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

Virtus et Lumen
勇 氣 和 光 明

2021 Annual Report
年 度 報 告

Contents

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)* *(re-designated as a non-executive Director on July 20, 2021)*
Dr. Wei LI *(re-designated as a non-executive Director on July 20, 2021)*
Mr. Yanling CAO
Mr. Lefei SUN *(resigned on March 19, 2021)*
Ms. Yumeng WANG *(appointed on March 19, 2021)*

Independent Non-executive Directors

Mr. Ting Yuk Anthony WU
Mr. Lianming HE
Mr. Yiran HUANG

AUDIT COMMITTEE

Mr. Ting Yuk Anthony WU *(Chairman)*
Mr. Lianming HE
Mr. Yiran HUANG

REMUNERATION COMMITTEE

Mr. Lianming HE *(Chairman)*
Mr. Ting Yuk Anthony WU
Mr. Yiran HUANG

NOMINATION COMMITTEE

Dr. Lian Yong CHEN *(Chairman)*
Mr. Lianming HE
Mr. Yiran HUANG

JOINT COMPANY SECRETARY

Ms. Yun JI
Ms. Pui Chun Hannah SUEN *(ACS, ACG)*

AUTHORIZED REPRESENTATIVES

Mr. Ye LIU
Ms. Pui Chun Hannah SUEN

REGISTERED OFFICE

The offices of Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1858 Yinzhongnan Road
Guoxiang Subdistrict
Wuzhong District
Suzhou
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

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
Wanchai
Hong Kong

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 Auditor
35/F One Pacific Place
88 Queensway Admiralty
Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

STOCK CODE

1477

COMPANY WEBSITE

www.ocumension.com

Chairman's Statement

Dear Shareholders,

Thank you for your attention and continuous support to Ocumension. 2021 marked the first full financial year for Ocumension as a public company and the third full financial year since its inception. Although the ongoing COVID-19 pandemic imposed great challenges to the whole industry, Ocumension managed to grow steadily against all the odds and became more prominent over time. I would like to take this opportunity to share the Company's annual results for the year of 2021 as well as its strategic plan for the future.

First, I would like to highlight again that Ocumension is an integrated ophthalmology platform company driven by innovation. In April 2021, we officially submitted a NDA to the NMPA for our first innovative core drug candidate OT-401. This is the first NDA in China submitted fully based on the clinical data generated from Real-World Study (RWS), and the application is expected to be officially approved in 2022.

In 2021, Ocumension advanced two additional innovative drug candidates to phase III clinical trials, OT-101 in July 2021 and OT-502 (Dexycu®) in September 2021, bringing the total number of drug candidates in phase III clinical trial stage to six. These significant achievements positioned Ocumension far ahead of any other ophthalmic companies in innovative product pipeline. Ocumension has emerged as a leader in China's Ophthalmology field. In particular, the phase III clinical trial of OT-101 is by far the only international multi-center clinical trial run by a China-based pharmaceutical company enrolling Chinese patients for the treatment of myopia in the world. OT-101 is also the first Chinese innovative drug that obtained the FDA's clinical approval under the initial Pediatric Study Plan (iPSP) for pediatric medication. Furthermore, 2021 also marked the success of the company's dual engine innovative drug R&D strategy through "in-licensing + in-house R&D". Ocumension's in-house class I innovative drug candidate OT-202 obtained CTA from the NMPA to initiate first-in-human (FIH) study in October 2021. From the perspective of the entire pharmaceutical industry, OT-202 is also the first new chemical entity (NCE) ophthalmic drug with innovative mechanism of action (MOA) entering clinical trial stage over the past 8 years in China.

In China, back-of-the-eye diseases, such as diabetic retinopathy, are affecting a growing number of patients every day. To provide more comprehensive treatment regimens for such patient population, the Company further obtained the rights of ILUVIEN® in APAC from Alimera (ticker symbol on NASDAQ: ALIM) in April 2021. To date, together with OT-701 and OT-702, Ocumension has built a portfolio of three products in macular degeneration, the largest sub-TA of ophthalmology, covering both the first- and second-line treatment therapeutics. Thus, the Company has built a broad pipeline in the treatment of back-of-the-eye diseases and become the one with the most comprehensive offerings in the treatment of back-of-the-eye diseases worldwide.

2021 marked the first year of Ocumension's transformation from a biotech company to a biopharma, in which the Company began to establish solid commercialization network, preparing itself for the near-term launch of its late clinical-stage rich pipeline of innovative products. In August 2021, the Company acquired rights relating to Emadine® and Betoptic® S in China from Novartis, established a brand-new independent sales team and began to generate its own revenue. In addition, 2021 was the first financial year during which Ocumension recorded full-year sales. Despite the implementation of centralized procurement of the Company's commercialized product in China and the COVID-19 pandemic outbreak in its core sales market, Ocumension generated revenue of gross hospital terminal sales of approximately RMB90 million (unaudited). Furthermore, the Company's commercialization network has started to take shape.

Despite various challenges caused by the COVID-19 pandemic, the Company's manufacture site in Suzhou was inaugurated on October 18, 2021 and already commenced pilot operation, which further assured the long-term development of the Company in the future. The technology transfer of Emadine® and Betoptic® S from Novartis also enabled the Company to operate with the standard of world-class good manufacturing practice (GMP) and quality control.

Looking forward to 2022, Ocumension will continue to accelerate its strategic blueprint from all aspects, strengthen its capability in in-house R&D and bring more drug candidates to late clinical or NDA stages that will lead to near-term commercialization. The Company will also further improve its manufacturing capacity to ensure smooth transition to large-scale production so as to satisfy the future needs of commercialization. We believe that Ocumension will gear up its effort in commercialization and grow its revenue to the next level. Ocumension is on a rapid path to become a fully integrated leader in the ophthalmic drug industry.

Just as written in the Company's slogan, "Virtus et Lumen", Ocumension will continue to overcome any difficulties and obstacles on its way of growth and development with courage, perseverance and enthusiasm, surpassing itself and striving for excellence, so as to bring hope to the patients and bring good returns to shareholders.

Thank you again!

Yours faithfully,
Dr. Lian Yong CHEN
Chairman and Non-executive Director

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years[1] is set out below:

	For the year ended December 31,			
	2021 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*	2018 *RMB'000*
Revenue	**56,146**	13,096	190	–
Cost of sales	**(19,211)**	(1,724)	(10)	–
Gross profit	**36,935**	11,372	180	–
Other income	**27,589**	19,271	3,877	25
Other expenses	**(160)**	(1,753)	–	–
Other gains and losses	**112,403**	(1,789,480)	(1,170,347)	(159,977)
Selling and marketing expenses	**(127,647)**	(50,729)	(2,479)	–
R&D expenses	**(169,055)**	(179,550)	(99,464)	(40,679)
Administrative expenses	**(126,159)**	(232,811)	(57,185)	(8,769)
Listing expenses	**–**	(41,127)	–	–
Share of results of an associate	**(13,331)**	–	–	–
Finance costs	**(567)**	(59)	(63)	(5)
Loss for the year attributable to:				
—Owners of the Company	**(259,992)**	(2,264,866)	(1,312,311)	(207,608)
—Non-controlling interests	**–**	–	(13,170)	(1,797)
	(259,992)	(2,264,866)	(1,325,481)	(209,405)
Other comprehensive expense:				
Item that will not be reclassified to profit or loss				
Fair value on investments in equity instruments at fair value through other comprehensive income	**(305)**	–	–	–
Total comprehensive expense for the year attributable to :				
—Owners of the Company	**(260,297)**	(2,264,866)	(1,312,311)	(207,608)
—Non-controlling interests	**–**	–	(13,170)	(1,797)
	(260,297)	(2,264,866)	(1,325,481)	(209,405)
Loss per share				
—Basic and diluted (RMB)	**(0.43)**	(7)	(32)	(12)
Loss for the year	**(259,992)**	(2,264,866)	(1,325,481)	(209,405)
Add:				
Loss on changes in fair value of financial liabilities at FVTPL	**–**	1,694,543	1,196,248	158,736
Gains related to transaction with EyePoint	**(100,621)**	–	–	–
Gains related to transaction with Alimera	**(14,534)**	–	–	–
Share-based payments	**188,116**	293,588	46,803	3,681
Non-IFRS measure:				
Adjusted net loss for the year [2]	**(187,031)**	(276,735)	(82,430)	(46,988)

Notes:

(1) The Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on July 10, 2020.

(2) The adjusted net loss for the year is defined as loss for the year adjusted by (a) adding back (i) loss on changes in fair value of financial liabilities at FVTPL; and (ii) share-based payments, and (b) deducting the one-time gain generated from the transactions with EyePoint and Alimera, respectively.

	As of December 31,			
	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**1,496,486**	496,158	27,704	1,626
Current assets	**1,834,567**	2,103,404	1,261,993	92,996
Non-current liabilities	**(7,026)**	(5,309)	(3,318,750)	(867,872)
Current liabilities	**(215,854)**	(91,925)	(39,435)	(4,054)
Net assets (liabilities)	**3,108,173**	2,502,328	(2,068,488)	(777,304)
Equity (deficits) attributable to the owners of the Company	**3,108,173**	2,502,328	(2,068,488)	(821,096)
Non-controlling interests	**–**	–	–	43,792
Total equity (deficits)	**3,108,173**	2,502,328	(2,068,488)	(777,304)

Management Discussion and Analysis

OVERVIEW

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 with clear first-mover advantage positions us well to achieve leadership in ophthalmology in China.

As of December 31, 2021, we had 20 drug assets in our portfolio, having established a comprehensive ophthalmic drug pipeline, among which six drug candidates had entered phase III clinical trial stage, covering all major front- and back-of-the-eye diseases. The following table summarizes our product portfolio and the status of each asset as of December 31, 2021:

Program	Mode of Action	Indication	Commercial Rights	Partner	Pre-IND	Phase I / II	Phase III	NDA / BLA
OT-401 (YUTIQ®)	Fluocinolone intravitreal implant	Chronic NIU-PS[1]	Greater China, Korea and 11 countries in Southeast Asia	EyePoint Pharmaceuticals		China		USA Approved (EyePoint)
OT-1004 (Emadine®)	Emedastine difumarate	Allergic conjunctivitis	China	Novartis				Commercialized
OT-305 (Betoptic® S)	Betaxolol hydrochloride	Glaucoma and ocular hypertension	China	Novartis				Commercialized
OT-204 (歐沁®)[2]	Sodium hyaluronate	Dry eye	China	汇恩兰德 Huonland				Commercialized
OT-303[3]	Brimonidine tartrate	Glaucoma and ocular hypertension	China	汇恩兰德 Huonland				Commercialized
OT-601	Moxifloxacin	Bacterial conjunctivitis	Global			China		
OT-101	Low-concentration atropine	Myopia	Global			Global		
OT-301 (NCX 470®)	NO-donating prostaglandin analog	Glaucoma and ocular hypertension	Greater China, Korea and 12 countries in Southeast Asia	nicox		Global		
OT-1001 (ZERVIATE®)	Cetirizine hydrochloride	Allergic conjunctivitis	Greater China and 11 countries in Southeast Asia	nicox		China		USA Approved (Nicox)
OT-702	Anti-VEGF	wAMD	China	Luye Pharma		China		
OT-502 (DEXYCU®)	Dexamethasone	Postoperative inflammation	Greater China, Korea and 11 countries in Southeast Asia	EyePoint Pharmaceuticals		China		USA Approved (EyePoint)
OT-202	Tyrosine kinase inhibitor	Dry eye	Global		China			
OT-503 (NCX 4251®)	Fluticasone propionate nanocrystals	Blepharitis	Greater China	nicox	China	5 Phase II USA completed (Nicox)		
OT-701	Anti-VEGF	wAMD	Greater China	Senju	China		Phase III Japan completed (Senju and GTS)	
OT-703 (ILUVIEN®)	Fluocinolone intravitreal implant	DME	Greater China, Korea and 11 countries in Southeast Asia	alimera	China		4	USA Approved (Alimera)
OT-601-C	Moxifloxacin-dexamethasone sodium phosphate	Postoperative inflammation	Global		China		4	
OT-302	Acetazolamide	Acute glaucoma	Global		China		4	
OT-1301	Cyclosporine implant	Cornea graft rejection	Global		China		4	
OT-1601	Stem cells	Retinitis pigmentosa and dry AMD	Greater China	SanBio	China		4	
OT-1602	Stem cells	Optic neuritis	Greater China	SanBio	China		4	

In-licensed/acquired   Internally developed

1. Non-infectious uveitis affecting the posterior segment of the eye.
2. We acquired Ou Qin from Huonland and are entitled to all drug registration certificates and data related to Ou Qin. We plan to register ourselves as the market authorization holder of Ou Qin.
3. 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.
4. May not require phase I and phase II clinical trials prior to beginning phase III clinical trials.
5. May not require phase I clinical trials prior to beginning phase II clinical trials.

BUSINESS REVIEW

Overall Financial Performance

During the Reporting Period, we achieved an operating revenue of RMB56.1 million, with a consolidated gross profit margin of approximately 65.8%. Our revenue was mainly generated from sales of Ou Qin® (sodium hyaluronate eye drop), brimonidine tartrate eye drop and Kangshu (康姝), franchised pilot sales of OT-401, and sales-based royalty income in relation to Emadine® and Betoptic® S. As of the end of the Reporting Period, the sales output of our frontline commercialization team was able to cover its promotion expenses. For the year ended December 31, 2021, our adjusted R&D spending (non-IFRS adjustment) were RMB454.7 million, increasing by 27.9% as compared to 2020. The increase was primarily because our number of pipeline products and R&D activities for our clinical trial and non-clinical trial stage drug candidates increased, with part of the R&D expenses capitalized as a result of the corresponding drug candidates entering phase III clinical trial stage during the Reporting Period. Our adjusted net loss for the Reporting Period amounted to RMB187.0 million (non-IFRS adjustment), decreasing by 32.4% as compared to 2020, primarily attributable to an increase in gross profit, mainly due to the increase in revenue generated from sales of ophthalmic products and sales-based royalty income, offset by the decrease in net foreign exchange losses, mainly due to effective implementation of our foreign currency risk management measures during the Reporting Period.

