	82,509	115,819
Non-IFRS adjusted net loss for the period	(125,893)	(76,850)

Management Discussion and Analysis

Selected Data from Condensed Consolidated Statement of Financial Position

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
Total current assets	1,171,209	1,455,160
Total non-current assets	1,829,750	1,588,514
Total assets	3,000,959	3,043,674
Total current liabilities	213,776	247,653
Total non-current liabilities	41,420	47,382
Total liabilities	255,196	295,035
Net assets	2,745,763	2,748,639

Trade Receivables

We allow an average credit period of 30 to 90 days to our trade customers, and the credit terms of certain trade customers are based on the timing of their actual sales.

A majority of the trade receivables aged less than one year.

The increase in our trade receivables as of June 30, 2023 is generally in line with our revenue growth.

Trade Payables

A majority of the trade payables aged less than one year.

Management Discussion and Analysis

Working Capital and Source of Capital

Our primary uses of cash related to (i) R&D expenses in relation to the clinical trials for our drugs and/or drug candidates; (ii) expenses and costs for our daily operation and commercial promotion activities; and (iii) final payments in relation to the construction project and production equipment at our Suzhou manufacture site, as well as operational costs and fees incurred for the on-site trial production. We primarily funded our working capital needs through equity financing and cash generated from (i) the sales of YUTIQ®, Ou Qin®, brimonidine tartrate eye drop, Emadine® and Kangwenjuan®; (ii) the pharmaceutical products promotion services in relation to Xalatan® and Xalacom®; and (iii) the sales-based royalty income in relation to Betoptic® S. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of June 30, 2023, our cash and cash equivalents amounted to RMB537.0 million (as of December 31, 2022: RMB1,170.0 million). The decrease in our cash and cash equivalents is primarily due to our primary uses of cash in the aspects stated above and placement of term deposits. Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

Borrowings

As of June 30, 2023, we did not have any borrowings (as of December 31, 2022: nil).

Capital Commitment

As of June 30, 2023, we have capital commitment of RMB35.9 million for the contracts in relation to acquisition of property, plant and equipment (as of December 31, 2022: RMB49.0 million).

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities, guarantees or any litigation against us (as of December 31, 2022: nil).

Pledge of Assets

As of June 30, 2023, we pledged RMB23.9 million deposits to a bank to secure the letter of credit granted to the Group (as of December 31, 2022: RMB26.0 million).

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over three months, divided by total equity and multiplied by 100%. As of June 30, 2023, we were in a net cash position and thus, gearing ratio is not applicable.

Management Discussion and Analysis

Material Investments, Acquisitions and Disposals

We entered into a share purchase agreement with EyePoint in December 2020, pursuant to which we agreed to acquire 3,010,722 shares of EyePoint for a total consideration of approximately US\$15.7 million (equivalent to approximately HK\$121.8 million). Upon completion of such investment in January 2021, we held approximately 16.6% of the enlarged total outstanding shares of EyePoint. Subsequent to such investment, as a result of share allotment and issue of new ordinary shares by EyePoint, the Group's shareholding in EyePoint was further diluted.

As of June 30, 2023, the carrying amount of our investment in EyePoint as equity instruments at FVTOCI was approximately RMB189.3 million (as of December 31, 2022: RMB73.4 million). Accordingly, the fair value of such investment compared to our total assets as of June 30, 2023 was approximately 6.3%. For the six months ended June 30, 2023, we have not received any dividend from such investment.

Save as disclosed above, the Company did not have any other material investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2023.

Future Plans for Material Investments or Capital Assets

As of the date of this interim report, we plan to continue to invest in the construction of our Suzhou manufacture site to enhance the manufacturing capacity to satisfy our long-term development strategies.

Saved as disclosed above, we do not have any concrete future plans for material capital expenditure, investments or capital assets as of the date of this interim report. We will make further announcements in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Certain of our bank balances and cash, trade and other receivables and trade and other payables are denominated in foreign currencies, and are exposed to foreign currency risk. Our Group currently implements foreign currency hedging measures under our funding and treasury policies. In addition, we will continue to manage the foreign exchange risk by closely monitoring our foreign exchange exposure and will consider implementing more detailed measures as needed to hedge significant foreign currency exposure thus to prevent significant net foreign exchange losses in the future.

Management Discussion and Analysis

Employees and Remuneration

As of June 30, 2023, we had a total of 417 employees. For the six months ended June 30, 2023, the total remuneration cost incurred, including the share-based payments, was 170.6 million (June 30, 2022: RMB193.7 million). The following table sets forth a breakdown of our employees by function as of June 30, 2023:

Function	Number	% of total
Commercial	210	50.4%
R&D	55	13.2%
Manufacturing	119	28.5%
Management and administrative	33	7.9%
Total	417	100%

We provide formal and comprehensive company-level and department-level training to our new employees, followed by on-the-job training. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures. Some of the training is conducted jointly by departments serving different functions but working with or supporting each other in our day-to-day operations.

The remuneration of the employees of our Group comprises salaries, bonuses, employees' provident fund, share-based payments, social security contributions and other welfare payments which is determined by their responsibilities, qualifications, positions and seniority. The Group regularly reviews and determines the remuneration and compensation package of the employees by reference to, among other things, their performance, qualifications, respective responsibilities and market levels of salaries paid by comparable companies. In accordance with applicable laws and regulations, we made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees.

We have also adopted the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme to provide incentives for our employees. Further details in respect of the ESOP, RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme are set out in the section headed "Other Information" in this interim report.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As of June 30, 2023, the interests and short positions of the Directors or chief executive of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the Shares or underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares/ underlying Shares	Approximate percentage in shareholding ⁽³⁾
Mr. Ye LIU	Beneficial owner	76,112,990 ⁽¹⁾	11.02%
Dr. Zhaopeng HU	Beneficial owner	4,226,506 ⁽²⁾	0.61%

Notes:

- (1) Including (i) a total of 22,155,605 Shares directly held by him; (ii) 21,425,710 options that have been granted yet unexercised under the ESOP; (iii) RSUs representing 11,150,050 Shares upon vesting that have been granted yet unsettled under the RSU Scheme; (iv) 10,828,000 options that have been granted yet unexercised under the 2021 Share Option Scheme; and (v) 10,553,625 awards that have been granted yet unvested under the 2021 Share Award Scheme.
- (2) Including (i) a total of 3,554,637 Shares directly held by him; (ii) RSUs representing 135,369 Shares upon vesting that have been granted yet unsettled under the RSU Scheme; (iii) 287,000 options that have been granted yet unexercised under the 2021 Share Option Scheme; and (iv) 249,500 awards that have been granted yet unvested under the 2021 Share Award Scheme.
- (3) The calculation is based on the total number of 690,711,280 Shares in issue as of June 30, 2023.

Save as disclosed above, as of June 30, 2023, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of June 30, 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares or underlying Shares of the Company

Name of shareholder	Nature of interest	Total number of Shares/ underlying shares	Approximate percentage in shareholding ⁽⁶⁾
6 Dimensions Capital (Note 1)	Beneficial interest	119,890,000	17.36%
6 Dimensions Affiliates (Note 1)	Beneficial interest	6,310,000	0.91%
6 Dimensions Capital GP, LLC (Note 1)	Interest in controlled corporation	126,200,000	18.27%
Suzhou Frontline II (Note 2)	Beneficial interest	88,340,000	12.79%
Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業 (有限合夥)) (Note 2)	Interest in controlled corporation	88,340,000	12.79%
Suzhou 6 Dimensions (Note 2)	Beneficial interest	37,860,000	5.48%
Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業 (有限合夥)) (Note 2)	Interest in controlled corporation	37,860,000	5.48%
Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) (Note 2)	Interest in controlled corporation	126,200,000	18.27%
Ziqing CHEN (陳梓卿) (Note 2)	Interest in controlled corporation	126,200,000	18.27%
Summer Iris Limited (Note 3)	Beneficial interest	78,214,230	11.32%
Boyu Capital Fund IV, L.P. (Note 3)	Interest in controlled corporation	78,214,230	11.32%
Boyu Capital General Partner IV, Ltd. (Note 3)	Interest in controlled corporation	78,214,230	11.32%
Boyu Capital Group Holdings Ltd. (Note 3) (Note 4)	Interest in controlled corporation	81,629,730	11.82%
TLS Beta Pte. Ltd. (Note 5)	Beneficial interest	54,169,400	7.84%
Temasek Life Sciences Private Limited (Note 5)	Interest in controlled corporation	54,169,400	7.84%
Fullerton Management Pte Ltd (Note 5)	Interest in controlled corporation	54,169,400	7.84%
Temasek Holdings (Private) Limited (Note 5) (Note 6)	Interest in controlled corporation	59,446,400	8.61%
Capital Research and Management Company (Note 7)	Beneficial interest	47,735,966	6.91%
The Capital Group Companies, Inc. (Note 7)	Interest in controlled corporation	47,735,966	6.91%

Other Information

Notes:

- (1) For the purpose of the SFO, 6 Dimensions Capital GP, LLC, as the general partner of each of 6 Dimensions Capital and 6 Dimensions Affiliates, is deemed to have an interest in the Shares held by each of 6 Dimensions Capital and 6 Dimensions Affiliates.
- (2) Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) is the general partner of Suzhou Frontline II. Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) is the general partner of Suzhou 6 Dimensions. Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) is the general partner of each of Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) and Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)), and is wholly held by Ziqing CHEN (陳梓卿). Ziqing CHEN (陳梓卿) is the father-in-law of Dr. Lian Yong CHEN, the Chairman and non-executive Director of our Company.