Research and Development Performance

During the Reporting Period, despite the COVID-19 pandemic continued to rage around the globe, to an extent having affected the overall progress of our R&D projects in domestic and international multi-center clinical trials, we still managed to achieve a number of key milestones for our R&D projects in clinical trials. Our six drug candidates, including OT-401 (fluocinolone intravitreal implant), OT-1001 (hydrochloride cetirizine eye drop), OT-702 (aflibercept biosimilar), OT-301 (NO prostaglandin analog), OT-101 (atropine sulfate eye drop) and OT-502 (dexamethasone implant) have entered phase III clinical trial stage, and OT-202 (tyrosine kinase inhibitor), a self-developed class I new drug for the treatment of dry eye, has entered clinical trial stage. As of the date of this annual report, Ocumension is one of the innovative pharmaceutical enterprises with the largest number of ophthalmic drugs in phase III clinical trials in China.

During the Reporting Period, the Company continued to make breakthroughs in exploring the acceleration in NDA registration through real-world study. The NMPA accepted the NDA of OT-401 in April 2021 and thus OT-401 became the first Chinese drug in history to file application for marketing entirely based on real-world data. In August 2021, OT-502 was approved by the CDE for carrying out real-world study in Boao Lecheng Pilot Zone, which brought hope to patients suffering from repeated inflammation after cataract surgery. In October 2021, the Company entered into a four-party strategic cooperation agreement in respect of OT-101 in Hainan Province, officially launching the first real-world study on low-concentration atropine in China. Real-world study is an essential component of the evidence chain for evaluating the effectiveness and safety of the new drugs in their application in actual clinical use, and will play an important role in accelerating NDA registration for the products in our pipeline and promoting the commercialization of such products in the future.

We have established a research institute in Suzhou, primarily focusing on preclinical research and chemistry, manufacturing and controls (CMC) work, which enables us to make breakthroughs in our in-house developed product pipelines. OT-101, an in-house developed key product, has completed the first patient enrollment for phase III clinical trials in the U.S., the United Kingdom and China. OT-202, the Company's first in-house developed class I novel targeted new drug for the treatment of dry eye, is a brand-new molecular substance independently developed by our Company. It achieves anti-inflammatory effects by inhibiting the activity of Syk kinase, a brand-new mechanism, and thus to treat dry eye. It is one of the few innovative drugs with brand-new targets in the field of ophthalmology in China. The first patient enrollment for the phase I clinical trial of OT-202 was completed.

Research and Development Milestones

OT-401 (Fluocinolone Intravitreal Implant)

In April 2021, the NDA of OT-401 was accepted by the NMPA. It is the first time that NMPA has accepted the NDA based on real-world study data. OT-401 is also the first sustained-release corticosteroid drug submitted for NDA in the PRC that has a controlled release rate for up to 36 months.

In July 2021, the enrollment of all 150 patients for the phase III clinical trial of OT-401 was completed and we expect to obtain the clinical study report (CSR) for phase III clinical trial in the near future.

In December 2021, the on-site clinical review of OT-401 for its NDA was conducted and completed.

We expect the NDA of OT-401 to be approved by NMPA in 2022, and OT-401 is expected to commence sales subsequently within the same year.

OT-101 (0.01% Atropine Sulfate Eye Drop)

In April 2021, OT-101 has completed the first patient enrollment for its phase III randomized, double-blind, placebo-controlled, parallel group, multi-center clinical trial on the safety and effectiveness of the treatment of pediatric myopia progression in the U.S.

In April 2021, OT-101 was approved by the FDA for commencing the Initial Pediatric Study Plan (iPSP), which represents the FDA's authoritative recognition for the drug candidate's safety profile.

In July 2021, OT-101 was approved by the CDE to conduct a phase III clinical trial on the safety and effectiveness of the treatment of myopia progression in children in China. The phase III clinical trial of OT-101 has become the world's first phase III international MRCT for low-concentration atropine and its analogs that includes the Chinese population. Such approval also lays a solid foundation for OT-101 to be registered in numerous countries in the world in the future and makes sufficient preparation for the future clinical trials.

In July 2021, OT-101 was approved by the Medicines and Healthcare Products Regulatory Agency (MHRA) of the United Kingdom to conduct a phase III clinical trial in the United Kingdom.

In October 2021, OT-101 was approved by the Central Committee on Research Involving Human Subjects (CCMO) of the Netherlands to conduct a phase III clinical trial in the Netherlands, which is the fourth country in which OT-101 was approved to conduct a phase III clinical trial.

In October 2021, we entered into a strategic cooperation agreement with Boao Lecheng Pilot Zone Administration, the Affiliated Eye Hospital of Wenzhou Medical University (溫州醫科大學附屬眼視光醫院) and Hainan Key Laboratory for Real-World Data Research and Evaluation of the NMPA, officially launching the real-world study on low-concentration atropine OT-101 in China.

In December 2021, OT-101 completed its first patient enrollment for phase III clinical trial in the United Kingdom.

In December 2021, OT-101 completed its first patient enrollment for phase III clinical trial in China.

We expect to continue carrying on the patient enrollments for MRCT and real-world study for OT-101 in 2022.

OT-1001 (0.24% Cetirizine Eye Drop)

In October 2021, OT-1001, a new drug for the treatment of allergic conjunctivitis, completed the enrollment of all patients for phase III clinical trial in China.

We expect to obtain the clinical study report (CSR) for phase III clinical trial in the near future.

OT-301 (NO-Donating Prostaglandin Analog)

In December 2021, OT-301 achieved enrollment of its first patient in China for the second phase III clinical trial, namely the Denali trial, at the Second Xiangya Hospital of Central South University (中南大學湘雅二醫院).

We expect to obtain top-line data for Mont Blanc trial and Denali trial of OT-301 in China in the first quarter of 2023 and by the end of 2023, respectively.

OT-702 (Aflibercept Biosimilar)

During the Reporting Period, the Company focused on the launch of phase III clinical trial centers and further drove the process for the recruitment of patients for the clinical trial of OT-702.

We expect to complete the enrollment of all patients for the phase III clinical trial of OT-702 in China by the end of 2022.

OT-502 (Dexamethasone Implant)

In July 2021, the application for initiating a phase III clinical trial of OT-502 in China was accepted by the CDE. Meanwhile, OT-502 was also approved by the Hainan Medical Products Administration, allowing it to be imported and used as foreign drugs not yet approved in China for urgent medical needs in Boao Super Hospital.

In July 2021, OT-502 completed the first patient injection at Boao Super Hospital. Professor Zhao Yune (趙雲娥), a deputy dean of the Affiliated Eye Hospital of Wenzhou Medical University (溫州醫科大學附屬眼視光醫院), injected OT-502 into a postoperative cataract patient in person. As of the end of 2021, more than 20 patients have enrolled in the real-world study for OT-502.

In August 2021, OT-502 was approved for carrying out real-world study in Boao Lecheng Pilot Zone.

In September 2021, OT-502 was approved by CDE to conduct a random, double-blind, placebo-control, parallel, multi-center phase III clinical trial for the efficacy and safety analysis on the treatment of postoperative inflammation of cataract.

We expect to complete the enrollment of all patients for clinical trial study and real-world study in China by the end of 2022.

OT-202 (Tyrosine Kinase Inhibitor)

In October 2021, OT-202, a class I new drug self-developed by us for the treatment of dry eye, was approved by the CDE to conduct clinical trial. OT-202 was our seventh new drug that has been approved for clinical trial and was also one of the few new molecular substance admitted to clinical trials in China. Syk is the target of OT-202, which achieves anti-inflammatory effects by inhibiting the activity of Syk kinase, which has shown significant therapeutic effects and anti-inflammatory effects in the guinea pigs' immune-type dry eye model and the mice's scopolamine dry eye model. The toxicology studies have also shown that it is well-tolerated in the body of animals.

In January 2022, the first patient for the clinical trial of OT-202 was enrolled at the Affiliated Eye Hospital of Wenzhou Medical University.

We expect to complete the phase I clinical trial of OT-202 in 2022.

OT-703 (ILUVIEN®, fluocinolone acetate intravitreal implant)

In April 2021, the Company and Alimera entered into an exclusive license agreement, a share purchase agreement and a warrant subscription agreement. In consideration of an upfront payment in the amount of US$10 million (equivalent to approximately HK$77.7 million), we obtained the exclusive licensed rights from Alimera in relation to the development and commercialization of ILUVIEN®, a drug used for the treatment of diabetic macular edema (DME), in Greater China, South Korea and 11 countries in Southeast Asia. ILUVIEN® is an injectable, non-biodegradable fluocinolone acetate intravitreal implant and is the only FDA-approved corticosteroid intraocular implant for the treatment of DME with a three-year sustained-release period.

We expect to conduct a phase III clinical trial and the real-world study for OT-703 in 2022.

WARNINGS UNDER RULE 18A.08(3) OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORE PRODUCT AND DRUG CANDIDATES SUCCESSFULLY.

Commercialized Products

During the Reporting Period, we have achieved the revenue of gross hospital terminal sales of approximately RMB90 million (unaudited) generated from our six commercialized products, representing an increase of 466.53% as compared to the year ended December 31, 2020. We continued to accelerate the penetration of our drugs in hospitals in the PRC ophthalmology market, achieving a coverage of 1,024 hospitals nationwide, 59 of which are Grade III hospitals. Ou Qin (sodium hyaluronate eye drop) is a preservative-free artificial tear with high viscosity. Leveraging its exceptional profile on comfort and safety, Ou Qin made its headway into the in-hospital market rapidly since its launch, demonstrating strong academic promotion capability of the Company, and laying a solid foundation for the commercialization of subsequent pipeline products. Kangshu (康姝) is an eye-cleaning cotton containing 0.02% chlorine-fixation glucose hydrochloride, which can thoroughly clean the skin around an eye and precisely remove mites without alcohol added as components. Since its launch on Tmall at the end of 2021, the sales volume has climbed to the fourth place in the best-selling list for eye pad products.

In August 2021, the Company entered into an asset purchase agreement with Novartis, a world-renowned pharmaceutical group, pursuant to which the Company acquired from Novartis, among others, all approvals, licenses, registrations, or authorizations necessary to market the pharmaceutical products commercialized under the brand names Emadine® (emedastine difumarate ophthalmic solution) and Betoptic® S (betaxolol hydrochloride eye drop) in the PRC for a total consideration of US$35 million, along with a technical transfer plan to transfer the manufacture of the two products to the Company. The introduction of advanced ophthalmic manufacture technology through this transaction further enhanced our Group's production level and capability. The acquisition also further enriched the gradient layout of our pipeline portfolio, brought promising prospects for the improvement in ophthalmic pharmaceutical preparation technology of our manufacture site in Suzhou, increased our revenue in sales and sale-based royalty income, and thus helped us to accelerate the expansion of admission channel to the public hospitals, in particular, Grade III hospitals.

Manufacturing Performance

Our Suzhou Xiaxiang manufacture site was inaugurated in October 2021 and has commenced the trial production. The construction of this modern ophthalmic production base, covering approximately 30,000 square meters, only took 496 days. The manufacture site has a total of four production workshops, and the maximum planned capacity is expected to reach 455 million doses per year.

Capital Market Performance

Since the Listing of our Company, we have always been aiming to achieve a better performance to bring investment return for the Shareholders and thus to have them grow with us.

On March 15, 2021, the Company was officially included in Hong Kong Stock Connect list under the Shenzhen-Hong Kong Stock Connect, and our investor base in China was thereby expanded. Furthermore, our Company is gaining more attention from mainland China investors, and the shareholding ratio held by our investors through Hong Kong Stock Connect increases continuously.

On May 28, 2021, the Company was officially selected as a constituent stock of the MSCI China Small Cap Index (MSCI 中國小型股指數), which is a recognition towards our performance and value from the capital market.

Impact of Covid-19

Although the impact of COVID-19 on our business in China was weakening in 2021, there is still uncertainty about its future impact on China and the world. The pandemic of COVID-19 may have potential impacts on our business, including but not limited to the sales of our products, hiring of staff, the involvement of our staff and patients in clinical trials, obtaining approvals from regulatory authorities and the procurement of raw materials. We will continue to closely monitor the trend of the spread of the COVID-19 and make all necessary preparations in advance.

FUTURE DEVELOPMENT AND OUTLOOK

Currently, the entire pharmaceutical market in China is undergoing major changes unprecedented in the past 30 years. On one hand, people's growing demand for health and life quality created market opportunities; on the other, changes of policies in market access also brought challenges for the enterprises in the pharmaceutical industry.

Ophthalmology, as a non-fatal disease area, presents the characteristics of having multiple subfields and relatively fragmented markets, while the product characteristics span a larger range, which makes the overall strategy and operation of ophthalmic pharmaceutical companies significantly different from those of the enterprises in other fields.

Ocumension, as a leading enterprise in terms of innovative ophthalmic drugs, has established a highly comprehensive pipeline, from patient-directed treatment for common dry eye and myopia to specialized treatment for uveitis and macular degeneration, to fit the fragmented nature of the entire ophthalmic market. Going forward, our Company will continue to expand and develop its pipeline to become a genuine solution provider in the ophthalmology field, with the aim of providing help to patients with any kind of eye disease.