For the purpose of the SFO, (i) Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) is deemed to have an interest in the Shares held by Suzhou Frontline II; (ii) Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) is deemed to have an interest in the Shares held by Suzhou 6 Dimensions; and (iii) Ziqing CHEN (陳梓卿) and Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) are deemed to have an interest in the Shares held by each of Suzhou Frontline II and Suzhou 6 Dimensions.

- (3) For the purpose of the SFO, each of Boyu Capital Fund IV, L.P. (as the sole shareholder of Summer Iris Limited), Boyu Capital General Partner IV, Ltd. (as the general partner of Boyu Capital Fund IV, L.P.) and Boyu Capital Group Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner IV, Ltd.) is deemed to have an interest in the 78,214,230 Shares held by Summer Iris Limited.
- (4) For the purpose of the SFO, Boyu Capital Group Holdings Ltd. is deemed to have an interest in the 3,415,500 Shares held by Boyu Capital Opportunities Master Fund, as Boyu Capital Opportunities Master Fund is managed by Boyu Capital Investment Management Limited, which in turn is ultimately controlled by Boyu Capital Group Holdings Ltd.
- (5) TLS Beta Pte. Ltd. is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited. Under the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are deemed to be interested in the 54,169,400 Shares held by TLS Beta Pte. Ltd.
- (6) For the purpose of the SFO, Temasek Holdings (Private) Limited is deemed to have an interest in the 5,277,000 Shares held by Aranda Investments Pte. Ltd., which in turn is ultimately controlled by Temasek Holdings (Private) Limited.
- (7) Capital Research and Management Company is a wholly-owned subsidiary of The Capital Group Companies, Inc. For the purpose of the SFO, The Capital Group Companies, Inc. is deemed to have an interest in the 47,735,966 Shares held by Capital Research and Management Company.
- (8) The calculation is based on the total number of 690,711,280 Shares in issue as of June 30, 2023.

Save as disclosed above, as of June 30, 2023, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE SCHEMES

During the period ended June 30, 2023 and up to the date of this interim report, we have four share schemes in effect which were required to be disclosed under the requirements of Chapter 17 of the Listing Rules.

Employee Stock Option Plan

The ESOP was adopted by the Company on May 23, 2018 and amended from time to time. Subject to the terms of the ESOP, the Board may at its discretion specify any conditions which must be satisfied before the option(s) under the ESOP may be exercised. Further details of the ESOP are set out in the Prospectus and our 2022 annual report.

Movements in the Options under the ESOP

Details of the options granted under the ESOP and their movements during the period ended June 30, 2023 are as follows:

Category and name of grantee	Date of grant	Vesting Period	Exercise Period	Exercise price (US\$ per Share)	Number of Shares underlying outstanding options as of January 1, 2023	Number of options exercised during the Reporting Period	Number of options canceled/ forfeited/ lapsed during the Reporting Period	Number of Shares underlying outstanding options as of June 30, 2023
Directors								
Mr. Ye LIU	Between August 28, 2018 to January 22, 2020	(Note 1)	Until May 23, 2028	Between 0.001 to 0.188	21,643,710	218,000 ⁽³⁾	0	21,425,710
Dr. Zhaopeng HU	Between January 22, 2019 to January 22, 2020	(Note 2)	Until July 10, 2022	Between 0.01 to 0.188	0	0	0	0
Other grantees in aggregate⁽⁷⁾	Between January 22, 2019 to January 22, 2020	(Note 4)	(Note 4)	Between 0.001 to 0.201	2,050,734	1,756,485 ⁽⁵⁾	73 ⁽⁶⁾	294,176
Total					23,694,444	1,974,485⁽⁶⁾	73⁽⁶⁾	21,719,886

Notes:

- (1) All the options granted to Mr. Liu under the ESOP have been vested to him. The options vested to Mr. Liu are exercisable before May 23, 2028.
- (2) All the options granted to Dr. Hu under the ESOP have been vested to him and all the options vested to him under the ESOP have been exercised.
- (3) During the Reporting Period, Mr. Liu exercised 218,000 options under the ESOP for the subscription of 218,000 Shares, among which 500 Shares were subsequently sold. The closing price of the Shares immediately before the date on which the options were exercised by Mr. Liu during the Reporting Period was HK\$8.09 per Share.
- (4) The vesting schedule shall be a 60-month vesting schedule consisting of a cliff vesting of twenty percent (20%) after twelve (12) months from the vesting commencement date and, thereafter, quarterly vesting of equal instalments over the remaining sixteen (16) quarters. In case of a listing, the vesting schedule of the unvested option shall be accelerated by 50%. The options are exercisable until the later of (i) second anniversary of the Listing Date; or (ii) three months following the options are fully-vested in accordance with the vesting schedule.
- (5) During the Reporting Period, 1,756,485 options under the ESOP had been exercised by other grantees for the subscription of 1,756,485 Shares. The weighted average closing price of such Shares immediately before the dates on which these options were exercised during the Reporting Period was HK\$8.33 per Share.
- (6) During the Reporting Period, 1,974,485 options under the ESOP were exercised for the subscription of 1,974,485 Shares. The weighted average closing price of the Shares immediately before the dates on which these options were exercised during the Reporting Period was HK\$8.30 per Share. 73 options had been forfeited and subsequently lapsed due to resignation of the relevant employees and nil option had been canceled. Since the Listing and as of June 30, 2023, a total of 633,844 options under the ESOP had been forfeited.
- (7) Other grantees are all employees of the Company (other than the Directors) who entered into valid employment contracts with the Company.

Save as disclosed above, no option was granted or agreed to be granted, exercised, canceled or lapsed under the ESOP throughout the six months ended June 30, 2023.

Other Information

RSU Scheme

The RSU Scheme was approved by the Shareholders on April 28, 2020. Subject to the terms of the RSU Scheme, the Board may at its discretion specify any terms and conditions of the grant of RSUs to eligible participants. Further details of the RSU Scheme are set out in the Prospectus and our 2022 annual report.

Movements in the RSUs under the RSU Scheme

Details of the RSUs granted under the RSU Scheme and their movements during the period ended June 30, 2023 are as follows:

Category and name of grantee	Date of grant	Vesting Period	Purchase price (US\$ per Share)	Number of Shares underlying unvested RSUs as of January 1, 2023	Number of Shares underlying RSUs granted during the Reporting Period	Number of Shares underlying RSUs vested during the Reporting Period	Number of RSUs canceled/ forfeited during the Reporting Period	Number of Shares underlying RSUs as of June 30, 2023
Directors								
Mr. Ye LIU	April 30, 2020	(Note 1)	0.188	11,150,050	0	0	0	11,150,050
Dr. Zhaopeng HU	April 30, 2020	(Note 1)	0.188	270,738	0	135,369 ⁽³⁾	0	135,369
External consultant of the Group	September 9, 2022	(Note 2)	0.188	300,000	0	0	0	300,000
Other grantees in aggregate ⁽⁶⁾	April 30, 2020 and June 15, 2020	(Note 1)	Between 0.188 to 0.201	2,461,811	0	706,268 ⁽⁴⁾	424,020 ⁽⁵⁾	1,331,523
Total				14,182,599	0	841,637	424,020⁽⁵⁾	12,916,942

Notes:

- (1) The vesting schedule is a 60-month vesting schedule consisting of a cliff vesting of 20 percent after 12 months from the vesting commencement date and, thereafter, quarterly vesting of equal instalments over the remaining quarters.
- (2) The vesting schedule is a 60-month vesting schedule consisting of a cliff vesting of 20 percent after 12 months from the vesting commencement date and, thereafter, quarterly vesting of equal instalments over the remaining 16 quarters, subject generally to the grantee continuing to be a consultant of the Group through each such date.
- (3) The closing price of the Shares immediately before the date on which the RSUs were vested to Dr. Hu during the Reporting Period was HK\$8.15 per Share.
- (4) The weighted average closing price of the Shares immediately before the dates on which the RSUs were vested to other grantees during the Reporting Period was HK\$8.03 per Share.
- (5) During the Reporting Period, 424,020 RSUs under the RSU Scheme had been forfeited and subsequently lapsed due to resignation of a relevant employee and nil RSU had been canceled. The Company had granted RSUs representing 23,166,920 Shares upon vesting under the RSU Scheme, among which RSUs representing 1,102,769 Shares upon vesting have been forfeited as of June 30, 2023.
- (6) Other grantees are all employees of the Company (other than the Directors) who entered into valid employment contracts with the Company.

Save as disclosed in this interim report, no Share was granted under the RSU Scheme throughout the six months ended June 30, 2023.

2021 Share Option Scheme

The 2021 Share Option Scheme was adopted by the Company on August 31, 2021 and amended from time to time. Subject to the terms of the 2021 Share Option Scheme, the Board may at its discretion specify any conditions which must be satisfied before the option(s) under the 2021 Share Option Scheme may be exercised. Further details of the 2021 Share Option Scheme are set out in the circular of the Company dated August 11, 2021 and our 2022 annual report.

Movements in Options under the 2021 Share Option Scheme

Details of the options granted under the 2021 Share Option Scheme and their movements during the period ended June 30, 2023 are as follows:

Name of grantee	Date of grant	Vesting period	Exercise period	Exercise price (HK\$ per Share)	Number of Shares underlying outstanding options as of January 1, 2023	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options canceled/ forfeited/ lapsed during the Reporting Period	Number of Shares underlying options as of June 30, 2023
Directors									
Mr. Ye LIU	July 2, 2021 and September 9, 2022	(Note 1)	(Note 1)	HK\$27.43 and HK\$11.41	10,828,000	0	0	0	10,828,000
Dr. Zhaopeng HU	September 30, 2021 and September 9, 2022	(Note 2)	(Note 2)	HK\$19.07 and HK\$11.41	287,000	0	0	0	287,000
Other grantees in Aggregate⁽⁴⁾	September 30, 2021 and September 9, 2022	(Note 3)	(Note 3)	HK\$19.07 and HK\$11.41	15,450,450	0	0	699,499 ⁽⁵⁾	14,750,951
Total					26,565,450	0	0	699,499⁽⁵⁾	25,865,951

Notes:

- (1) The options granted to Mr. Liu on July 2, 2021 shall vest in him as follows: (a) 25% of the options shall vest on the first anniversary of the date of grant; (b) 25% of the options shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the first anniversary of the date of grant to the second anniversary of the date of grant; (c) 25% of the options shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the second anniversary of the date of grant to the third anniversary of the date of grant; and (d) 25% of the options shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the third anniversary of the date of grant to the fourth anniversary of the date of grant. The exercise of the option to be granted is not subject to any performance targets.

The options granted to Mr. Liu on September 9, 2022 shall vest in him as follows: (a) 25% of the options shall vest immediately on the date of grant; (b) 25% of the options shall vest on the first anniversary of the date of grant, conditional upon the achievement of certain performance targets relating to the overall performance of the Company as set out in the grant letter entered into between Mr. Liu and the Company, including R&D and registration progress of drug candidates, marketing and sales of commercialized products, daily operation and management of the Group. Partial achievement of the performance targets will result in proportionate vesting at the Board's discretion; (c) 25% of the options shall vest on the second anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or Mr. Liu, which shall be determined by the Board in due course; and (d) 25% of the options shall vest on the third anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or Mr. Liu, which shall be determined by the Board in due course.

Subject to the above, an option may be exercised by Mr. Liu (or his personal representatives) at any time during the option period, which is in any event not later than the last day of the 10-year period after the date of grant of the option.

Other Information

- (2) The options granted to Dr. Hu on September 30, 2021 and September 9, 2022 shall vest in him as follows: (a) 10% of the options shall vest on the first anniversary of the date of grant; (b) 20% of the options shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the first anniversary of the date of grant to the second anniversary of the date of grant; (c) 30% of the options shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the second anniversary of the date of grant to the third anniversary of the date of grant; and (d) 40% of the options shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the third anniversary of the date of grant to the fourth anniversary of the date of grant.

For the grant of options on September 30, 2021, the vesting of the options is conditional upon the completion of the performance targets as set out in the grant letters entered into between Dr. Hu and the Company.

For the grant of options on September 9, 2022, the vesting of the options granted to Dr. Hu is conditional upon the achievement of the performance targets by Dr. Hu set out in his/her grant letter entered into between Dr. Hu and the Company, partial achievement of which will result in proportionate vesting.

Subject to the above, an option may be exercised by Dr. Hu (or his personal representatives) at any time during the option period, which is in any event not later than the last day of the 10-year period after the date of grant of the option.

- (3) The vesting period and exercise period for other grantees under the 2021 Share Option Scheme is the same as those of Dr. Hu's as set out in note (2) above.

For the grant of options on September 30, 2021, the vesting of the options is conditional upon the completion of the performance targets as set out in the grant letters entered into between the grantees and the Company.

For the grant of options on September 9, 2022, the vesting of the options granted to other grantees is conditional upon the achievement of the performance targets by relevant grantee set out in his/her grant letter entered into between such grantee and the Company, partial achievement of which will result in proportionate vesting.

Subject to the above, an option may be exercised by the grantee (or his or her personal representatives) at any time during the option period, which is in any event not later than the last day of the 10-year period after the date of grant of the option.

- (4) Other grantees are all employees of the Company (other than the Directors) who entered into valid employment contracts with the Company.
- (5) During the Reporting Period, 699,499 options under the 2021 Share Option Scheme had been forfeited and subsequently lapsed due to resignation of the relevant employees and nil option had been canceled.

Save as disclosed in this interim report, no option was granted or agreed to be granted, canceled or lapsed under the 2021 Share Option Scheme throughout the six months ended June 30, 2023.

2021 SHARE AWARD SCHEME

The 2021 Share Award Scheme was approved by the Company on July 2, 2021. Further details of the 2021 Share Award Scheme are set out in the circular of the Company dated August 11, 2021 and our 2022 annual report.

Movements in the awards under the 2021 Share Award Scheme

Details of the awards granted under the 2021 Share Award Scheme and their movements during the period ended June 30, 2023 are as follows:

Name of grantee	Date of grant	Vesting period	Purchase price (HK\$ per Share)	Number of Share underlying awards as of January 1, 2023	Number of Share underlying awards granted during the Reporting Period	Number of Share underlying awards vested during the Reporting Period	Number of awards canceled/ forfeited/ lapsed during the Reporting Period	Number of Share underlying awards as of June 30, 2023
Directors								
Mr. Ye LIU	July 2, 2021 and September 9, 2022 ⁽²⁾	(Note 1)	0	12,178,875	0	1,625,250 ⁽⁴⁾	0	10,553,625
Dr. Zhaopeng HU	July 2, 2021 and September 9, 2022 ⁽³⁾	(Note 2)	0	264,500	0	15,000 ⁽⁵⁾	0	249,500
Other grantees in Aggregate⁽⁷⁾	September 30, 2021 and September 9, 2022 ⁽⁴⁾	(Note 3)	0	14,730,072	0	463,716 ⁽⁶⁾	691,124 ⁽⁸⁾	13,575,232
Total			0	27,173,447	0	2,103,966	691,124⁽⁸⁾	24,378,357

Notes:

- (1) The award Shares granted to Mr. Liu on July 2, 2021 shall vest in him as follows: (a) 25% of the awards shall vest on the first anniversary of the date of grant; (b) 25% of the awards shall vest in four equal installments during the period from the first anniversary of the date of grant to the second anniversary of the date of grant; (c) 25% of the awards shall vest in four equal installments during the period from the second anniversary of the date of grant to the third anniversary of the date of grant; and (d) 25% of the awards shall vest in four equal installments during the period from the third anniversary of the date of grant to the fourth anniversary of the date of grant.

The award Shares granted to Mr. Liu on September 9, 2022 shall vest in him as follows: (a) 25% of the awards shall vest immediately on the date of grant; (b) 25% of the awards shall vest on the first anniversary of the date of grant, conditional upon the achievement of certain performance targets relating to the overall performance of the Company as set out in the grant letter entered into between Mr. Liu and the Company, including R&D and registration progress of drug candidates, marketing and sales of commercialized products, daily operation and management of the Group; (c) 25% of the awards shall vest on the second anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or Mr. Liu, which shall be determined by the Board in due course; and (d) 25% of the awards shall vest on the third anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or Mr. Liu, which shall be determined by the Board in due course.

- (2) The award Shares granted to Dr. Hu on September 30, 2021 shall vest in him as follows: (a) 10% of the awards shall vest on the first anniversary of the date of grant; (b) 20% of the awards shall vest in four equal installments during the period from the first anniversary of the date of grant to the second anniversary of the date of grant; (c) 30% of the awards shall vest in four equal installments during the period from the second anniversary of the date of grant to the third anniversary of the date of grant; and (d) 40% of the awards shall vest in four equal installments during the period from the third anniversary of the date of grant to the fourth anniversary of the date of grant. The vesting of the awards is conditional upon the completion of the performance targets as set out in the grant letters entered into between the Dr. Hu and the Company.

The award Shares granted to Dr. Hu on September 9, 2022 shall vest in him as follows: (a) 10% of the awards shall vest on the first anniversary of the date of grant; (b) 20% of the awards shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the first anniversary of the date of grant to the second anniversary of the date of grant; (c) 30% of the awards shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the second anniversary of the date of grant to the third anniversary of the date of grant; and (d) 40% of the awards shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the third anniversary of the date of grant to the fourth anniversary of the date of grant. The vesting of the awards to be granted to Dr. Hu is conditional upon the achievement of the performance targets by Dr. Hu set out in his grant letter entered into between him and the Company, which include targets relating to R&D and registration progress of in-licensed and in-house developed drug candidates, CMC management and regulatory affairs management.

Other Information

- (3) The vesting schedule for other grantees to whom are granted award Shares on September 30, 2021 and September 9, 2022 under the 2021 Share Award Scheme is the same as those of Dr. Hu's as set out in note (2) above.

For the grant of awards on September 30, 2021, the vesting of the awards is conditional upon the completion of the performance targets as set out in the grant letters entered into between the grantees and the Company.

For the grant of awards on September 9, 2022, the vesting of the awards granted to the grantees is conditional upon the achievement of the performance targets by the grantees set out in his/her grant letter entered into between such grantees and the Company, partial achievement of which will result in proportionate vesting.

- (4) The weighted average closing price of the Shares immediately before the dates on which the awards were vested to Mr. Liu during the Reporting Period was HK\$9.92 per Share.
- (5) The weighted average closing price of the Shares immediately before the dates on which the awards were vested to Dr. Hu during the Reporting Period was HK\$9.92 per Share.
- (6) The weighted average closing price of the Shares immediately before the dates on which the awards were vested to other grantees during the Reporting Period was HK\$9.79 per Share.
- (7) Other grantees are all employees of the Company (other than the Directors) who entered into valid employment contracts.
- (8) During the Reporting Period, 691,124 awards under the 2021 Share Awards Scheme had been forfeited due to resignation of the relevant employees and nil award had been canceled.