Due to the complexity and delicacy of the eye structure, ophthalmic drugs have very high standards and requirements for the technology and quality of preparations, which makes it essential for a leading ophthalmic enterprise to establish its manufacture base with high quality and high operational efficiency. In 2021, Ocumension's Suzhou Xiaxiang manufacture site was inaugurated. In the year of 2022, the new site will benchmark against the national advanced level and establish a comprehensive quality management system in line with international standards by taking advantage of the opportunity of the transfer of production of Emadine® and Betoptic® S, so as to enable our Company to provide best-in-class drug products to the patients, relieving their pain and suffering.

The survival and development of a company is inseparable from its income, which is not only a basic requirement for being an enterprise, but also an embodiment of its social recognition. Since the first day of establishment, Ocumension has been paying attention to its commercialization development, and preliminarily established an entire industry chain commercialization system with nationwide coverage in 2021. In 2022, our Company will continue to strengthen its capability in product promotion to maximize the efficiency of the entire commercialization team, so that the Company's sales scale can achieve a significant increase and reach a new level.

The year of 2021 was a tough year, not only bringing great challenges to our Company, but also toughening and empowering us from a different perspective. Looking forward to the year of 2022, we expect that with the melting of cold ice and snow, flowers will come into full bloom in this balmy spring.

FINANCIAL REVIEW

Overview

We recorded adjusted net loss of RMB187.0 million (non-IFRS adjustment) for the year ended December 31, 2021, representing a decrease of RMB89.7 million from RMB276.7 million for the year ended December 31, 2020, primarily attributable to an increase in gross profit, mainly due to the increase in revenue generated from sales of ophthalmic products and sales-based royalty income, offset by the decrease in net foreign exchange losses, mainly due to effective implementation of our foreign currency risk management measures during the Reporting Period.

The adjusted net loss for the Reporting Period is defined as loss for the year adjusted by (a) adding back (i) loss on changes in fair value of financial liabilities at FVTPL, which was nil for the year of 2021 (2020: RMB1.7 million); and (ii) share-based payments of RMB188.1 million (2020: RMB293.6 million), and (b) deducting the one-time gain of RMB100.6 million and RMB14.5 million generated from the transactions with EyePoint and Alimera, respectively.

For the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**56,146**	13,096
Cost of sales	**(19,211)**	(1,724)
Gross profit	**36,935**	11,372
Other income	**27,589**	19,271
Other expenses	**(160)**	(1,753)
Other gains and losses	**112,403**	(1,789,480)
Selling and marketing expenses	**(127,647)**	(50,729)
R&D expenses	**(169,055)**	(179,550)
Administrative expenses	**(126,159)**	(232,811)
Listing expenses	**–**	(41,127)
Share of results of an associate	**(13,331)**	–
Finance costs	**(567)**	(59)
Loss for the year	**(259,992)**	(2,264,866)
Non-IFRS measure:		
Adjusted net loss for the year	**(187,031)**	(276,735)

Revenue

The revenue of our Group increased from RMB13.1 million for the year ended December 31, 2020 to RMB56.1 million for the year ended December 31, 2021. The increase was mainly attributed to (i) the significant increase in sales volume of ophthalmic products, namely Ou Qin®, brimonidine tartrate eye drop, OT-401 and Kangshu (康姝), resulting from the smooth progression in our marketing and promotion of these products in hospitals; and (ii) the increase in sales-based royalty income in relation to Emadine® and Betoptic® S.

The revenue generated from sales of ophthalmic pharmaceutical products increased by 379.8% from RMB9.1 million for the year ended December 31, 2020 to RMB43.6 million for the year ended December 31, 2021. The revenue generated from pharmaceutical products promotion services totaled RMB1.3 million for the year ended December 31, 2021 (2020: RMB4.0 million). The revenue generated from sales-based royalty income in relation to licensing ophthalmic pharmaceutical products to a third party reached RMB11.2 million for the year ended December 31, 2021 (2020: nil).

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Sales of ophthalmic products	**43,627**	9,093
Pharmaceutical products promotion services	**1,324**	4,003
Sales-based royalty income	**11,195**	–
Total Revenue	**56,146**	13,096

Cost of Sales

Our cost of sales consists of the purchase price of goods. Cost of sales of our Group increased from RMB1.7 million for the year ended December 31, 2020 to RMB19.2 million for the year ended December 31, 2021. The increase was mainly attributed to the increased cost in relation to our sales of Ou Qin®, OT-401 and Kangshu (康姝) and amortization of license rights.

Gross Profit

The gross profit of our Group increased by 224.8% from RMB11.4 million for the year ended December 31, 2020 to RMB36.9 million for the year ended December 31, 2021. The increase in the gross profit was mainly in line with the growth in revenue.

Other Income

Our other income consists of bank interest income arising from our bank deposit primarily. Other income of our Group increased from RMB19.3 million for the year ended December 31, 2020 to approximately RMB27.6 million for the year ended December 31, 2021. The increase was primarily due to the increase in the amount of our bank deposit derived from funds raised from our top-up placing of Shares in January 2021, partially offset by the decrease in government grant income. For further details of the funds raised from the top-up placing, please also refer to the section headed "Report of Directors – Use of Proceeds from Listing and Placing" in this annual report.

Other Gains and Losses

For the year ended December 31, 2021, our other gains and losses primarily consist of (i) the gain of RMB10.6 million from changes in fair value of other financial assets; (ii) a one-time gain of RMB100.6 million in relation to the transaction with EyePoint; (iii) a one-time gain of RMB14.5 million in relation to the transactions with Alimera; (iv) the fair value loss of financial liabilities at FVTPL of nil, as compared with the one-time fair value loss of RMB1,694.5 million for the year ended December 31, 2020 due to conversion of all of our preferred Shares upon Listing; and (v) net foreign exchange loss of RMB13.4 million, as compared with net foreign exchange loss of RMB102.6 million for the year ended December 31, 2020, which is primarily due to effective implementation of our foreign currency risk management measures during the Reporting Period.

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 year ended December 31, 2021, our selling and marketing expenses were RMB127.6 million, representing an increase of RMB76.9 million from RMB50.7 million for the year ended December 31, 2020, primarily attributable to (i) the expansion of our commercialization team; (ii) the grant of options under the 2021 Share Option Scheme and the grant of awards under the 2021 Share Award Scheme to our staff in commercialization team; and (iii) the increasing marketing and promotion activities for our products.

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Salaries and benefits	**62,262**	19,480
Share-based payments	**43,128**	16,378
Marketing and promotion	**13,377**	8,418
Others	**8,880**	6,453
Total selling and marketing expenses	**127,647**	50,729

R&D Expenses and Adjusted R&D Spending

For the year ended December 31, 2021, our adjusted R&D spending were RMB454.7 million, increasing by 27.9% from RMB355.4 million for the year ended December 31, 2020. The increase was primarily because our number of pipeline products and R&D activities for our clinical trial and non-clinical trial stage drug candidates increased, with part of the R&D expenses capitalized as a result of the corresponding drug candidates entering phase III clinical trial stage during the Reporting Period. We capitalized certain R&D spending as the relevant drug candidates have met the capitalization criteria in accordance with relevant accounting standards for the Reporting Period, further details of which are set out in the subsection headed "Non-IFRS Measure" below in this section.

The following table sets forth the components of our R&D expenses and adjusted R&D spending for the years indicated:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Third-party contracting costs and upfront and milestone payments	**54,458**	65,832
Staff costs	**104,999**	107,676
Depreciation and amortization	**1,999**	989
Others	**7,599**	5,053
Total R&D expenses	**169,055**	179,550
Add:		
Capitalized R&D spending	**285,672**	175,876
Adjusted R&D spending for the year	**454,727**	355,426

Administrative Expenses

Our administrative expenses primarily consist of (i) salaries and other expenses such as benefits, travel and share-based payments; and (ii) professional service fee.

For the year ended December 31, 2021, we recorded administrative expenses of RMB126.2 million, representing a decrease from RMB232.8 million for the year ended December 31, 2020, which is primarily attributable to a decrease in staff costs due to (i) the share-based payments under the 2021 Share Option Scheme and 2021 Share Award Scheme we adopted during the Reporting Period is significantly less than that of the RSU Scheme we adopted for the year ended December 31, 2020; and (ii) human resources optimization.

Income Tax Expenses

Our income tax expense for the year ended December 31, 2021 was nil (2020: nil).

Loss for the Year

As a result of the above factors, for the year ended December 31, 2021, our loss was RMB260.0 million, representing a decrease of RMB2,004.9 million from RMB2,264.9 million for year ended December 31, 2020, mainly due to (i) the fair value loss of financial liabilities at FVTPL of nil, as compared with the one-time fair value loss of RMB1,694.5 million for the year ended December 31, 2020 attributable to the conversion of all of our preferred Shares upon Listing; and (ii) a decrease in share-based payments of RMB105.5 million as the share-based payments under the 2021 Share Option Scheme and 2021 Share Award Scheme we adopted during the Reporting Period is significantly less than that of the RSU Scheme we adopted for the year ended December 31, 2020.

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use non-IFRS measures to present our operating performance, which include (i) adjusted net loss; and (ii) adjusted R&D spending for the year.

Adjusted net loss for the year, 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 year to year by eliminating impacts of such non-cash items (and, for fair value loss of financial liabilities at FVTPL, also an item that pertains to financial instruments that will cease upon Listing) that our management considers to be not indicative of our operating performance, and provides useful information to Shareholders and investors in evaluating our operating results in the same manner of our management. However, our presentation of the adjusted net loss for the year 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 year as loss for the year adjusted by (a) adding back (i) loss on changes in fair value of financial liabilities at FVTPL; and (ii) share-based payments, and (b) deducting the one-time gain generated from the transactions with EyePoint and Alimera, respectively. The following table reconciles our non-IFRS adjusted net loss for the year with our loss for the year, which is the most directly comparable financial measure calculated with IFRS financial results:

	For the year ended December 31,	
	2021 ***RMB'000***	2020 *RMB'000*
Loss for the year	**(259,992)**	(2,264,866)
Add:		
Loss on changes in fair value of financial liabilities at FVTPL	**–**	1,694,543
Gains related to transaction with EyePoint	**(100,621)**	–
Gains related to transaction with Alimera	**(14,534)**	–
Share-based payments	**188,116**	293,588
Non-IFRS adjusted net loss for the year	**(187,031)**	(276,735)

Adjusted R&D spending for the year, as an additional financial measure, is not required by, or presented in accordance with, IFRS. Our adjusted R&D spending for the year ended December 31, 2021 was RMB454.7 million, which consists of (i) R&D expenses of RMB169.1 million incurred as an expense on the consolidated statement of profit or loss, representing a decrease of 5.8% from RMB179.6 million for the year ended December 31, 2020 primarily because R&D expenses incurred for the drug candidates that entered phase III clinical trial stage were capitalized; and (ii) our capitalized R&D spending of RMB285.7 million as a result of the relevant drug candidates having met the capitalization criteria in accordance with relevant accounting standards for the year. The following table reconciles our non-IFRS adjusted R&D spending for the year, which is the most directly comparable financial measure regarding our actual spending on R&D for the Reporting Period:

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Total R&D expenses for the year	**169,055**	179,550
Add:		
Capitalized R&D spending	**285,672**	175,876
Adjusted R&D spending for the year	**454,727**	355,426

Selected Data from Consolidated Statement of Financial Position

	As of December 31,	
	2021	2020
	RMB'000	*RMB'000*
Total current assets	**1,834,567**	2,103,404
Total non-current assets	**1,496,486**	496,158
Total assets	**3,331,053**	2,599,562
Total current liabilities	**215,854**	91,925
Total non-current liabilities	**7,026**	5,309
Total liabilities	**222,880**	97,234
Net assets	**3,108,173**	2,502,328

Trade Receivables

We allow an average credit period of 30 to 90 days to its trade customers.

A majority of the trade receivables aged less than 90 days.

Trade Payables

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

Working Capital and Source of Capital

Our primary uses of cash related to (i) upfront and milestone payments and fees incurred under the Novartis transaction and other in-licensing projects; (ii) R&D expenses in relation to the clinical trials for our drugs and/or drug candidates; (iii) spending with respect to the development of new manufacturing facilities and equipment of Suzhou Xiaxiang manufacture site, and (iv) expenses and costs for our daily operation and commercial promotion activities. We primarily funded our working capital needs through equity financing and also cash generated from (i) the sales of Ou Qin®, brimonidine tartrate eye drop, OT-401 and Kangshu (康姝) and (ii) the sales-based royalty income in relation to Emadine® and 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 December 31, 2021, our cash and cash equivalents amounted to RMB1,125.2 million (December 31, 2020: RMB2,034.3 million). The decrease in our cash and cash equivalents is primarily attributable to our primary uses of cash in the aspects stated above and placement of term deposits, partially offset by the funds raised from our top-up placing of Shares in January 2021. Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

Borrowings

As of December 31, 2021, we did not have any borrowings (December 31, 2020: nil).

Capital Commitment

As of December 31, 2021, we have capital commitment of RMB27.9 million for the contracts in relation to the acquisition of property, plant and equipment (December 31, 2020: RMB197.5 million).

Contingent Liabilities

As of December 31, 2021, we did not have any contingent liabilities, guarantees or any litigation against it (December 31, 2020: nil).

Pledge of Assets

As of December 31, 2021, we pledged RMB20.0 million deposits to a bank to secure the letter of credit granted to our Group (December 31, 2020: RMB17.5 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 December 31, 2021, we were in a net cash position and thus, gearing ratio is not applicable.

Material Investments, Acquisitions and Disposals

On December 31, 2020, the Company and EyePoint entered into a share purchase agreement, pursuant to which the Company 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). EyePoint principally focuses on developing and commercializing innovative ophthalmic products for the treatment of serious eye diseases. Upon completion of such investment on January 1, 2021, the Company 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 diluted from 16.6% to 10.5%.

The Board was of the view that such investment will expand the Group's capabilities of capturing future licensing opportunities on EyePoint's innovative pipeline and strengthen the Group's position to solidify leadership in China ophthalmology with a first-mover advantage over future competitors. For further details of the investment, please refer to the Company's announcement dated January 4, 2021.

As of December 31, 2021, the carrying amount of EyePoint as equity instruments at FVTOCI of the Group was approximately RMB235.0 million (December 31, 2020: nil). Accordingly, the fair value of such investment compared to the Group's total assets as of December 31, 2021 was approximately 7.1%. For the details as to the losses during the Reporting Period in relation to our investment in EyePoint, please refer to Note 17 in "Notes to the consolidated financial statements for the year ended December 31, 2021" in this annual report. For the year ended December 31, 2021, no dividend related to such investment was received.

Saved as disclosed above, the Company did not have any other material investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2021. The Company did not have any future plans for material investments or capital assets as of December 31, 2021.

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 to hedge significant foreign currency exposure thus to prevent significant net foreign exchanges losses in the future.

Employees and Remuneration

As of December 31, 2021, we had a total of 244 employees (December 31, 2020: 136). For the year ended December 31, 2021, the total remuneration cost incurred, including the share-based payments, was RMB298.4 million (2020: RMB359.6 million). The following table sets forth a breakdown of our employees by function as of December 31, 2021:

Function	Number	Percentage of total employees
Commercial	101	41.4%
R&D	49	20.1%
Manufacturing	69	28.3%
Management and administrative	25	10.2%
Total	244	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.

The Company has also adopted the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme to provide incentives for the Group's employees. Further details in respect of the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme are set out in the section headed "Report of Directors" on pages 46 to 68 of this annual report.

DIRECTORS

Executive Directors

- **Mr. Ye LIU,** aged 50, joined our Group as CEO on August 1, 2018. He has been our executive Director since November 23, 2018. Mr. Liu is responsible for overall strategic planning, business direction and daily management of the Company.

  Mr. Liu has over 21 years of experience in the pharmaceutical industry. Prior to joining our Group, he served as the chairman and general manager in Santen Pharmaceutical (China) Co., Ltd. (參天製藥（中國）有限公司) from October 2014 to July 2018. From February 2009 to September 2014, Mr. Liu served as the head of pharmaceutical affair division and later became the general manager of Eisai (China) Inc. (衛材（中國）藥業有限公司), responsible for the management of pharmaceutical affairs and development, and the overall corporate operation, respectively. Mr. Liu has been serving as a director of EyePoint since January 2021.

  Mr. Liu obtained his Master of Science in pharmacology from Dalhousie University in Canada in August 2003. He graduated with a Bachelor of Science in pharmaceutical chemistry from Shanghai Medical University (上海醫科大學) in Shanghai, China in July 1993.

- **Dr. Zhaopeng HU,** aged 49, joined our Group in September 3, 2018 as the vice president of registration affairs. He has been our executive Director since April 24, 2020, and our chief development officer since June 1, 2020. Dr. Hu is primarily responsible for participating in strategic planning and management of CMC and registration affairs.

  Dr. Hu has around 21 years of experience in pharmaceutical industry. From July 2006 to August 2018, he held positions including plant technique and registration group manager, registration and pharmaceutical department director, clinical development department director and internal audit department director in Santen Pharmaceutical (China) Co., Ltd., mainly responsible for clinical development compliance and other drug-related regulations and compliance.

  Dr. Hu obtained his doctorate degree in pharmacokinetics in March 2002 and his master's degree in pharmaceutics in March 1999 from Kyoto Pharmaceutical University in Japan. He obtained his bachelor's degree in pharmacy in Shenyang Pharmaceutical University (瀋陽藥科大學) in China in July 1996.

Non-executive Directors

- **Dr. Lian Yong CHEN,** aged 59, has been the Chairman of the Board and a Director since May 23, 2018. He was appointed as a non-executive Director on May 23, 2018, re-designated as an executive Director on April 28, 2020 and re-designated as a non-executive Director on July 20, 2021.

  Dr. Chen has over 25 years of experience in the life sciences industry. He is currently the founding managing partner and CEO of 6 Dimensions Capital. He has been the founder and managing partner at Frontline BioVentures since 2012.

  Dr. Chen has been a director of 111, Inc. (111集團), a company whose shares are listed on NASDAQ (ticker symbol: YI), since May 2019. From January 2015 to March 16, 2022, he served as a non-executive director of Hua Medicine (華領醫藥), a company whose shares are listed on the Stock Exchange (stock code: 2552). From October 29, 2018 to July 9, 2021, he served as a non-executive director at CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616). From December 2014 to May 24, 2021, he served as a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 603718). From May 2008 to March 2014, Dr. Chen served as a partner at FIL Capital Management (Hong Kong) Limited in Asia.

  Dr. Chen conducted postdoctoral research in chemistry at the Massachusetts Institute of Technology in the United States from August 1991 to December 1992 after obtaining his Ph.D. in chemistry (with top honor) from the University of Louvain, located in Louvain-la-Neuve, Belgium, in June 1991. He graduated from Peking University (北京大學) majoring in chemistry in Beijing, China in July 1984.

- **Dr. Wei LI,** aged 50, has been a Director since April 13, 2018. He was appointed as a non-executive Director on April 13, 2018, re-designated as an executive Director on April 28, 2020 and re-designated as a non-executive Director on July 20, 2021.

  Dr. Li has over 21 years of experience in the biotech industry. He is a founding partner of Creacion Ventures L.P. He has served as the managing partner of 6 Dimensions Capital since October 2017 and is a founding partner and the managing partner at WuXi Healthcare Ventures since July 2015. He has also been a non-executive director of CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616) since October 2018.

  Dr. Li received a Ph.D. in chemistry from Harvard University in the United States in November 1998, and an MBA from the J. L. Kellogg School of Management at Northwestern University in the United States in June 2003. He graduated with a Bachelor of Science in chemical physics from the University of Science and Technology of China (中國科學技術大學) in Anhui, China in July 1993.

- **Mr. Yanling CAO,** aged 38, has been a non-executive Director since June 18, 2019.

  Mr. Cao has over 12 years of experience in private equity investment and management. He served as a senior investment manager of General Atlantic LLC, a company primarily engaged in private equity and venture capital investment, and was responsible for development, execution and management of equity investment from December 2007 to January 2011. He is one of the founding members of Boyu Capital Group Management Ltd. since March 2011 and is currently serving as a partner, mainly responsible for investments in the healthcare industry. Mr. Cao served as a non-executive director of CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616), from April 2016 to March 2017 and has been a non-executive director since May 2019. From October 2016 to March 2021, Mr. Cao served as a non-executive director of Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 6078). From April 2019 to March 2021, he served as a director of Gan & Lee Pharmaceuticals Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 603087). He served as a non-executive director of Antengene Corporation Limited (德琪醫藥有限公司), a company whose shares are listed on the Stock Exchange (stock code: 6996) from February 2019 to December 2021. From May 2020 to December 2021, he also served as an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd, a company whose shares are listed on the Stock Exchange (stock code: 2126). He has been a non-executive director of Wuxi Biologics (Cayman) Inc. (藥明生物技術有限公司), a company whose shares are listed on the Stock Exchange (stock code: 2269), since May 2016, and a non-executive director of Viela Bio, Inc., a company whose shares are listed on NASDAQ (ticker symbol: VIE) since February 2018.

  Mr. Cao obtained a bachelor's degree in economics and mathematics from Middlebury College in the United States in May 2006.

- **Mr. Lefei SUN,** aged 43, has been a non-executive Director from April 24, 2020 to March 19, 2021. Mr. Sun resigned as a non-executive Director due to his desire to devote more time to other business commitments.

  Mr. Sun has been a non-executive director of Hong Kong Asia Medical Holding Limited (香港亞洲醫療股份有限公司), a leading hospital management group in Asia with hospital assets such as Wuhan Asia Heart Hospital (武漢亞洲心臟病醫院), since November 2018. He is also a non-executive director of various biotech companies such as Adagene Inc. and CANbridge Pharmaceuticals Inc.

  Mr. Sun has served as head of China healthcare at the General Atlantic private equity group since May 2018, and has been a managing director from January 2020, in charge of private equity investment and portfolio management in healthcare and life sciences sectors in China. From December 2014 to April 2018, Mr. Sun was a founding partner and a member of investment committee of Beijing HuaTai Ruihe Investment Fund Management Company (LLP) (北京華泰瑞合投資基金管理合夥企業（有限合夥）), also known as Huatai Healthcare Investment Fund (華泰醫療產業投資基金).

  Mr. Sun obtained his master's degree in neurosciences from Johns Hopkins University School of Medicine in the United States in May 2006, and his bachelor's degree in basic sciences from Tsinghua University (清華大學) in Beijing, China in July 2002.

- **Ms. Yumeng WANG**, aged 31, has been a non-executive Director since March 19, 2021.

  Ms. Wang serves as a vice president at General Atlantic Service Company, L.P., where she is primarily responsible for investments in healthcare and life sciences sectors. Prior to joining General Atlantic Service Company, L.P., Ms. Wang served as an equity research analyst at The Hongkong and Shanghai Banking Corporation mainly focus on the healthcare sector.

  Ms. Wang received her bachelor's degree in business administration from The Hong Kong University of Science and Technology in June 2013.

Independent Non-executive Directors

- **Mr. Ting Yuk Anthony WU,** aged 67, has been an independent non-executive Director of the Company since June 23, 2020.

  Mr. Wu is a leader in the healthcare industry and has extensive management experience in medical system. He is the longest-serving chairman of the Hospital Authority. He had led the team of the Hospital Authority to manage all public hospitals and public clinics in Hong Kong and implement the public health policy of the Hong Kong Government. Mr. Wu had also actively promoted a number of public and private medical co-operation projects during his tenure. Mr. Wu is currently an advisor to the Public Policy Advisory Committee of the National Health Commission, the principal advisor for international cooperation to the State Administration of Traditional Chinese Medicine of the PRC and a member of the Chinese Medicine Reform and Development Advisory Committee. Mr. Wu was a member of the State Council's Medical Reform Leadership Advisory Committee.

  Mr. Wu was a member of the General Committee of the Hong Kong General Chamber of Commerce from 2000 to 2017, served as its chairman from 2010 to 2012, and is currently a member of its Council. Mr. Wu was a director of the Fidelity Funds from 2011 to 2014 and was the chairman of Bauhinia Foundation Research Centre from 2007 to 2012.

  Mr. Wu has directorships in certain Hong Kong listed companies. He is the chairman and non-executive director of Clarity Medical Group Holding Limited (清晰醫療集團控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1406), an independent non-executive director of Power Assets Holdings Limited (電能實業有限公司), a company whose shares are listed on the Stock Exchange (stock code: 0006), Guangdong Investment Limited (粵海投資有限公司), a company whose shares are listed on the Stock Exchange (stock code: 0270), China Taiping Insurance Holdings Company (中國太平保險控股有限公司) Limited, a company whose shares are listed on the Stock Exchange (stock code: 0966), China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1515), CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616), Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司), a company whose shares are listed on the Stock Exchange (stock code: 2500) and Sing Tao News Corporation Limited (星島新聞集團有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1105).

  Mr. Wu confirmed that he is able to devote sufficient time to act as our independent non-executive Director.

  Mr. Wu completed a foundation course in accountancy at the then Teesside Polytechnic in the United Kingdom in July 1975. Mr. Wu is a fellow of Hong Kong Institute of Certified Public Accounts and the Institute of Chartered Accountants in England and Wales, and the honorary chairman of the Institute of Certified Management Accountants (Australia) Hong Kong Branch.

- **Mr. Lianming HE,** aged 57, has been an independent non-executive Director of the Company since June 23, 2020.

  Mr. He has over 31 years of experience as a lawyer. He is currently a senior partner at TMI Associates, a law firm in Japan. Mr. He was appointed as an adjunct professor by China University of Political Science and Law (中國政法大學) in May 2019. Mr. He has been an overseas committee member of the All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會) since September 2018. He served as a legal adviser of Embassy of the People's Republic of China in Japan (中華人民共和國駐日本大使館) from August 2005 to May 2019.

  Mr. He was qualified as a lawyer in China in 1989 and was registered as a foreign lawyer in Japan in 1999. He obtained his master's degree in law from Chuo University in Japan in March 1999 and his bachelor's degree in law from China University of Political Science and Law in July 1988.

- **Mr. Yiran HUANG,** aged 67, has been an independent non-executive Director of the Company since June 23, 2020.

  Mr. Huang is currently a professor of urology, chief physician and doctoral supervisor of Renji Hospital (上海交通大學醫學院附屬仁濟醫院). He is also a leading committee member of the committee of urology of Shanghai Association of Social Medical Institutions (上海市社會醫療機構協會), a standing committee member of the urology branch of Chinese Medical Association (中華醫學會), and the founder of Yiran Education Foundation (翼然教育基金會). From May 2016 to December 2019, Mr. Huang was the chairman of Shanghai International Medical Center (上海國際醫學中心). From June 2009 to January 2015, Mr. Huang served as a vice chairman of the Renji Hospital.