Save as disclosed in this interim report, no award was granted or agreed to be granted, vested, canceled or lapsed under the 2021 Share Award Scheme throughout the six months ended June 30, 2023.

Share Incentives Available for Grant and Shares May Be Issued Underlying All Share Incentive Granted

The number of options, awards and RSUs available for grant under the Scheme Mandate Limit and the Service Provider Sublimit at the beginning and the end of the Reporting Period are set out below:

	Scheme Mandate Limit		Service Provider Sublimit	
	Available for grant as of January 1, 2023	Available for grant as of June 30, 2023	Available for grant as of January 1, 2023	Available for grant as of June 30, 2023
Options	36,555,088	37,254,587 ⁽¹⁾		
Awards	1,377,390	2,068,514 ⁽¹⁾	Collectively 5,342,000 ⁽²⁾	Collectively 5,342,000 ⁽²⁾
RSUs	1,511,829	1,935,849 ⁽¹⁾		

Notes:

- (1) On November 25, 2022, the Shareholders approved and confirmed the refreshment of the Scheme Mandate Limit to 53,424,000 Shares, being approximately 7.95% of the total Shares in issue as of such date of approval rounded down to nearest whole board lot of 500 Shares. Such Scheme Mandate Limit is applicable to all share schemes of the Company. The number of options, awards and RSUs available for grant as of June 30, 2023 shall also be subject to such Scheme Mandate Limit, being 40,858,728 as of June 30, 2023.
- (2) On November 25, 2022, the Shareholders approved and confirmed the set of the Service Provider Sublimit as 5,342,000 Shares, being 0.795% of the total Shares in issue as of the date of approval rounded down to nearest whole board lot of 500 Shares. Such Service Provider Sublimit is applicable to all share schemes of the Company. The number of options and awards available for grant to the Service Providers as of June 30, 2023 shall be subject to such Service Provider Sublimit, being 5,342,000 as of June 30, 2023.

For the purpose of Rule 17.07(3) of the Listing Rules, no Share may be issued in respect of all options and awards granted under all schemes of the Company during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed herein, there was no event which has occurred after June 30, 2023 and up to the date of this interim report that would cause material impact on the Group.

INTERIM DIVIDEND

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the CG Code as its own code of corporate governance. The CG Code has been applicable to the Company with effect from July 10, 2020, the date of Listing.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the six months ended June 30, 2023. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines during the six months ended June 30, 2023. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Group was noted by the Company.

Other Information

USE OF PROCEEDS FROM LISTING AND PLACING

Use of Proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on July 10, 2020. The total net proceeds raised from the issue of new Shares by the Company in its Listing and the full exercise of over-allotment option (after deducting the underwriting fees and related Listing expenses) amounted to approximately HK\$1,646.41 million. The intended use of the net proceeds and the change in the intended use of the net proceeds were set out in the Prospectus and announcement dated September 11, 2020, respectively. As of June 30, 2023, such net proceeds from Listing were utilized as follows in accordance with the intended uses:

Use of proceeds from Listing	Amount of net proceeds for planned applications (HK\$ million)	Percentage of total net proceeds (%)	Unutilized net proceeds as of December 31, 2022 (HK\$ million)	Utilized net proceeds during the Reporting Period (HK\$ million)	Utilized net proceeds as of June 30, 2023 (HK\$ million)	Unutilized net proceeds as of June 30, 2023 (HK\$ million)	Expected time frame for unutilized amount
For the Core Product							
1. Fund the costs and expenses in connection with R&D personnel as well as the continuing R&D activities of OT-401	197.57	12.00%	112.35	1.15	86.37	111.20	by the end of 2025
2. For milestone payments of OT-401	49.39	3.00%	15.49	-	33.90	15.49	by the end of 2024
3. For the commercialization of OT-401	246.96	15.00%	144.18	37.09	139.87	107.09	by the end of 2024
For the other drug candidates, including OT-101, OT-301, OT-1001, OT-502, OT-202, OT-503 and OT-701							
1. The continuing R&D activities of other drug candidates, including OT-101, OT-301, OT-1001, OT-502, OT-202, OT-503 and OT-701	562.42	34.16%	71.98	71.98	562.42	-	by the end of 2023
2. For milestone payments of our other in-licensed drug candidates	96.15	5.84%	22.47	-	73.68	22.47	by the end of 2024
3. For the further expansion of our sales and marketing team	164.64	10.00%	61.86	37.09	139.87	24.77	by the end of 2023
For the acquisition of 100% equity interest in Suzhou Xiaxiang as disclosed in the Company's announcement dated September 11, 2020	164.64	10.00%	-	-	164.64	-	-
For our working capital and other general corporate purposes	164.64	10.00%	-	-	164.64	-	-
Total	1,646.41	100.00%	428.33	147.31	1,365.39	281.02	

Note: the sum of the data may not add up to the total due to rounding.

As of June 30, 2023, all the unused net proceeds from Listing were held by the Company in short-term deposits with licensed banks or authorized financial institutions.

Use of Proceeds from the Placing

In January 2021, an aggregate of 28,000,000 Shares have been successfully placed to no less than six placees, who were professional investors and Independent Third Parties, at a placing price of HK\$28.35 per Share. The subscription of Shares has been completed on January 22, 2021 with a net price of HK\$27.92 per Share and a total market value of approximately HK\$834.4 million.

The net proceeds arising from the placing and subscription amounted to approximately HK\$781.7 million, of which the intended uses were set out in the announcement of the Company dated January 22, 2021. As of June 30, 2023, the net proceeds from placing and subscription were utilized as follows in accordance with the intended uses:

Use of proceeds from placing and subscription	Amount of net proceeds for planned applications (HK\$ million)	Percentage of total net proceeds (%)	Unutilized net proceeds as of December 31, 2022 (HK\$ million)	Utilized net proceeds during the Reporting Period (HK\$ million)	Utilized net proceeds as of June 30, 2023 (HK\$ million)	Unutilized net proceeds as of June 30, 2023 (HK\$ million)	Expected time frame for unutilized amount
Expansion of the Company's commercial team in view of the proposed launch of its new therapies	234.51	30.00%	234.51	-	-	234.51	by the end of 2025
Funding of international multi-centre clinical trials of the Company's therapies	273.60	35.00%	140.43	75.05	208.22	65.38	by the end of 2024
OT-702 (Eylea biosimilar)	99.66	12.75%	19.56	14.97	95.07	4.59	by the end of 2023
OT-301 (NCX470)	50.03	6.40%	39.97	26.48	36.54	13.49	by the end of 2023
OT-101 (low-concentration atropine)	43.78	5.60%	19.23	19.23	43.78	-	by the end of 2024
OT-1001 (ZERVIATE®)	30.10	3.85%	27.88	1.56	3.78	26.32	by the end of 2024
OT-202 (TKI)	50.03	6.40%	33.79	12.80	29.05	20.98	by the end of 2024
Building and development of new manufacturing facilities and equipment of Suzhou Xiaxiang and active pharmaceutical ingredients manufacturing facilities	195.43	25.00%	-	-	195.43	-	-
Other general corporate purposes	78.17	10.00%	44.83	44.83	78.17	-	by the end of 2023
Total	781.70	100%	419.77	119.88	481.82	299.89	

Note: the sum of the data may not add up to the total due to rounding.

As of June 30, 2023, all the unused net proceeds from placing and subscription were deposited into the bank accounts maintained by our Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2023.

Other Information

CHANGES IN THE INFORMATION OF DIRECTORS OR CHIEF EXECUTIVE OF THE COMPANY

The changes in the information of Directors or chief executive of the Company since the date of the Company's 2022 annual report are set out below:

1. Dr. Lian Yong CHEN, a non-executive Director, was appointed on August 23, 2019 as a non-executive director of Cutia Therapeutics (科笛集团), a company whose shares are listed on the Stock Exchange (stock code: 2487) since June 12, 2023.

Save as disclosed above, during the Reporting Period and up to the date of this interim report, there was no change in information of the Directors or chief executive of the Company which shall be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, none of the Directors or any of their respective associates were granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiary, or had exercised any such right during the six months ended June 30, 2023.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations pursuant to Rules 13.20, 13.21 and 13.22 of the Listing Rules.

REVIEW OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The unaudited condensed consolidated interim financial statements of the Group for the six months ended June 30, 2023 have been reviewed by the Group's independent auditor, Deloitte Touche Tohmatsu, 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 Hong Kong Institute of Certified Public Accountants.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ting Yuk Anthony WU, Mr. Yiran HUANG and Mr. Zhenyu ZHANG. The chairman of the Audit Committee is Mr. Ting Yuk Anthony WU. The Audit Committee has jointly reviewed the interim report with the management and the independent auditor of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results and interim report of the Group for the six months ended June 30, 2023) of the Group. The Audit Committee considered the unaudited interim results of the Group for the six months ended June 30, 2023 are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

APPRECIATION

We wish to express our sincere gratitude to our Shareholders and business partners for their continued support, and to our employees for their dedication and hard work.