  Mr. Huang obtained his master's degree in urology from Shanghai Second Medical University (上海第二醫科大學) in July 1989. He graduated with a Bachelor of Medicine from Jiangxi Medical College (江西醫學院) in December 1982.

SENIOR MANAGEMENT

- **Mr. Ye LIU,** aged 50, has been our CEO since August 1, 2018. For further details, please see the paragraphs headed "Profiles of Directors and Senior Management – Directors – Executive Directors" in this section.

- **Dr. Zhaopeng HU,** aged 49, has been our chief development officer since June 1, 2020. For further details, please see the paragraphs headed "Profiles of Directors and Senior Management – Directors – Executive Directors" in this section.

- **Dr. Changdong LIU,** aged 61, has served as our chief scientific officer from October 28, 2019 to April 25, 2021, responsible for leading scientific R&D. Dr. Liu was retired from our Company on April 25, 2021.

  Dr. Liu has around 36 years of experience in the biotech industry and ophthalmology. Dr. Liu joined our Group on July 10, 2018 and served as our chief medical officer before he was appointed as our chief scientific officer. Prior to joining our Group, from August 2016 to June 2018, he held positions including head of clinical oncology and vice president of clinical development in Livzon Mabpharm Inc. (珠海市麗珠單抗生物技術有限公司), responsible for clinical development and clinical trial execution. From December 2015 to July 2016, he served as chief medical officer and senior vice president in Qilu Pharmaceutical Co., Ltd. (齊魯製藥有限公司), responsible for clinical development and clinical trial management. From November 2014 to December 2015, he served as senior vice president of clinical development department in Bio-Thera Solution, Ltd. (百奧泰生物製藥股份有限公司), a company whose shares are listed on the on Shanghai Stock Exchange (stock code: 688177), responsible for product development and clinical development. From 2002 to 2014, he served in Alcon AG, a company whose shares are listed on the Switzerland Exchange (stock code: ALC), in Fort Worth, United States, and later became the clinical lead, responsible for global clinical and regulatory affairs.

  Dr. Liu obtained his Master of Medicine in ophthalmology (comparable to master's degree in medical sciences with specification in ophthalmology in the United States) and his Bachelor of Medicine (comparable to Doctor of Medicine in the United States) from Tongji Medical University (同濟醫科大學) in June 1988 and August 1983, respectively.

- **Dr. Donghong CHEN,** aged 51, has been our chief medical officer since October 28, 2019, responsible for leading clinical development.

  Dr. Chen has around 31 years of experience in ophthalmology. From March 2016 to October 2019, she served as head of clinical development and medical affairs in Alcon Hong Kong Ltd., primarily responsible for clinical development and medical affairs in Hong Kong and South Korea. From March 2015 to April 2016, she served as deputy general manager of R&D department in Vanway Pharmaceutical Holdings Ltd (宏威製藥集團有限公司), responsible for strategy planning of the department. From February 2013 to December 2014, she served as APAC medical director and clinical advisor in STAAR Surgical Company, a company whose shares are listed on NASDAQ (ticker symbol: STAA), responsible for leading company's clinical and medical activities in APAC. From November 2010 to January 2013, she served as a senior scientist in GlaxoSmithKline (China) R&D Company Limited (葛蘭素史克(上海)醫藥研發有限公司), primarily responsible for clinical research and studies in ophthalmology.

  From 2003 to 2005, Dr. Chen conducted postdoctoral research in ophthalmology successively at the University of Miami and Emory University. Dr. Chen obtained her Doctor of Medicine in clinical ophthalmology from Fudan University Medical School (復旦大學醫學院) in June 2003. She obtained her master's degree in clinical ophthalmology from Nanjing Medical University (南京醫科大學) in July 1997. She graduated from Yangzhou Medical College (揚州醫學院) majoring in medicine in Yangzhou, China in July 1991.

- **Mr. Qinglei Zuo,** aged 38, has been our chief commercial officer since January 1, 2021, responsible for product commercialization.

  Mr. Zuo served as our vice president of commercialization from September 2018 to January 2021. Prior to joining our Group, Mr. Zuo held positions including manager of business development department, director of business development department and head of sales of the pharmaceutical department of Santen Pharmaceutical (China) Co., Ltd. from April 2015 to August 2018. From October 2010 to March 2015, he successively served as associate product manager and district sales manager of gastrointestinal and liver diseases department in Eisai (China) Inc., where he was responsible for sales of drugs. From June 2009 to September 2010, he served as a preclinical project manager of R&D department in Shanghai Hengrui Pharmaceutical Co., Ltd. (上海恒瑞醫藥有限公司).

  Mr. Zuo obtained his master's degree in pharmacology in Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院) in May 2009. He graduated with bachelor's degree in pharmacy from Yantai University (煙台大學) in June 2006.

JOINT COMPANY SECRETARIES

- **Ms. Yun JI,** aged 36, was appointed as the Secretary of the Board and the joint company secretaries of the Company on April 28, 2020. Ms. Ji has been our strategic project director since February 27, 2020, responsible for our IPO project and the following capitalization operation. Prior to joining our Group, she served as head manager of board of directors office in Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司) from September 2012 to February 2020, a company whose shares are listed on the Shanghai Stock Exchange (stock code: 601607) and the Stock Exchange (stock code: 2607), leading a team responsible for corporate governance, public disclosure, investor relations management and other securities affairs.

  Ms. Ji obtained her bachelor's degree in business administration from Beijing Foreign Studies University in Beijing, China in July 2007.

- **Ms. Pui Chun Hannah SUEN,** aged 44, was appointed as one of the joint company secretaries of the Company on March 12, 2020. Ms. Suen is a manager of corporate services of Vistra Corporate Services (HK) Limited, a corporate services provider. She has over 14 years of experience in providing full range of company secretarial services. Ms. Suen has been an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute in United Kingdom since November 2019.

  Ms. Suen obtained a Bachelor of Arts (Hons) in translation and interpretation from City University of Hong Kong (香港城市大學) in November 2000 and a Master of Corporate Governance from Hong Kong Metropolitan University (香港都會大學) (formerly The Open University of Hong Kong (香港公開大學)) in August 2019.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rule.

The Board is pleased to present this corporate governance report in the annual report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. During the year ended December 31, 2021, the Board believes that the Company has fully complied with the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

(1) Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

Under the code provision A1.1 of the CG Code which effected from January 1, 2022, the Board has set the tone and defined the Group's purpose, values and strategy, and developed the desired culture to support the Group's pursuit of success. The Board is continuous monitor and evaluate the Group's culture from time to time by the following measurable objectives:–

- Review the company's decisions and actions to assess whether they are consistent with the desired culture;

- Undertake staff and stakeholders engagements; and

- Make reference to complaints received, disclosures by whistleblowers, staff turnover rate and code of conduct/regulatory breaches for potential areas of concerns.

(2) Directors' and Senior Management's Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

(3) Board Composition

As of the date of this annual report, the Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Ye LIU *(Chief Executive Officer)*
Dr. Zhaopeng HU

Non-executive Directors

Dr. Lian Yong CHEN *(Chairman of the Board)* *(Note 1)*
Dr. Wei LI *(Note 1)*
Mr. Yanling CAO
Ms. Yumeng WANG *(Note 2)*
Mr. Lefei SUN *(Note 3)*

Independent Non-executive Directors

Mr. Ting Yuk Anthony WU
Mr. Lianming HE
Mr. Yiran HUANG

Notes:

1. Dr. Lian Yong CHEN and Dr. Wei LI have been re-designated from executive Directors to non-executive Directors with effect from July 20, 2021.

2. Ms. Yumeng WANG has been appointed as a non-executive Director with effect from March 19, 2021.

3. Mr. Lefei SUN has resigned as a non-executive Director with effect from March 19, 2021.

There is no any relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

As of the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Mr. Ting Yuk Anthony WU has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

(4) Board Diversity Policy

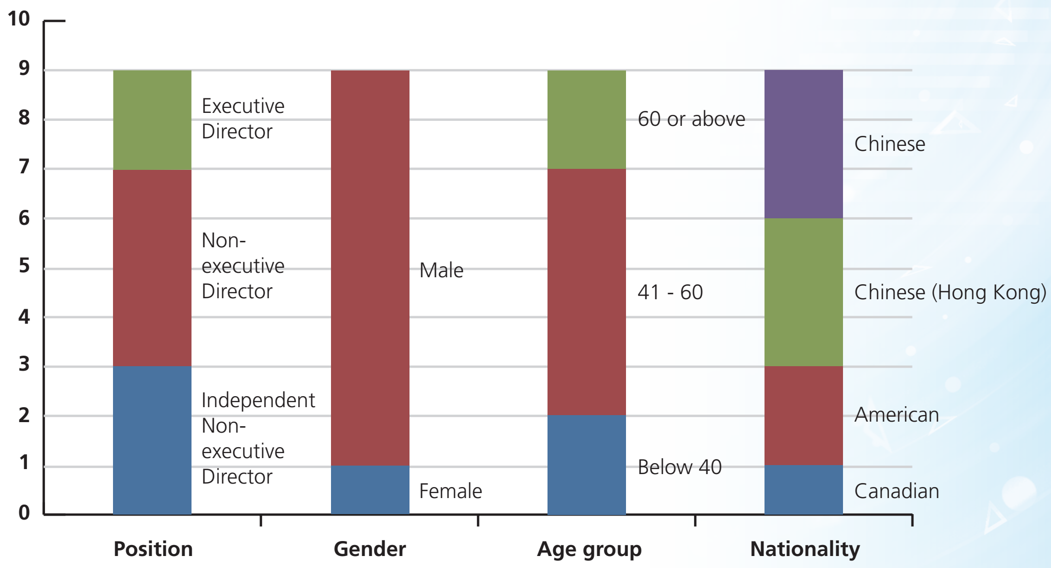
Pursuant to Rule 13.92 of the Listing Rules, the nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report.

The Company has adopted the board diversity policy (the "Board Diversity Policy") in accordance with the CG Code which sets out the objective and approach to achieve and maintain diversity of the Board and all levels of the employees in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, ethnicity, language, cultural and educational background, industry and professional experience. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of pharmaceutical and medical industry, business management, investment, finance, legal profession, auditing and accounting. They obtained degrees in various majors including pharmaceutics, chemistry, neurosciences, economics and law. Furthermore, the Board has a wide range of age, ranging from 30 years old to 66 years old.

The composition of the Board will be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of the Board Diversity Policy and review the effectiveness of the Board Diversity Policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As of the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on pages 23 to 27 of this annual report.

The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.



(5) Measurable Objectives

The Company aims to maintain an appropriate balance of diverse perspectives that are relevant to the Company's business growth. The Company is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. In particular, the Nomination Committee will identify and make recommendations to the Board to implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees that, in time, will prepare them for Board positions.

The Company also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and the management levels. At the Board level, Ms. Yumeng WANG was appointed as a non-executive Director on the board meeting dated March 19, 2021, and was elected by the Shareholders at the annual general meeting held on June 29, 2021 and therefore the Company has achieved the objective of keeping at least one female Director. At present, the Board considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any other measurable objectives. At the management level, the Chief Medical Officer and the joint company secretaries of the Company are female. The Board has also assessed the Group's diversity profile annually of all levels of employees and apply the diversity policy to attract, retain and motivate employees from the widest possible pool of available talent. As of December 31, 2021, the Group had 244 full-time employees, of whom the number of female employees accounted for approximately 46.7% and the Group has achieved the objective of maintaining a relatively balanced gender ratio. Based on the Board's review, there was no mitigating factor or circumstance which makes achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

(6) Confirmation of Independence by the Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as of the date of this annual report, all of the independent non-executive Directors are independent.

(7) Induction and Continuous Professional Development

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the year ended December 31, 2021, all Directors, namely Dr. Lian Yong CHEN, Mr. Ye LIU, Dr. Zhaopeng HU, Dr. Wei LI, Mr. Yanling CAO, Ms. Yumeng WANG, Mr. Ting Yuk Anthony WU, Mr. Lianming HE and Mr. Yiran HUANG, were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense.

(8) Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 since January 1, 2022), the roles of chairman and chief executive officer should be separate and performed by different individuals. As of the date of this annual report, Dr. Lian Yong CHEN ("Dr. CHEN") acted as the chairman of the Board and Mr. Ye LIU acted as the chief executive officer of the Company. The chairman of the Board and the chief executive officer of the Company do not have any relationships (including financial, business, family or other material or connected relationship).

Under the code provision A.2.7 of the CG Code (which has been re-numbered as code provision C.2.7 since January 1, 2022), the Chairman should at least annually hold meeting with the independent non-executive Directors without the presence of other Directors. During the year under review, Dr. CHEN, the chairman of the Board, has hold the meeting with the independent non-executive Directors without the presence of other Directors.

Dr. CHEN is also responsible for the duties as specified in code provisions A.2.2 to A.2.9 of the CG Code (which has been re-numbered as code provision C.2.2 to C.2.9 since January 1, 2022).

The Board and the senior management, which comprises experienced and high caliber, individuals can ensure the balance of power and authority.

(9) Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service agreement with the Company. The initial term of their respective service agreements shall commence from the Listing Date and continue for a period of three years and subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than 30 days' prior notice in writing.