By order of the Board
Ocumension Therapeutics
Dr. Lian Yong CHEN
Chairman and non-executive Director

Shanghai, the PRC, August 24, 2023

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF OCUMENSION THERAPEUTICS
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Ocumension Therapeutics (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 33 to 60, which comprise the condensed consolidated statement of financial position as of June 30, 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 24, 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months Ended June 30, 2023

	NOTES	Six months ended June 30,	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	103,696	54,535
Cost of sales		(40,986)	(20,231)
Gross profit		62,710	34,304
Other income	4	14,402	15,182
Other gains and losses	4	3,708	12,004
Impairment losses under expected credit loss ("ECL") model, net of reversal		(268)	(283)
Selling and marketing expenses		(114,660)	(78,696)
Research and development ("R&D") expenses		(73,091)	(98,439)
Administrative expenses		(99,561)	(75,398)
Other expenses		(864)	–
Finance costs		(639)	(981)
Loss before tax		(208,263)	(192,307)
Income tax expense	5	(139)	(362)
Loss for the period	6	(208,402)	(192,669)
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		118,425	(71,346)
		118,425	(71,346)
Total comprehensive expense for the period		(89,977)	(264,015)
Loss per share			
– Basic and diluted (RMB)	8	(0.32)	(0.31)

Condensed Consolidated Statement of Financial Position

At June 30, 2023

	NOTES	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	416,626	414,478
Right-of-use assets	9	29,027	33,591
Intangible assets	10	1,027,491	919,050
Equity instruments at FVTOCI	11	213,425	95,000
Deposits and prepayments	12	127,598	108,472
Other asset – non-current		15,583	17,923
		1,829,750	1,588,514
Current assets			
Inventories		28,912	24,104
Trade and other receivables	12	87,554	106,238
Contract assets		11,149	6,473
Other asset – current		3,747	3,898
Bank balances and cash	13	1,039,847	1,314,447
		1,171,209	1,455,160
Current liabilities			
Trade and other payables	14	200,480	235,368
Lease liabilities – current		13,125	12,285
Tax liabilities		171	–
		213,776	247,653
Net current assets		957,433	1,207,507
Total assets less current liabilities		2,787,183	2,796,021
Non-current liabilities			
Contract liabilities		30,090	30,090
Lease liabilities – non-current		11,330	17,292
		41,420	47,382
Net assets		2,745,763	2,748,639
Capital and reserves			
Share capital	15	48	48
Reserves		2,745,715	2,748,591
Total equity		2,745,763	2,748,639

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended June 30, 2023

	Attributable to owners of the Company							
	Share capital RMB'000 (note 15)	Share premium RMB'000	Other reserves RMB'000	FVTOCI revaluation reserve RMB'000	Treasury share held in the trust RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2022 (audited)	46	7,355,472	(581,779)	(305)	(3)	379,291	(4,044,549)	3,108,173
Loss for the period	-	-	-	-	-	-	(192,669)	(192,669)
Other comprehensive expense for the period	-	-	-	(71,346)	-	-	-	(71,346)
Total comprehensive expense for the period	-	-	-	(71,346)	-	-	(192,669)	(264,015)
Exercise of share options granted (note 17)	-*	6,000	-	-	-	(4,987)	-	1,013
Purchase of shares via a trust (note 15)	-	(8,152)	-	-	-*	-	-	(8,152)
Recognition of equity-settled share-based payments (note 17)	-	-	-	-	-	115,819	-	115,819
Forfeited equity-settled share-based payments	-	-	-	-	-	(478)	478	-
At June 30, 2022 (unaudited)	46	7,353,320	(581,779)	(71,651)	(3)	489,645	(4,236,740)	2,952,838
At January 1, 2023 (audited)	48	7,427,744	(581,779)	(177,706)	(3)	527,049	(4,446,714)	2,748,639
Loss for the period	-	-	-	-	-	-	(208,402)	(208,402)
Other comprehensive income for the period	-	-	-	118,425	-	-	-	118,425
Total comprehensive income (expense) for the period	-	-	-	118,425	-	-	(208,402)	(89,977)
Exercise of share options granted (note 17)	-*	13,508	-	-	-	(11,164)	-	2,344
Exercise of restricted share units ("RSUs") (note 17)	-	7,899	-	-	-*	(5,651)	-	2,248
Recognition of equity-settled share-based payments (note 17)	-	-	-	-	-	82,509	-	82,509
Forfeited equity-settled share-based payments	-	-	-	-	-	(67)	67	-
At June 30, 2023 (unaudited)	48	7,449,151	(581,779)	(59,281)	(3)	592,676	(4,655,049)	2,745,763

* The relevant amount is less than RMB1,000.

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2023

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
OPERATING ACTIVITIES		
Loss before tax	(208,263)	(192,307)
Adjustments for:		
Finance costs	639	981
Bank interest income	(12,722)	(14,075)
Depreciation of property, plant and equipment	11,022	2,412
Depreciation of right-of-use assets	5,499	6,828
Amortisation of intangible assets	12,405	8,921
Impairment losses under ECL model, net of reversal	268	283
Share-based payments	82,509	115,819
Gain from changes in fair value of other financial assets	(1,155)	(256)
Net unrealized foreign exchange gains	(7,643)	(13,984)
Others	(63)	–
Operating cash flows before movements in working capital	(117,504)	(85,378)
Increase in inventories	(9,703)	(18,829)
Decrease (increase) in trade and other receivables	23,779	(6,058)
Increase in contract assets	(4,695)	(7,784)
(Decrease) increase in trade and other payables	(12,019)	67,055
Increase in contract liabilities	–	30,090
Decrease (increase) in other asset	2,491	(28,302)
Cash used in operations	(117,651)	(49,206)
Income tax refunded (paid)	32	(362)
NET CASH USED IN OPERATING ACTIVITIES	(117,619)	(49,568)

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2023

	NOTES	Six months ended June 30,	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
INVESTING ACTIVITIES			
Interest received from banks		14,882	15,000
Placement of pledged bank deposit		(800)	(2,600)
Release of pledged bank deposit		2,900	–
Placement of term deposits		(478,903)	–
Release of term deposits		118,398	660,000
Payment for rental deposits		(57)	(490)
Refund of rental deposits		210	–
Receipt of asset-related government grants		4,194	–
Payment for property, plant and equipment		(24,941)	(60,312)
Payment of intangible assets		(154,620)	(116,047)
Redemption of other financial assets		151,155	80,246
Placement of other financial assets		(150,000)	(79,990)
Loan to employees		(1,537)	–
Net cash inflow on acquisition of assets	19	4	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(519,115)	495,807
FINANCING ACTIVITIES			
Proceeds from exercise of share options granted		2,344	1,013
Proceeds from exercise of RSUs		2,248	–
Payment on purchase of shares via a trust		–	(10,725)
Payments of lease liabilities		(6,057)	(2,458)
Repayment of borrowings	19	(1,810)	–
Interest paid		(639)	(981)
NET CASH USED IN FINANCING ACTIVITIES		(3,914)	(13,151)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(640,648)	433,088
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD			
		1,170,049	1,125,221
Effects of exchange rate changes		7,643	13,984
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13	537,044	1,572,293

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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 the change in accounting policies resulting from the application of the amendments to International Financial Reporting Standards (“IFRSs”), 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 annual consolidated financial statements of Ocumension Therapeutics (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended December 31, 2022.

Application of amendments to IFRSs

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

IFRS 17 (including the June 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

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group’s financial position and performance for the current and prior periods and/or on disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Accounting policies

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;
- (ii) the Group also, as at January 1, 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognized the related deferred tax assets of RMB6,114,000 and deferred tax liabilities of RMB6,114,000 on a gross basis but offsetting upon presentation. It has no impact on the retained earnings at the earliest period presented.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue:

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Types of goods or service		
<i>At a point in time</i>		
Sales of ophthalmic products	84,216	28,219
Pharmaceutical products promotion services	18,185	8,608
Sales-based royalty income	1,035	17,708
Contract development and manufacturing ("CDMO") services	260	–
	103,696	54,535

Sales of ophthalmic products

For the sale of ophthalmic products, revenue is recognized when control of the goods has transferred, being when the goods have been delivered to the customer's specific location, i.e. when the products are delivered and titles have passed to customers upon receipt by customer. Following delivery, the customer has the primary responsibility when selling the goods and bears the risk of obsolescence and loss in relation to the goods. A receivable is recognized by the Group when the goods are delivered to customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The normal credit term is 30 to 90 days upon delivery. Under the Group's standard contract terms, customers can only return or request refund if the goods delivered do not meet required quality standards. Therefore, the probability of significant reversal in revenue in relation to sales return in the future is remote.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

Pharmaceutical products promotion services

For pharmaceutical products promotion services, the Group is an agent under the pharmaceutical products promotion services contracts as its performance obligation is mainly to arrange for sales and delivery of pharmaceutical products supplied by another parties. In this regard, the Group does not control the products provided by another parties before those goods sold and delivered to customers. Accordingly, revenue is recognized at a point in time when the Group satisfies its obligation to arrange for sales and/or delivery of pharmaceutical products pursuant to the service contracts. The normal credit term is 30 to 45 days. Payment for services is not due from the customers until the Group's customer has received settlements for its sales or accepted the compliance report for promotion activities, as appropriate, and therefore a contract asset is recognized at the point of time in which the services are performed. No further obligation is borne by the Group after the promotion services have been completed.

Sales-based royalty income

The Group grants its license right to a customer for product sales in exchange for sales-based royalty income. The income is based on the profit margin of each sale and is recognized at a point of time upon the customer completes its sales. Such income is settled by month with the normal credit period of 60 days.

CDMO services

The Group starts to earn revenues by providing CDMO services to its customer through fee-for-service ("FFS") contracts. Under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of samples and/or products, each with individual selling price specified within the contract. The Group identifies each deliverable unit as a separate performance obligation and recognizes FFS revenue of contractual elements at the point in time upon the units delivered.

Segment information

The Group's chief operating decision maker ("CODM"), being the executive directors of the Company, regularly reviews revenue by products; however, no other discrete information was provided. In addition, the CODM reviewed the consolidated results when making decisions about allocating resources and assessing performance as a whole. Hence, no further segment information other than entity wide information was presented.

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the CODM for review.

All revenue from external customers is attributed to the Group and all non-current assets of the Group are located in the People's Republic of China (the "PRC").

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Other income		
Bank interest income	12,722	14,075
Government grant income (Note)	1,098	851
Others	582	256
	14,402	15,182
Other gains and losses		
Net foreign exchange gains	2,553	11,748
Gain from changes in fair value of other financial assets	1,155	256
	3,708	12,004

Note:

Government grants include unconditional subsidies from the PRC government which are specifically for research and development activities, employment support and training, innovation and development support during the interim period.

5. INCOME TAX EXPENSE

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Withholding tax (note i)	–	362
Current tax – Hong Kong (note ii)	171	–
Over provision in prior years – the PRC	(32)	–
	139	362

Hong Kong profit Tax is calculated at 16.5% of the estimated profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Notes:

- (i) Amount represented withholding tax related to the sublicense income generated from Taiwan market;
- (ii) Amount represented current tax related to the sale-based royalty income generated in Hong Kong.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

6. LOSS FOR THE PERIOD

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Loss for the period has been arrived at after charging:		
Directors' emoluments	45,838	87,824
Other staff costs excluding directors' emoluments	124,767	105,871
Total staff costs	170,605	193,695
Depreciation of property, plant and equipment	11,022	2,412
Depreciation of right-of-use assets	5,499	6,828
Amortisation of intangible asset	12,405	8,921
Cost of inventory recognized as expenses	27,111	11,957
Lease payments in respect of short-term and low values assets	2,215	788

7. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended June 30, 2023 and 2022 respectively. The directors of the Company have determined that no dividend will be paid in respect of the six months ended June 30, 2023.

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended June 30,	
	2023 (unaudited)	2022 (unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purposes of basic and diluted loss per share (RMB'000)	(208,402)	(192,669)
Number of shares		
Weighted average number of ordinary shares of basic and diluted loss per share calculation	646,269,582	627,169,155

The computation of basic and diluted loss per share for the reporting period excluded the unvested restricted ordinary shares of the Company, the shares held by Coral Incentivization Limited for unexercised RSUs and the shares held by Computershare Hong Kong Trustees Limited for unvested share awards.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

8. LOSS PER SHARE (Continued)

The computation of diluted loss per share for the six months ended June 30, 2023 and 2022 did not assume the exercise of share options and RSUs, the vesting of share awards and the exercise of warrants since their assumed exercise or vesting would result in a decrease in loss per share.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group incurred RMB13,170,000 (six months ended June 30, 2022: RMB47,135,000) on construction costs for the production facility located in Suzhou and equipment and leasehold improvement of office after deducting RMB4,194,000 of government grants related to assets. There was no disposal or written off of property, plant and equipment.

During the current interim period, the Group entered into several new lease agreements with lease terms of 1 to 2 years. On lease commencement, the Group recognized right-of-use assets of RMB935,000 (six months ended June 30, 2022: RMB32,182,000) and lease liabilities of RMB954,000 (six months ended June 30, 2022: RMB31,760,000).

As at the end of the current interim period, the Group was committed to acquire property, plant and equipment for its operation of RMB35,897,000 (December 31, 2022: RMB49,036,000).

10. INTANGIBLE ASSETS

During the current interim period, the Group had addition of intangible assets of RMB120,846,000 (six months ended June 30, 2022: RMB101,461,000), which consists of capitalized development costs of RMB115,268,000 (six months ended June 30, 2022: RMB100,461,000), acquisition of computer software of RMB3,972,000 (six months ended June 30, 2022: RMB1,000,000) and acquisition of in-progress research and development from Ocuarmor MedTech ("Ocuarmor") of RMB1,606,000 as disclosed in note 19 (six months ended June 30, 2022: nil).

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

11. EQUITY INSTRUMENTS AT FVTOCI

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Listed equity securities in the United States of America ("US")	213,425	95,000

The above listed equity investments represent ordinary shares of listed equities in the US, EyePoint Pharmaceuticals, Inc. ("EyePoint") (NASDAQ: EYPT) and Alimera Sciences Inc. ("Alimera") (NASDAQ: ALIM). These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Included in listed equity investment above is the Group's investment in EyePoint and Alimera with a carrying amount of RMB189,267,000 and RMB24,158,000 as at June 30, 2023 respectively (December 31, 2022: RMB73,390,000 and RMB21,610,000 respectively).

For the six months ended June 30, 2023, the fair value gain on investment in equity instruments at FVTOCI were recognized in other comprehensive income amounted to approximately RMB118,425,000 (six months ended June 30, 2022: other comprehensive expense amounted to approximately RMB71,346,000), which consisted of the fair value gain on EyePoint of approximately RMB115,877,000 (six months ended June 30, 2022: loss of approximately RMB75,930,000) and fair value gain on Alimera of approximately RMB2,548,000 (six months ended June 30, 2022: gain of approximately RMB4,584,000).

Details of fair value measurement are set out in Note 18.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

12. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Trade receivables	55,930	59,851
Less: Allowance for credit loss	(925)	(676)
	55,005	59,175
Prepayments for		
– R&D expenses for projects (note a)	97,208	101,482
– acquisition of property, plant and equipment	11,353	11,462
– selling and marketing activities	3,406	2,551
– inventories	13,765	8,870
Value added tax recoverable	15,651	9,785
Utility and rental deposits	4,595	5,433
Interest receivable	2,966	5,126
Others (note b)	11,203	10,826
	160,147	155,535
	215,152	214,710
Analysis as:		
Current	87,554	106,238
Non-current (note c)	127,598	108,472
	215,152	214,710

Notes:

- a) The Company made prepayments for its R&D expenses for projects carried out by collaborators or contracted research organizations. Certain of the payments will be recognized as intangible assets in the future periods as the relevant pipelines have met the capitalization criteria in accordance with IAS 38 *Intangible Assets* as at the reporting period ended and classified as non-current assets.
- b) The amount mainly includes the receivable for government subsidy and loan to employees.
- c) The non-current portion mainly includes the prepayments for capitalized development costs, acquisition of property, plant and equipment, loan to employees and certain amount of value added tax recoverable expected to realize beyond twelve months at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

12. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows an average credit period of 30 to 90 days to its trade customers, and the credit terms of certain trade customers are based on the timing of their actual sales. The following is an analysis of trade receivables by age, presented based on the invoice date.

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
0 – 90 days	34,700	59,847
91 – 180 days	290	4
181 – 365 days	20,940	–
	55,930	59,851

13. BANK BALANCES AND CASH

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Cash at bank	467,008	904,261
Term deposits	572,839	410,186
	1,039,847	1,314,447
Analysed as:		
Cash and cash equivalents	537,044	1,170,049
Term deposit with original maturity date between three months to one year (note a)	478,903	118,398
Pledged bank deposits (note b)	23,900	26,000
	1,039,847	1,314,447

Notes:

- (a) The term deposits are under the Group's rights of early redemption at its principal before the maturity date. In the event of early withdrawal prior to maturity, a prevailing current account interest rate would be offered instead of the term deposits interest rate without any penalty.
- (b) Pledged bank deposits represented deposits pledged to a bank to secure the letter of credit granted to the Group and are classified as current assets.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

14. TRADE AND OTHER PAYABLES

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
Trade payables	14,813	21,703
Payables and accruals for		
– R&D expenses for projects (note a)	93,552	110,880
– construction payables (note b)	60,622	68,199
– selling and marketing expenses	11,446	13,969
– legal and professional fee	2,423	2,548
– others	3,996	2,984
Payroll payables	12,208	13,539
Other tax payables	1,420	1,546
	200,480	235,368

Notes:

- a) Amount included service fees payable to outsourced service providers including contract research organisations and clinical trial sites.
- b) The construction payables mainly relate to the construction for manufacture site in Suzhou, the PRC.

The average credit period on purchases of goods/services of the Group is within 30 days. Aging analysis of the Group's trade payables based on the invoice dates as at the end of the reporting period is as follows:

	At June 30, 2023 RMB'000 (unaudited)	At December 31, 2022 RMB'000 (audited)
0 – 30 days	7,967	18,581
31 – 60 days	4,442	2,200
61 – 90 days	1,936	922
91 – 180 days	302	–
181 – 365 days	166	–
	14,813	21,703

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

15. SHARE CAPITAL

	Number of shares	Share capital USD'000	
Ordinary shares			
Ordinary shares of US\$0.00001 each			
Authorised			
At December 31, 2022 and January 1, 2023 (audited) and June 30, 2023 (unaudited)	5,000,000,000	50	
	Number of Shares	Amount USD'000	Equivalent amount of ordinary shares RMB'000
Issued and fully paid			
At January 1, 2022 (audited)	666,743,175	7	46
Exercise of share options granted	1,048,845	—*	—*
Purchase of shares via a trust (note ii)	—	—	—
At June 30, 2022 and July 1, 2022 (unaudited)	667,792,020	7	46
Exercise of share option granted	6,284,775	—*	1
Issuance of treasury shares hold in a trust (note i)	14,660,000	—*	1
Purchase of shares via a trust (note ii)	—	—	—
At December 31, 2022 and January 1, 2023 (audited)	688,736,795	7	48
Exercise of share options granted	1,974,485	—*	—*
At June 30, 2023 (unaudited)	690,711,280	7	48

* The relevant amount is less than US\$1,000 or RMB1,000.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

15. SHARE CAPITAL (Continued)

Notes:

- (i) During the year ended December 31, 2022, the Company issued 14,660,000 shares on trust for the benefits of selected employees of the Company pursuant to the terms of the 2021 Share Award Scheme.
- (ii) The Company instructed Computershare to acquire its own shares through the Hong Kong Stock Exchange as follow. Those shares are held by Computershare for the purpose of satisfying part of the grant of share awards under the 2021 Share Award Scheme.