Each of Dr. Lian Yong CHEN and Dr. Wei LI, being the non-executive Directors, which has been re-designated from executive Director to non-executive Director with effect from July 20, 2021, has entered into an appointment letter with the Company respectively in relation to his appointment as a non-executive Director. Mr. Yanling CAO, being the non-executive Director and each of Mr. Ting Yuk Anthony WU, Mr. Yiran HUANG and Mr. Lianming HE, being the independent non-executive Directors has entered into an appointment letter with the Company respectively. The initial term for their respective appointment letters shall commence from the Listing Date and continue for a period of three years subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Ms. Yumeng WANG, being an independent non-executive Director has entered into a service agreement with the Company on March 19, 2021. The initial term for her service agreement shall commence from the date of appointment and continue for a period of three years subject to retirement by rotation and re-election as and when required under the Articles of Association or vacation from office pursuant to any applicable laws from time to time.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for election by Shareholders at the first general meeting of the Company after appointment and any new Director appointed as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman of the Board and the chief executive officer of the Company.

(10) Board Meetings and Committee Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting. Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to relevant Board or Board Committee for comments and records.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft minutes of each Board meeting and committee meeting are sent to the relevant Board or committee members for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

During the year ended December 31, 2021, nine Board meetings, two Audit Committee meetings, four Remuneration Committee meeting and two Nomination Committee meeting were held.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the year ended December 31, 2021 is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held during the year ended December 31, 2021				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General**
Executive Directors:					
Mr. Ye LIU	9/9	N/A	N/A	N/A	2/2
Dr. Zhaopeng HU	9/9	N/A	N/A	N/A	2/2
Non-executive Directors:					
Dr. Lian Yong CHEN	9/9	N/A	N/A	2/2	2/2
Dr. Wei LI	9/9	N/A	N/A	N/A	1/2
Mr. Yanling CAO	9/9	N/A	N/A	N/A	2/2
Ms. Yumeng WANG	7/7	N/A	N/A	N/A	2/2
Mr. Lefei SUN	2/2	N/A	N/A	N/A	N/A
Independent Non-executive Directors:					
Mr. Ting Yuk Anthony WU	9/9	2/2	4/4	N/A	2/2
Mr. Lianming HE	9/9	2/2	4/4	2/2	2/2
Mr. Yiran HUANG	9/9	2/2	4/4	2/2	2/2

(11) 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 and relevant employees. All Directors and relevant employees have confirmed, following specific inquiry by the Company, that they have complied with the Model Code during the year ended December 31, 2021.

(12) Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. All Directors are encouraged to openly share their views on the Company's affairs and issues and they are entitled to have access to the management who will respond to queries raised by the Directors as promptly and fully as possible. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense for ensuing that board procedures and all applicable rules and regulations are followed.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs. Approval has to be obtained from the Board prior to any significant transactions entered into by the management on the Company's behalf.

(13) Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and has delegated the corporate governance duties to the Audit Committee which include:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Group;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Group; and

(e) to review the Group's compliance with the CG Code from time to time adopted by the Group and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

BOARD COMMITTEES

(1) Nomination Committee

We established a Nomination Committee on June 23, 2020 with its written terms of reference in compliance with the Listing Rules. As of the date of this annual report, the Nomination Committee currently comprises three members which are including one Non-executive Director, namely, Dr. Lian Yong CHEN, and two independent non-executive Directors, namely, Mr. Lianming HE and Mr. Yiran HUANG. Dr. Lian Yong CHEN is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession. The written terms of reference of the Nomination Committee are available on the respective website of the Stock Exchange and the Company. The details of the policies in assessing the candidates or incumbent will be set out in the section headed "Nomination Policy".

Two Nomination Committee meetings were held during the year ended December 31, 2021. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- assess the independence of the independent non-executive Directors;
- considered and/or made recommendations to the Board on the appointment and re-election of directors; and
- reviewed the structure, size and composition of the Board

(2) Nomination Policy

The Company has adopted a director nomination policy (the "Director Nomination Policy") in accordance with the CG Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Nomination Committee will recommend to the Board for the nomination, appointment of new Directors in accordance with the following procedures and process: (a) the Nomination Committee shall first review and assess factors relating to the diversity of the Board, including but not limited to professional experience, skill, knowledge and length of service, gender, age, cultural and education background, and give consideration to the candidate's willingness to devote adequate time to the Board and independence of each independent non-executive directors based on the requirements of the Listing Rules as amended from time to time; and (b) the Nomination Committee shall then nominate suitable candidates to the Board based on the then-current and anticipated future leadership needs of the Company, with a view to achieving a sustainable and balanced development of the Company.

For the re-election of Directors at the general meeting, the Nomination Committee shall review the overall contribution and service to the Company of the retiring Directors, including its attendance at Board meetings, Board committee meetings and general meetings (if applicable), and his/her level of participation and performance on the Board. The Nominating Committee shall require the nominee to submit updated biographical information and the consent to be re-elected as a Director; and should review and determine whether retiring Directors still meet the criteria for Director selection. The Nominating Committee shall then make recommendations to the Board on the re-election of Directors.

The Nomination Committee shall also monitor and review the implementation of the nomination policy, as appropriate from time to time, and will report to the Board annually.

(3) Remuneration Committee

We established a Remuneration Committee on June 23, 2020 with its written terms of reference in compliance with the Listing Rules. As of the date of this annual report, the Remuneration Committee currently comprises three members and all are independent non-executive Directors, namely Mr. Lianming HE, Mr. Ting Yuk Anthony WU and Mr. Yiran HUANG. Mr. Lianming HE is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to determine a policy and structure for the Directors' and senior management's remunerations, review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The written terms of reference of the Remuneration Committee are available on the respective website of the Stock Exchange and the Company.

The Remuneration Committee has adopted the second model described in paragraph E.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to our Board on the overall remuneration policy and structure relating to individual executive Directors and senior management of the Group). The remuneration committee has consulted the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary.

During the year ended December 31, 2021, four Remuneration Committee meetings were held. The following is a summary of work performed by the Remuneration and Assessment Committee during the Reporting Period:

- reviewed and made recommendations to the Board on the remuneration package of the Directors and senior management;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management; and
- reviewed and made recommendations to the Board on the Company's 2021 Share Award Scheme and 2021 Share Option Scheme and the details of the grants of Options and Awards.

Details of the Directors' remuneration for the year ended December 31, 2021 are set out in Note 11 to the consolidated financial statements.

Remuneration by band of the senior management (including two Directors) of the Group for the year ended December 31, 2021 are set out below:

Remuneration band (HK$)	Number of senior management
0-10,000,000	2
10,000,001-20,000,000	2
150,000,001-160,000,000	1

(4) Audit Committee

We established an Audit Committee on June 23, 2020 with its written terms of reference in compliance with the Listing Rules. As of the date of this annual report, the Audit Committee currently comprises three members and all are independent non-executive Directors, namely Mr. Ting Yuk Anthony WU, Mr. Lianming HE and Mr. Yiran HUANG. Mr. Ting Yuk Anthony WU is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The written terms of reference of the Audit Committee are available on the respective website of the Stock Exchange and the Company.

Two Audit Committee meetings were held during the year ended December 31, 2021. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual and interim results and reports, the Group's financial and accounting policies and practices and the scope of audit and appointment of auditors;

- reviewed the risk management, internal control and compliance systems and the effectiveness of internal audit function and discussed with the management and internal audit on their findings; and

- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company

The Audit Committee also met Deloitte Touche Tohmatsu, the external auditors of the Company twice for the year ended December 31, 2021. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the external auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. During the Reporting Period, the Board had conducted a review of the effectiveness of the risk management internal control system of the Company and considered the system effective and adequate.

The Group has established an internal audit department and designated staff to be responsible for identifying and supervising the Group's risk and internal control issues and reporting directly to the Board of any findings and follow-up actions. The internal audit department supervised and reviewed corporate daily business to ensure that the Company's business continues to meet the requirements of the Company's system and external supervision.

The Group has established a risk management manual, a compliance manual and an internal control manual, which are designed to enable the company to maintain the highest standards of corporate governance and to identify and reduce any potential risks.

The Group also provides employees with revised staff manual and various management systems from time to time. Our Company has set up employee induction training and assessment and provide employees with compliance training on a regular basis to enhance compliance awareness.

The Group has established a risk management manual, which clarifies the division of responsibility and authority of risk management corresponding to each relevant department and standardizes the basic process of risk management. All departments will (i) systematically and regularly identify internal and external risks; (ii) assess the possibility and impact of risks; (iii) determine risk response strategies and implement response plans; (iv) regular risk management and regular testing of the situation and response capabilities; (v) overall evaluation of the effectiveness of the design and implementation of risk response strategies; and (vi) regular and systematic reporting of risks and risk management information.

Pursuant to the compliance manual of Ocumension, the Company has established a compliance window for all the employees of the Company to submit their compliance inquiries and compliance reports. The Company reviewed and enhanced its internal control system regularly by revising and improving its internal control matrix and internal control manual once a year. The Company's existing system, operating procedures and control measures were adjusted in accordance with the needs of the Company's business management and external regulatory requirements. The Company carried out an annual internal control assessment to ensure that each of its departments has properly complied with its internal control system as well as any recommendation for rectification on any defects in its internal control identified when its self-assessment could be provided after internal communication and determination.

The Group has formulated an information disclosure management system to clarify the relevant obligations of insiders, reporting procedures and information disclosure responsibilities of relevant personnel, and arrange self-inspection in a timely manner. The Group monitors possible inside information and organizes intermediary agencies to determine whether the information is inside information or whether need to be disclosed.

Our Company review risk management and internal control systems once a year. Our Group's internal control and risk management reports for the year ended December 31, 2021 were submitted to the Audit Committee and the Board of Directors for review in March 2022. The Board has reviewed and believes that the risk management and internal control systems of the Group for the year ended December 31, 2021 are complete, and are fully and effectively operated in all material controls, including financial, operational and compliance controls, which are sufficient to protect the interests of all stakeholders of the Group. The Board of Directors also confirmed that the resources, staff qualifications and experience, training programs and budget of the issuer's accounting, internal audit, financial reporting functions, as well as those relating to the ESG performance and reporting are adequate.

AUDITOR'S REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the year ended 31 December 2021, and details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended December 31, 2021 are set out in the table below:

Services rendered for the Company	Total Fees paid and payable RMB'000
Audit services:	
Annual audit services	3,012
Non-audit services:	
Tax advisory services	455
Review of interim results	941
Total	**4,408**

COMPANY SECRETARY

In compliance with Rule 3.29 of the Listing Rules, Ms. Yun JI and Ms. Pui Chun Hannah SUEN ("Ms. SUEN") both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the Reporting Period. Ms. SUEN was appointed as one of the joint company secretaries of the Company on March 12, 2020. She is a manager of corporate services of Vistra Corporate Services (HK) Limited, a corporate services provider. Her primary contact person is Ms Yun JI, one of the joint company secretaries of the Company. Ms. Yun JI and Ms. SUEN are reported to the chairman of the Board. All members of the Board can have access to the company secretary's advice and services.

The appointment and removal of the company secretary will be subject to Board's approval.

GENERAL MEETING

During the year ended December 31, 2021, two general meetings were held.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Shareholders and potential investors on the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The general meetings provide opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board, the chairmen of the Board Committees will attend the general meetings to answer Shareholders' questions. The external auditors of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.ocumension.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board will review the Shareholders' communication policy regularly to ensure its effectiveness.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed by the chairman of that meeting for each substantially separate issue at Shareholder meetings, including nomination and election of individual directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the Listing Rules.

(1) Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the written requisition of any one or more members holding together, as of the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

(2) Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 12.3 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 12.3 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

(3) Inquiries to the Board

Shareholders and investors may send written inquiries or requests to the Company as follows:

Address: Rooms 502-1, Want Want Plaza, No. 211 Shimen Yi Road, Jing'an District, Shanghai, the PRC
Email: ir@ocumension.com

DIVIDEND POLICY

The Company is a company incorporated in the Cayman Islands. We have never declared or paid any dividends on our ordinary shares or preferred shares. We may need dividends and other distributions on equity from our PRC subsidiaries to satisfy our liquidity requirements. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of their respective registered capital. Our PRC subsidiaries may also allocate a portion of its after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements we currently have in place in a manner that would materially and adversely affect our PRC subsidiaries' ability to pay dividends and other distributions to us.

The Company currently intends to retain all available funds and any future earnings, if any, to fund the research and development of our drug candidates and we do not anticipate paying any cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial conditions and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman Islands counsel, under the Cayman Islands law a company may declare and pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase our Shares with the expectation of receiving cash dividends.

If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. For details, please refer to the paragraphs headed "Risk Factors – Risks Relating to Doing Business in China – We may rely on dividends and other distributions on equity paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business" of the Prospectus.

CONSTITUTIONAL DOCUMENTS

The amended and restated Articles of Association took effect from the Listing Date, and are available on the respective websites of the Stock Exchange and the Company. Save as disclosed above, there is no other change in constitutional documents of the Company during the Reporting Period.

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2021.

BOARD OF DIRECTORS

The Board currently comprises two executive Directors, four non-executive Directors and three independent non-executive Directors.

The Directors during the year ended December 31, 2021 and up to the date of this annual report were:

Executive Directors

Mr. Ye LIU *(Chief Executive Officer)*
Dr. Zhaopeng HU

Non-executive Directors

Dr. Lian Yong CHEN *(Chairman of the Board) (re-designated as a non-executive Director on July 20, 2021)*
Dr. Wei LI *(re-designated as a non-executive Director on July 20, 2021)*
Mr. Yanling CAO
Mr. Lefei SUN *(resigned on March 19, 2021)*
Ms. Yumeng WANG *(appointed on March 19, 2021)*

Independent Non-executive Directors

Mr. Ting Yuk Anthony WU
Mr. Lianming HE
Mr. Yiran HUANG

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on February 27, 2018, as an exempted limited liability company under the laws of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on July 10, 2020.

PRINCIPAL ACTIVITIES

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.