	No. of ordinary shares	Price per share		Aggregate consideration paid RMB'000
		Highest HK\$	Lowest HK\$	
January 2022	549,882	17.80	13.68	6,789
February 2022	150,000	11.22	11.24	1,363
September 2022	1,000	9.60	9.29	9
October 2022	332,043	8.58	11.82	2,841

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current period.

16. WARRANTS

On April 14, 2021, the Company entered into an agreement with Alimera for the issuance of 1,000,000 non-transferable warrants which would entitle Alimera to subscribe for up to 1,000,000 fully paid ordinary shares of the Company at the exercise price of HK\$23.88 per share. The warrants were issued in conjunction with the acquisition of a license right from Alimera.

The warrants were granted on April 14, 2021, and the issuance was subsequently completed on August 13, 2021 with the expiry date on August 12, 2025. Such warrant reserve is included in other reserves until they are being exercised. For further details of the warrants issue, please refer to the Company's announcements dated April 14, 2021 and August 13, 2021, respectively. There was no exercise of warrants during the six months ended June 30, 2023 and 2022.

17. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme of the Company

The Company's share option scheme (the "Option Scheme") was adopted pursuant to a resolution passed on May 23, 2018 for the primary purpose of providing incentives to directors and eligible employees who render services to the Group. Under the Option Scheme, the Company may grant options to eligible employees, including the directors of the Company, to subscribe for shares in the Company.

The directors of the Company approved up to 23,964,800 shares of the Company, in which options may be granted under the Option Scheme. On January 22, 2020, a resolution was passed by the board of directors of the Company to increase the capacity of the Option Scheme to at a maximum of 60,328,890 shares.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

17. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme of the Company (Continued)

The options granted to one director and certain employees of the Group in 2020 under the Option Scheme generally vest over 60-months with a cliff vesting of 20% on the first trading date after the expiry of one year after the commencement date of the director and staff employment and a vesting of 5 percent (5%) of each quarter for the following sixteen quarters and the vesting schedule shall be accelerated upon completion of IPO.

The following table discloses movements of the outstanding options granted under the Option Scheme during the period:

	Number of share option held by		Weighted average exercise price
	Directors of the Company	Employees	
At January 1, 2022 (audited)	21,960,960	9,181,227	
Exercised	–	(1,048,845)	US\$0.14
Forfeited	–	(101,130)	US\$0.19
At June 30, 2022 (unaudited)	21,960,960	8,031,252	US\$0.19
At January 1, 2023 (audited)	21,643,710	2,050,734	US\$0.19
Exercised	(218,000)	(1,756,485)	US\$0.17
Forfeited	–	(73)	US\$0.19
At June 30, 2023 (unaudited)	21,425,710	294,176	US\$0.19

In respect of share options exercised during current period, the weighted average share price at the date of exercise was HK\$8.26 (six months ended June 30, 2022: HK\$11.46).

As at June 30, 2023, total of 21,719,886 share options were outstanding (December 31, 2022: 23,694,444), with the weighted average exercise price of US\$0.19 (December 31, 2022: US\$0.19). Among them total of 21,183,112 share options were exercisable (December 31, 2022: 23,157,670), with the weighted average exercise price of US\$0.19 (December 31, 2022: US\$0.19).

The Group recognized the total expense of RMB nil in relation to the share option granted by the Company for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB1,609,000)

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

17. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) Restricted share unit scheme ("RSU Scheme") of the Company

On April 28, 2020, the Company adopted RSU Scheme, under which, at the maximum of 24,000,000 can be issued by the Company under the RSU Scheme. For all granted RSUs, 20% of the shares are to be vested on the first anniversary the vesting commencement date, and the remaining shares are to be vested with equal quarterly installments over the following sixteen quarters.

The following table discloses movements of the Company's RSUs held by grantees during the period:

	Number of RSU held by			Weighted average exercise price
	Directors of the Company	Employees	Consultant	
At January 1, 2022	12,666,895	5,855,429	–	US\$0.19
Forfeited	–	(232,415)	–	US\$0.19
At June 30, 2022	12,666,895	5,623,014	–	US\$0.19
At January 1, 2023	11,420,788	2,461,811	300,000	US\$0.19
Exercised	(135,369)	(706,268)	–	US\$0.19
Forfeited	–	(424,020)	–	US\$0.19
At June 30, 2023	11,285,419	1,331,523	300,000	US\$0.19

In respect of the RSUs exercised during the six months ended June 30 2023, the weighted average share price at the dates of exercise was HK\$7.98.

During the six months ended June 30 2023, 841,637 (six months ended June 30, 2022: nil) RSUs were exercised and settled by transferring treasury shares held in the trust to the directors and the employees. As at June 30 2023, total of 11,061,771 (December 31, 2022: 6,888,247) RSUs are vested but unexercised.

The Group recognized the total expense of RMB1,346,000 in relation to the RSUs granted by the Company for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB8,330,000).

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

17. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) 2021 share option scheme ("2021 Share Option Scheme") of the Company

On July 2, 2021, the board proposed the adoption of the 2021 Share Option Scheme for the purpose of providing incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group, and incentivizing them to remain with the Group. The maximum number of shares may be issued by the Company shall not exceed 10% of the total number of shares in issue at the date of adoption. The exercise period of the share options is ten years after the date of grant. The adoption of 2021 Share Option Scheme was approved by the shareholders on August 31, 2021.

For the share options granted to a director of the Company during the year ended December 31, 2021, 25% of the options shall vest on the first anniversary of the grant date, and 75% of the options shall vest in twelve equal instalments in the following three years. For the share options granted to a director of the Company during the year ended December 31, 2022, the share options shall vest as follows.

- (a) 25% shall vest immediately on the date of grant;
- (b) 25% shall vest on the first anniversary of the date of grant, conditional upon the achievement of certain performance targets relating to the overall performance of the Company as set out in the grant letter, including research and development and registration progress of drug candidates, marketing and sales of commercialized products, daily operation and management of the Group. Partial achievement of the performance targets will result in proportionate vesting at the board's discretion;
- (c) 25% shall vest on the second anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or the director, which shall be determined by the board in due course; and
- (d) 25% shall vest on the third anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or the director, which shall be determined by the board in due course.

For the share options granted to another director of the Company and employees, the share options shall vest as follows.

- (a) 10% shall vest on the first anniversary of the grant date;
- (b) 20% shall vest in four equal installments during the period from the first anniversary of the grant date to the second anniversary of the grant date;
- (c) 30% shall vest in four equal installments during the period from the second anniversary of the grant date to the third anniversary of the grant date; and
- (d) 40% shall vest in four equal installments during the period from the third anniversary of the grant date to the fourth anniversary of the grant date.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

17. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) 2021 share option scheme (“2021 Share Option Scheme”) of the Company (Continued)

The following table discloses movements of the outstanding options granted under the 2021 share Option Scheme during the period:

	Number of share option held by		Weighted average exercise price
	Directors of the Company	Employees	
At January 1, 2022	–	–	
Granted	8,818,000	5,232,561	HK\$24.23
Forfeited	–	(230,284)	HK\$19.07
At June 30, 2022	8,818,000	5,002,277	HK\$24.31
At January 1, 2023	11,115,000	15,450,450	HK\$18.07
Forfeited	–	(699,499)	HK\$13.79
At June 30, 2023	11,115,000	14,750,951	HK\$18.19

As at June 30, 2023, 5,545,469 share options are exercisable (December 31, 2022: 3,991,628).

The Group recognized the total expense of RMB24,871,000 for the six months ended June 30, 2023 in relation to share options granted by the Company (six months ended June 30, 2022: RMB29,394,000).

(d) 2021 share award scheme (“2021 Share Award Scheme”) of the Company

On July 2, 2021, the board resolved the adoption of the 2021 Share Awards Scheme to recognise the contributions of the eligible persons in order to incentivize them to remain with the Group, and to motivate them to strive for the future development and expansion of the Group. The 2021 Share Award Scheme is valid and effective for a period of ten (10) years. The maximum number of shares may be issued by the Company under the 2021 Share Award Scheme shall be 5% of the number of shares in issue from time to time during such period. Computershare was appointed by the Company as trustee for the administration of the 2021 Share Award Scheme. The trustee shall purchase the Company’s shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the participants in accordance to the rules of the 2021 Share Award Scheme. No shares (six months ended June 30, 2022: 699,882) have been purchased from the open market during the six months ended June 30, 2023.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

17. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(d) 2021 share award scheme (“2021 Share Award Scheme”) of the Company (Continued)

For the share awards granted to certain director of the Company during the year ended December 31, 2021, 25% of the share awards shall vest on the first anniversary of the grant date, and 75% of the share awards shall vest in twelve equal instalments in the following three years. For the share awards granted to a director of the Company during the year ended December 31, 2022, the share awards shall vest as follows.