BUSINESS REVIEW

A review of the business of the Group during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business is set out in the section headed "Management Discussion and Analysis" on page 9 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control:

- We may need to raise additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all;
- We may not be able to in-license new drug candidates with high potential;
- We may be unable to successfully complete clinical trials, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so;
- We may not be able to discover new drug candidates;
- The R&D of our drug candidates involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. You may lose all or part of your investments in us if our R&D fails;
- We expect to rely on third parties (including our licensing partners) to supply drug candidates or raw materials for manufacturing our future approved drugs, and our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices;
- We may rely on third parties (including our licensing partners) to manufacture or import our clinical and commercial drug supplies, and our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices;
- Our approved drugs will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements;
- Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by licensing partners; and
- Our in-licensed patents and other intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

The Company's Environmental, Social and Governance Report will be prepared separately from this annual report and will be published on the same date as the publication of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2021, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEES AND REMUNERATION POLICIES

A review of the employees and remuneration policies of the Group for the Reporting Period are set out in the section headed "Management Discussion and Analysis" on page 22 of this annual report.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension contributions of the Company are set out in note 27 to the Consolidated Financial Statements in this annual report.

MAJOR SUPPLIERS

For the year ended December 31, 2021, the Group's suppliers primarily consisted of (i) licensors from which we obtained intellectual property rights in respect of our in-licensed drug candidates; and (ii) contract research organizations (CROs), who provide third-party contracting services for R&D; (iii) suppliers of other materials for R&D activities, machines and equipment. The Group selects its suppliers by considering their product quality, industry reputation and compliance with relevant regulations and industry standards. For the same year, the Group's Suzhou Xiaxiang manufacture site was inaugurated, and therefore, though the Group did not procure raw materials for commercial manufacturing but had procured equipment for commercial manufacturing.

For the year ended December 31, 2021, purchases from the Group's five largest suppliers in the aggregate amounted to RMB486.2 million (2020: RMB190.6 million), accounted for 52.3% (2020: 49.3%) of the Group's total purchases for the same year. Purchases from the Group's largest supplier for the year ended December 31, 2021 amounted to RMB227.4 million (2020: RMB79.0 million), accounting for approximately 24.5% (2020: 20.4%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the year ended December 31, 2021, the Group did not experience any significant disputes with its suppliers.

MAJOR CUSTOMERS

During the Reporting Period, the Group continued the commercialization of its OT-401, brimonidine tartrate eye drop and Ou Qin, and began to generate sales-based royalty income in relation to Emadine® and Betoptic®S. For the year ended December 31, 2021, sales from the Group's five largest customers in the aggregate amounted to RMB40.4 million (2020: RMB11.9 million), accounted for 71.9% (2020: 91.1%) of the Group's total sales for the same year. Sales from the Group's largest customer for the year ended December 31, 2021 amounted to RMB11.2 million (2020: RMB4.0 million), accounting for approximately 19.9% (2020: 30.6%) of the Group's total sales amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers.

During the year ended December 31, 2021, the Group did not experience any significant disputes with its customers.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We conduct new employee training, as well as professional and compliance training programs for employees. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees usually includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialog with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual reports and results announcements.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company during the Reporting Period are set out in the section headed "Profiles of Directors and Senior Management" on pages 23 to 30 of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company. The initial term of their respective service agreements shall commence from the Listing Date and continue for a period of three years and subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than 30 days' prior notice in writing.

Each of Dr. Lian Yong CHEN and Dr. Wei LI, being the non-executive Directors, which has been re-designated from executive Director to non-executive Director with effect from July 20, 2021, has entered into an appointment letter with the Company respectively in relation to his appointment as a non-executive Director. Mr. Yanling CAO, being the non-executive Director and each of Mr. Ting Yuk Anthony WU, Mr. Yiran HUANG and Mr. Lianming HE, being the independent non-executive Directors has entered into an appointment letter with the Company respectively. The initial term for their respective appointment letters shall commence from the Listing Date and continue for a period of three years subject always to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Ms. Yumeng WANG, the newly-appointed non-executive Director, has entered into a service agreement with the Company, with an initial term of three years from March 19, 2021, which is subject to retirement by rotation and re-election at the AGM pursuant to the Articles of Association, or vacation from office pursuant to any applicable laws from time to time.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting of the Company after appointment and any new Director appointed as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following AGM after appointment.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

In compliance with Rule 3.25 of the Listing Rules and the CG Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme.

Details of the remuneration of the Directors, chief executive officer and the five highest paid individuals for the Reporting Period are set out in Note 11 to the consolidated financial statements. During the Reporting Period, there was no emoluments paid by the Group to any of the Directors, chief executive officer or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance, whether for the provision of services or otherwise, to the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2021.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no controlling shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2021.

DIRECTORS INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors and the controlling shareholders was interested in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended December 31, 2021.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are neither our controlling shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered or existed during the year ended December 31, 2021.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details on related party transactions for the year ended December 31, 2021 are set out in Note 29 to the consolidated financial statements.

On July 2, 2021, the Company adopted the 2021 Share Award Scheme and granted 13,002,000 and 150,000 award Shares to Mr. Ye LIU and Dr. Zhaopeng HU, respectively, for nil consideration and as employee incentive to maximize the motivation of them, which was further approved by the Shareholders on August 31, 2021. Each of Mr. Ye LIU and Dr. Zhaopeng HU is an executive Director and therefore a connected person of the Company. The aforesaid grants therefore constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and the independent Shareholders' approval requirements. For further details of the 2021 Share Award Scheme and the grants thereunder, please refer to the subsection headed "2021 Share Award Scheme" below in this section and also the Company's announcement dated July 2, 2021, the circular dated August 11, 2021, and the poll results announcement of the extraordinary general meeting of the Company dated August 31, 2021.

Save as disclosed above, none of the related party transactions constitute a connected transaction or continuing connected transaction which is subject to the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. There was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period.

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

As of December 31, 2021, 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:

Name of Director	Nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding interest [3]
Mr. Ye LIU	Beneficial owner	69,633,490[1]	10.44%
Dr. Zhaopeng HU	Beneficial owner	4,059,338[2]	0.61%

Notes:

(1) Including (i) a total of 14,329,730 Shares directly held by him; (ii) 21,643,710 options that have been granted yet unexercised under the ESOP; (iii) RSUs representing 11,990,050 Shares upon vesting that have been granted yet unsettled under the RSU Scheme; (iv) 8,668,000 options that have been granted yet unexercised under the 2021 Share Option Scheme; and (v) 13,002,000 awards that have been granted yet unvested under the 2021 Share Award Scheme.

(2) Including (i) a total of 2,765,243 Shares directly held by him and as a result of the exercise of share options pursuant to the ESOP and the settlement of RSUs vested in him pursuant to the RSU Scheme; (ii) 317,250 options that have been granted yet unexercised under the ESOP; (iii) RSUs representing 676,845 Shares upon vesting that have been granted yet unsettled under the RSU Scheme; (iv) 150,000 options that have been granted yet unexercised under the 2021 Share Option Scheme; and (v) 150,000 awards that have been granted yet unvested under the 2021 Share Award Scheme.

(3) The calculation is based on the total number of 666,743,175 Shares in issue as of December 31, 2021.

Save as disclosed above, as of December 31, 2021, 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 THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of December 31, 2021, 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 shareholders	**Nature of interest**	**Total number of Shares/ underlying shares**	**Approximate percentage in shareholding(8)**
6 Dimensions Capital *(Note 1)*	Beneficial interest	119,890,000	17.98%
6 Dimensions Affiliates *(Note 1)*	Beneficial interest	6,310,000	0.95%
6 Dimensions Capital GP, LLC *(Note 1)*	Interest in controlled corporation	126,200,000	18.93%
Suzhou Frontline II *(Note 2)*	Beneficial interest	88,340,000	13.25%
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	13.25%
Suzhou 6 Dimensions *(Note 2)*	Beneficial interest	37,860,000	5.68%
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	5.68%
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	18.93%
Ziqing CHEN (陳梓卿) *(Note 2)*	Interest in controlled corporation	126,200,000	18.93%
Summer Iris Limited *(Note 3)*	Beneficial interest	78,214,230	11.73%
Boyu Capital Fund IV, L.P. *(Note 3)*	Interest in controlled corporation	78,214,230	11.73%
Boyu Capital General Partner IV, Ltd. *(Note 3)*	Interest in controlled corporation	78,214,230	11.73%
Boyu Capital Group Holdings Ltd. *(Note 3) (Note 4)*	Interest in controlled corporation	80,856,730	12.13%
TLS Beta Pte. Ltd. *(Note 5)*	Beneficial interest	54,169,400	8.12%
Temasek Life Sciences Private Limited *(Note 5)*	Interest in controlled corporation	54,169,400	8.12%
Fullerton Management Pte Ltd *(Note 5)*	Interest in controlled corporation	54,169,400	8.12%
Temasek Holdings (Private) Limited *(Note 5) (Note 6)*	Interest in controlled corporation	59,446,400	8.92%
Capital Research and Management Company *(Note 7)*	Beneficial interest	47,080,966	7.06%
The Capital Group Companies, Inc. *(Note 7)*	Interest in controlled corporation	47,080,966	7.06%

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 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 2,642,500 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 47,080,966 Shares held by Capital Research and Management Company.

(8) The calculation is based on the total number of 666,743,175 Shares in issue as of December 31, 2021.

Save as disclosed above, as of December 31, 2021, 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.

ESOP

The ESOP was adopted by the Company on May 23, 2018 and amended from time to time. The purpose of the ESOP is to recognize the contributions of the Directors and employees and to incentivize them to further promote the development of the Group by providing a means through which the Company may grant options to attract, motivate, retain and reward certain eligible employees. Subject to the terms of the ESOP, the Board may at its discretion specify any conditions which must satisfied before the option(s) under the ESOP may be exercised. Further details of the ESOP are set out in the Prospectus and Note 26(b) to the consolidated financial statements.

The maximum number of Shares in respect of which options may be granted under this plan shall not, subject to reorganization of capital structuring and other corporate events provisions under the plan, exceed 60,328,890 Shares in the aggregate.

The ESOP became valid and effective for a period of 10 years commencing on the adoption date after which period no further options will be granted.

Principal Terms of the ESOP

Below is a summary of the terms of the ESOP:

(a) Duration

Subject to the termination provisions under the ESOP, the plan shall be valid and effective for the period of ten years commencing on the adoption date after which period no further options will be granted, but the provisions of the plan shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted. The Company will not grant options under the ESOP after the Listing.

(b) Administration

This plan shall be subject to the administration of the Board and the decision of the Board shall be final and binding on all parties. The Board may delegate any of its powers, authorities and discretions in relation to the plan to any committee, and any such delegation may be made on such terms and subject to such conditions as the Board may think fit and the Board may at any time remove any person so appointed and may annul or vary any such delegation.

(c) Offer Letter

Any such options will be granted on substantially the form of offer letter most recently approved for use by the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an officer who is acting solely in the capacity of an officer to determine the fair market value of the Shares.

(d) Offer and Grant of Options

On and subject to the terms of this plan, the Board shall be entitled to make an offer to any eligible employee as the Board may in its absolute discretion select to take up options in respect of such number of Shares as the Board may determine at the strike price. Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (e.g. by linking their exercise to the attainment or performance of milestones by the Company, any subsidiary, the grantee or any group of employees) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of this plan. A grantee is not required to pay for the grant of any option.

(e) Subscription Price and Vesting Schedule

The subscription price shall be approved by the Board and shall be set out in the offer letter. Unless otherwise approved by the Board and set forth in an offer letter, the vesting schedule shall be a 60-month vesting schedule consisting of a cliff vesting of 20 percent after 12 months from the commencement date and, thereafter, quarterly vesting of equal installments over the remaining 16 quarters.

(f) Exercise of Options

Unless otherwise approved by the Board, an option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do, except pursuant to repurchase provisions under the plan. Notwithstanding the foregoing, the Board may permit a grantee to transfer a granted option in a manner that is not prohibited by applicable tax and securities laws. Except as provided in an offer letter, any option shall become exercisable upon vesting.

(g) Maximum Number of Shares

(i) The maximum number of Shares in respect of which options may be granted under this plan shall not, subject to reorganization of capital structure and other corporate events provisions under the plan, exceed 60,328,890 Shares (as adjusted after the share subdivision) in the aggregate.

(ii) No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the options previously granted to him which have been exercised, and, issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed ten percent of the aggregate number of Shares for the time being issued and issuable under this plan.

(iii) The maximum number of Shares referred to in paragraphs (i) and (ii) will be adjusted, in such manner as an independent financial adviser or the auditors (acting as experts and not as arbitrators) shall confirm to the Board in writing, in the event of any alteration in the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever.

(h) Reorganization of Capital Structure

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, including but not limited to by way of capitalization of profits or reserves, rights issue, consolidation, sub-division and reduction of the share capital of the Company, such corresponding alterations (if any) shall be made to (i) the number or nominal amount of Shares subject to the option so far as unexercised; (ii) the subscription price; or (iii) any combination thereof, as an independent financial adviser or the auditors shall confirm to the Board in writing, either generally or as regard any particular grantee, to have given a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled, but that no such adjustments be made to the extent that a share would be issued at less than its nominal value.

(i) Accelerated Vesting upon a Listing

In case of a listing, the vesting schedule of the unvested option shall be accelerated.

(j) Alteration of the ESOP

The ESOP may be altered in any respect by the prior approval of the Board, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the grantees as would be required of the shareholders of the Company under the Memorandum and Articles for the time being of the Company for a variation of the rights attached to the Shares.