- (a) 25% shall vest immediately on the date of grant;
- (b) 25% shall vest on the first anniversary of the date of grant, conditional upon the achievement of certain performance targets relating to the overall performance of the Company as set out in the grant letter, including research and development and registration progress of drug candidates, marketing and sales of commercialized products, daily operation and management of the Group;
- (c) 25% shall vest on the second anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or the director, which shall be determined by the board in due course; and
- (d) 25% shall vest on the third anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or a director, which shall be determined by the board in due course.

For the share awards granted to another director of the Company and employees, the share awards shall vest as follows.

- (a) 10% shall vest on the first anniversary of the grant date;
- (b) 20% shall vest in four equal installments during the period from the first anniversary of the grant date to the second anniversary of the grant date;
- (c) 30% shall vest in four equal installments during the period from the second anniversary of the grant date to the third anniversary of the grant date; and
- (d) 40% shall vest in four equal installments during the period from the third anniversary of the grant date to the fourth anniversary of the grant date.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

17. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(d) 2021 share award scheme (“2021 Share Award Scheme”) of the Company (Continued)

The following table discloses movements of the outstanding awards granted under the 2021 Share Award Scheme during the period:

	Number of share award held by	
	Directors of the Company	Employees
At January 1, 2022	13,152,000	5,232,561
Vested	–	–
Forfeited	–	(230,284)
At June 30, 2022	13,152,000	5,002,277
At January 1, 2023	12,443,375	14,730,072
Vested	(1,640,250)	(463,716)
Forfeited	–	(691,124)
At June 30, 2023	10,803,125	13,575,232

In respect of the awards vested during the six months ended June 30, 2023, the weighted average share price at the dates of vest was HK\$9.31.

Total of 2,103,966 share awards are vested as of June 30, 2023 (six months ended June 30, 2022: nil).

The Group recognized the total expense of RMB56,292,000 for the current period in relation to share awards granted by the Company for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB76,486,000).

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets			Fair value hierarchy	Valuation technique and key input
	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)		
Other financial assets	–	–	Level 3	Discounted cash flow which was estimated based on expected return, discounted at a rate that reflects the risk of underlying investments
Listed equity securities at FVTOCI	213,425	95,000	Level 1	Quoted bid prices in an active market

There were no transfers between level 1 and level 2 during the period.

The fair values of listed equity securities are determined with reference to quoted market bid prices from relevant stock exchange.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements

The following table presents the reconciliation of Level 3 measurements of other financial assets during the period:

	Other financial assets RMB'000
At January 1, 2022 (audited)	–
Purchase of other financial assets	79,990
Redemption of other financial assets	(80,246)
Net gain on other financial assets	256
At June 30, 2022 and July 1, 2022 (unaudited)	–
Purchase of other financial assets	100,000
Redemption of other financial assets	(100,997)
Net gain on other financial assets	997
At December 31, 2022 and January 1, 2023 (audited)	–
Purchase of other financial assets	150,000
Redemption of other financial assets	(151,155)
Net gain on other financial assets	1,155
At June 30, 2023 (unaudited)	–

The fair value gains or losses on financial assets are included in “other gains and losses”.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amount of the Group’s financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

19. ACQUISITION OF IN-PROGRESS RESEARCH AND DEVELOPMENT

On 16 June 2023, the Group acquired 100% interest in Ocuarmor from Chung Sau Yin, a related party of the Group, at a cash consideration of US\$1.

The acquisition has been accounted for as acquisition of assets as it does not operate any business prior to the date of acquisition.

Assets and liabilities recognized at the date of acquisition

	RMB'000
Intangible assets	1,606
Other receivables	200
Right-of-use assets	777
Cash and cash equivalents	4
Lease liabilities	(777)
Amount due to a subsidiary of the then shareholder (note)	(1,810)
<hr/>	
Net cash outflows arising on acquisition of Ocuarmor	
Consideration paid in cash	_*
Less: bank balances and cash acquired	4

Note: The amount due to a subsidiary of the then shareholder of RMB1,810,000 has been fully repaid in cash on June 26, 2023.

* The relevant amount is less than RMB1,000.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2023

20. RELATED PARTY TRANSACTIONS

Other than disclosed in Note 19, the Group has following transactions with related parties.

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the periods were as follows:

	Six months ended June 30,	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Short term benefits	6,170	4,323
Post-employment benefits	98	51
Discretionary bonus	1,763	2,145
Share-based payments	41,753	88,359
	49,784	94,878

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and market trends.

Definitions and Acronyms

“2021 Share Award Scheme”	the share award scheme adopted by the Company in accordance with the scheme rules thereof on July 2, 2021, the details of which are set out in the circular of the Company dated August 11, 2021
“2021 Share Option Scheme”	the share option scheme adopted by the Board in accordance with the rules thereof on July 2, 2021 and approved by the Shareholders on the extraordinary general meeting of the Company held on August 31, 2021, the details of which are set out in the circular of the Company dated August 11, 2021
“6 Dimensions Affiliates”	6 Dimensions Affiliates Fund, L.P., a limited partnership established under the laws of Cayman Islands on October 25, 2017 and one of our controlling shareholders
“6 Dimensions Capital”	6 Dimensions Capital, L.P., a limited partnership established under the laws of Cayman Islands on August 16, 2017 and one of our controlling shareholders
“Alimera”	Alimera Sciences, Inc., a biopharmaceutical company organized and existing under the laws of the State of Delaware of the United States, whose shares of common stock are traded on the NASDAQ (ticker symbol: ALIM)
“AMD”	age-related macular degeneration, a disease that causes damage to the macula and leads to progressive loss of central vision
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“CDE”	the Center for Drug Evaluation of NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA mainly responsible for review and approval of IND and NDA
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “the PRC”	the People’s Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to “China” and the “PRC” do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“chronic NIU-PS”	chronic non-infectious uveitis affecting the posterior segment of the eye
“Company”	Ocumension Therapeutics (歐康維視生物), a company incorporated under the laws of the Cayman Islands with limited liability on February 27, 2018, the shares of which were listed on the Main Board of the Stock Exchange on July 10, 2020

Definitions and Acronyms

“Core Product”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this interim report, our Core Product refers to OT-401 (YUTIQ)
“Director(s)”	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
“DME”	diabetic macular edema
“ESOP”	the employee stock option plan adopted by our Company on May 23, 2018, as amended from time to time, the details of which are set out in the Prospectus
“EyePoint”	EyePoint Pharmaceuticals, Inc., a company whose shares of common stock are listed on the NASDAQ (ticker symbol: EYPT) and a biopharmaceutical company committed to developing and commercializing innovative ophthalmic products for the treatment of eye diseases
“EVTOCI”	fair value through other comprehensive income
“Greater China”	the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Group” or “Ocumension”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huonland”	Beijing Huonland Pharmaceutical Co., Ltd. (北京匯恩蘭德製藥有限公司), a limited liability company established under the laws of the PRC on August 3, 2012 and one of our licensing partners. Huonland primarily engages in development, production and sales of ophthalmology products
“IFRS”	International Financial Reporting Standards
“IND”	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials. Also known as clinical trial application in China
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“MAH”	marketing authorization holder, who is allowed to market a drug product within a certain region or country
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Definitions and Acronyms

“NASDAQ”	The Nasdaq Stock Market LLC
“NDA”	new drug application, an application through which the drug sponsor formally proposes that the relevant regulatory authority approve a new drug for sales and marketing
“Nicox”	Nicox S.A., a corporation incorporated under the laws of France on February 15, 1996, one of our licensing partners whose shares are listed on the Euronext exchange (ticker symbol: COX)
“NMPA”	National Medical Products Administration (國家藥品監督管理局), formerly the China Food and Drug Administration (國家食品藥品監督管理局), or CFDA
“NO”	nitric oxide, colorless gas and is one of the principal oxides of nitrogen
“Nomination Committee”	the nomination committee of the Board
“pre-IND”	the stage before IND application
“Prospectus”	the prospectus issued by the Company dated June 29, 2020
“RMB”	Renminbi Yuan, the lawful currency of China
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the period of the six months ended June 30, 2023
“RSU(s)”	the restricted share unit(s)
“RSU Scheme”	the restricted share unit scheme adopted by the Company on April 28, 2020, the details of which are set out in the Prospectus
“R&D”	research and development
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of our Company of US\$0.00001 each
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Suzhou 6 Dimensions”	Suzhou 6 Dimensions Venture Capital Partnership L.P. (蘇州通和毓承投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 4, 2017 and one of our controlling shareholders

Definitions and Acronyms

“Suzhou Frontline II”	Suzhou Frontline BioVentures Venture Capital Fund II L.P. (蘇州通和二期創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on March 8, 2016 and one of our controlling shareholders
“Suzhou Xiaxiang”	Suzhou Xiaxiang Biomedicine Co., Ltd. (蘇州夏翔生物醫藥有限公司), a limited liability company established in the PRC on October 18, 2019
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Viatriis”	Viatriis Inc., a corporation incorporated and existing under the laws of the Delaware, the United States, whose shares of common stock are traded on the NASDAQ (ticker symbol: VTRS), with the business address at 1000 Mylan Boulevard, Canonsburg, PA 15317, and its affiliates, including, among others, Viatriis Pharmaceuticals Co., Ltd. (暉致醫藥有限公司), collectively, and where the context requires, either of Viatriis Inc. or its affiliate(s)
“wAMD”	wet age-related macular degeneration
“Written Guidelines”	the Guidelines for Securities Transactions by Directors adopted by the Company
“%”	Per cent

In this interim report, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.



OcuMension

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