Outstanding Share Options under the ESOP

Details of the options granted under the ESOP as of December 31, 2021 are as follows:

Name of grantee	Date of grant	Option period	Exercise price (US$ per share)	Number of shares underlying outstanding options as of January 1, 2021	Number of Shares exercised during the Reporting Period	Number of options canceled/forfeited/lapsed during the Reporting Period	Number of Shares underlying outstanding options as of December 31, 2021
Directors							
Mr. Ye LIU	Between August 28, 2018 to January 22, 2020	10 years commencing on the adoption date	Between 0.001 to 0.188	30,136,710	8,493,000	0	21,643,710
Dr. Zhaopeng HU	Between January 22, 2019 to January 22, 2020	10 years commencing on the adoption date	Between 0.01 to 0.188	2,528,250	2,211,000 [(1)]	0	317,250
Other grantees in aggregate							
		10 years commencing on the adoption date	Between 0.001 to 0.201	27,562,800	17,963,055	418,518	9,181,227
Total				60,227,760	28,667,055 [(2)]	418,518 [(2)]	31,142,187

Note:

(1) During the Reporting Period, Dr. Hu exercised 2,211,000 options under the ESOP for the subscription of 2,211,000 Shares, among which 21,500 and 55,000 Shares were subsequently sold, respectively.

(2) During the Reporting Period, 28,667,055 options under the ESOP had been exercised and 418,518 had been forfeited. Since the Listing and as of December 31, 2021, a total of 519,648 options under the ESOP had been forfeited due to the resignation of relevant employees from the Group.

Save as disclosed above, no option had been granted or agreed to be granted, exercised, canceled or lapsed under the ESOP throughout the year ended December 31, 2021.

RSU SCHEME

The RSU Scheme was approved by the Shareholders on April 28, 2020. The purpose of the RSU Scheme is to recognize the contributions of the Directors and employees of the Group and to incentivize them to further promote the development of the Group. Further details of the RSU Scheme are set out in the Prospectus.

Pursuant to the RSU Scheme, an aggregate of 24,000,000 underlying Shares were issued to Coral Incentivization, representing an aggregate of 3.60% of the total issued share capital of the Company as of the date of this annual report.

Details of the RSUs granted under the RSU Scheme as of December 31, 2021 are as follows:

Category and name of grantee	Date of grant	Valid period of the RSU Scheme	Exercise price (US$ per share)	Number of Shares underlying RSUs as of January 1, 2021	Number of Shares underlying RSUs settled during the Reporting Period	Number of RSUs canceled/ forfeited during the Reporting Period	Number of Shares underlying RSUs granted remain valid as of December 31, 2021
Directors							
Mr. Ye LIU	April 30, 2020	10 years from the date of adoption of RSU Scheme	0.188	11,990,050	0	0	11,990,050
Dr. Zhaopeng HU	April 30, 2020	10 years from the date of adoption of RSU Scheme	0.188	1,353,690	676,845	0	676,845
Other grantees in aggregate							
	April 30, 2020 and June 15, 2020	10 years from the date of adoption of RSU Scheme	Between 0.188 to 0.201	9,464,910 (1)	3,333,787	275,694 (2)	5,855,429
Total				22,808,650 (1)	4,010,632	275,694 (2)	18,522,324

Note:

(1) The Company had granted RSUs representing 22,866,920 Shares upon vesting under the RSU Scheme, among which RSUs representing 333,964 Shares upon vesting have been forfeited due to resignation of the relevant employees as of December 31, 2021.

(2) During the Reporting Period, 275,694 RSUs under the RSU Scheme had been forfeited due to resignation of the relevant employees and nil RSU had been canceled.

Save as disclosed above, no Share has been granted under the RSU Scheme throughout the year ended December 31, 2021.

2021 SHARE OPTION SCHEME

The 2021 Share Option Scheme was adopted by the Company on August 31, 2021 and amended from time to time. The purpose of the 2021 Share Option Scheme is to provide incentive or reward to the Directors and employees for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the Board may approve 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 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 Note 26(d) to the consolidated financial statements in this annual report.

The aggregate number of Shares which may be issued upon exercise of all options under the 2021 Share Option Scheme shall not, in aggregate, exceed 63,120,538 Shares. The aggregate number of Shares which may be issued upon exercise of all options under the 2021 Share Option Scheme and any new share option scheme of the Company which may be adopted hereinafter, shall not, in aggregate, exceed 10% of the total number of Shares in issue as of the date of adoption of the 2021 Share Option Scheme or any new share option scheme (as the case may be). The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

The 2021 Share Option Scheme became valid and effective for a period of 10 years commencing on the adoption date after which period no further options will be granted.

Principal Terms of the 2021 Share Option Scheme

Below is a summary of the terms of the 2021 Share Option Scheme:

(a) Purpose

The purpose of the 2021 Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the Board may approve from time to time.

(b) Eligible Persons

The eligible persons of 2021 Share Option Scheme include: (a) any employee of the Company or any of its subsidiaries; (b) any staff, advisor (professional or otherwise), constant, agent or business partner that the Company deems important to provide support to the Group; and (c) any director (including executive, non-executive and independent directors) of the Group. The basis of eligibility of any of the above classes of eligible person of 2021 Share Option Scheme to the grant of any Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

(c) Duration and Option Period

The 2021 Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on August 31, 2021, being the adoption date, after which period no further options shall be granted. The option shall be exercised in any event not later than the last day of the 10-year period after the date of grant of the option (subject to early termination due to the occurrences stipulated in relevant provisions in the 2021 Share Option Scheme, including, among others, (a) termination, expiry or no renewal of the grantee's employment contract; (b) retirement, death or becoming seriously ill or injured of the grantee which renders him/her unfit to continue performing the duties under the employment contract; and (c) conducting any act of grave misconduct or willful default or willful neglect in the discharge of his/her duties, carrying out fraudulent activity, appropriating assets of the Group, or seriously violating the agreements with the Group). Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiration of the 10 year period, the provisions of the 2021 Share Option Scheme shall remain in full force and effect.

(d) Maximum Number of Shares Available for Subscription

At the time of adoption of the 2021 Share Option Scheme or any new share option scheme, the aggregate number of Shares which may be issued upon exercise of all options to be granted under the 2021 Share Option Scheme and all new share option schemes (if any) existing at such time of the Company must not in aggregate exceed 10% of the total number of Shares in issue as of the date of adoption of the 2021 Share Option Scheme or the new scheme (as the case may be), namely, 63,120,538 Shares.

As of the date of this annual report, 49,069,977 Shares are available for issue under the 2021 Share Option Scheme, representing approximately 7.36% of the issued Shares of the Company.

(e) Maximum Entitlement of Each of Eligible Person

No Option shall be granted to any eligible person if, at the relevant time of grant, the number of relevant Shares underlying the options would exceed 1% of the total number of Shares in issue at such time within any 12-month period, unless approved by the Shareholders.

(f) Subscription Price

The price at which each Share subject to an option may be subscribed for on the exercise of that option shall be a price solely determined by the Board and notified to an eligible person of the 2021 Share Option Scheme and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of the Shares.

Outstanding Share Options

Details of the options granted under the 2021 Share Option Scheme as of December 31, 2021 are as follows:

Name of grantee	Date of grant	Option period	Vesting schedule and exercise period	Closing price of the Share immediately before the date of grant (HK$ per share)	Exercise price (HK$ per share)	Number of Shares underlying options granted as of January 1, 2021	Number of Shares underlying options granted as of December 31, 2021	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 December 31, 2021
Directors										
Mr. Ye LIU	July 2, 2021	10 years commencing on the adoption date	*Note 2*	HK$27.3	HK$27.43	0	8,668,000	0	0	8,668,000
Dr. Zhaopeng HU	September 30, 2021	10 years commencing on the adoption date	*Note 3*	HK$18.16	HK$19.07	0	150,000	0	0	150,000
Other grantees in aggregate (5)										
	September 30, 2021	10 years commencing on the adoption date	*Note 4*	HK$18.16	HK$19.07	0	5,393,812	0	161,251 (1)	5,232,561
Total						0	14,211,812	0	161,251 (1)	14,050,561

Notes:

(1) During the Reporting Period, 161,251 options under the 2021 Share Option Scheme had been forfeited due to resignation of the relevant employees and nil option had been canceled.

(2) The options under the 2021 Share Option Scheme granted to Mr. Ye LIU 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 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. Subject to the above, an option may be exercised by Mr. Ye LIU (or his personal representatives) at any time during the option period.

(3) The options under the 2021 Share Option Scheme granted to Dr. Zhaopeng HU 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 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. Subject to the above, an option may be exercised by Dr. Zhaopeng HU (or his personal representatives) at any time during the option period.

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

(5) 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 had been granted or agreed to be granted, exercised, canceled or lapsed under the 2021 Share Option Scheme throughout the year ended December 31, 2021.

2021 SHARE AWARD SCHEME

The 2021 Share Award Scheme was approved by the Company on July 2, 2021. The purpose of the 2021 Share Award Scheme is to align the interests of Directors and employees with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares and to encourage and retain Directors and employees to make contributions to the long-term growth and profits of the Group. Further details of the 2021 Share Award Scheme are set out in the circular of the Company dated August 11, 2021.

The 2021 Share Award Scheme became valid and effective for a period of 10 years commencing on July 2, 2021, after which period no further awards will be granted. The maximum number of award Shares to be issued, reserved and available for distribution under the 2021 Share Award Scheme will be 5% of the total number of Shares in issue from time to time during the award period of the 2021 Share Award Scheme.

Details of the awards granted under the 2021 Share Award Scheme as of December 31, 2021 are as follows:

Name of grantee	Date of grant	Valid period of the 2021 Share Award Scheme	Grant price (HK$ per share)	Number of Shares underlying awards granted as of January 1, 2021	Number of shares underlying awards granted as of December 31, 2021	Number of Shares underlying awards settled during the Reporting Period	Number of awards canceled/ forfeited/ lapsed during the Reporting Period	Number of Shares underlying awards granted remain valid as of December 31, 2021
Directors								
Mr. Ye LIU	July 2, 2021[2]	10 years commencing on the adoption date	0	0	13,002,000	0	0	13,002,000
Dr. Zhaopeng HU	July 2, 2021[3]	10 years commencing on the adoption date	0	0	150,000	0	0	150,000
Other grantees in aggregate [5]								
	September 30, 2021[4]	10 years commencing on the adoption date	0	0	5,393,812	0	161,251 [1]	5,232,561
Total			0	0	18,545,812	0	161,251 [1]	18,384,561

Notes:

(1) During the Reporting Period, 161,251 awards under the 2021 Share Awards Scheme had been forfeited due to resignation of the relevant employees and nil award had been canceled.

(2) The award Shares granted to Mr. Ye LIU 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.

(3) The award Shares granted to Dr. Zhaopeng HU 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.

(4) The vesting schedule for other grantees under the 2021 Share Award Scheme is the same as those of Dr. Zhaopeng HU's as set out in note (3) above.

(5) Other grantees are all employees of the Company (other than the Directors) who entered into valid employment contracts.

Save as disclosed above, no award has been granted or agreed to be granted, vested, canceled or lapsed under the 2021 Share Award Scheme throughout the year ended December 31, 2021.

EQUITY-LINKED AGREEMENTS

Share Incentive Schemes

Details of the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme are set out in the section headed "Report of Directors" on pages 55 to 63 of this annual report.

Issue of Warrants under the Warrant Subscription Agreement

On April 14, 2021, the Company and Alimera entered into an exclusive license agreement, a share purchase agreement and a warrant subscription agreement, pursuant to which Alimera agreed to grant the Group the licensed rights in relation to the licensed product in certain territories and to issue and sell 1,144,945 shares of Alimera for a total consideration of US$10 million. In consideration thereof, the Group agreed to pay US$10 million (equivalent to approximately RMB65,297,000) and issue 1,000,000 non-transferable warrants which would entitle Alimera to subscribe for up to 1,000,000 fully paid ordinary Shares at the exercise price of HK$23.88 per Share.

On August 13, 2021, in accordance with the terms and conditions of the warrant subscription agreement dated April 14, 2021, the Company issued 1,000,000 warrants at a nominal consideration of HK$1.00 to Alimera, conferring it rights to subscribe for an aggregate of 1,000,000 warrant Shares at the subscription price of HK$23.88 per Share during the period of 48 months commencing from the date of issue of the warrants. 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 Reporting Period.

Save as disclosed in this annual report, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Group, or existed during the year ended December 31, 2021.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2021.

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

Save as disclosed in "Use of Proceeds from Listing and Placing" in this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2021 and details of the Shares issued during the year ended December 31, 2021 are set out in Note 24 to the consolidated financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2021.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2021, the Group did not have any bank loans or other borrowings.

CONVERTIBLE BONDS

As of the date of this annual report, the Company has not issued any convertible bonds.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of the date of this annual report, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the controlling shareholders.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2021 (2020: nil).

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

As of December 31, 2021, the Company did not have any distributable reserves.

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity on page 76.

CHARITABLE DONATIONS

During the year ended December 31, 2021, the Group did not make any charitable donations (2020: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements.

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 the announcement of the Company dated September 11, 2020, respectively. As of December 31, 2021, such net proceeds were utilized as follows in accordance with the intended use:

Use of proceeds from Listing	Amount of net proceeds for planned applications *(HK$ million)*	Percentage of total net proceed *(%)*	Unutilized net proceeds as of December 31, 2020 *(HK$ million)*	Utilized net proceeds as of December 31, 2021 *(HK$ million)*	Unutilized net proceeds as of December 31, 2021 *(HK$ million)*	Expected time frame for unutilized amount
For the Core Product						
1. For funding 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%	174.37	55.79	141.78	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 2022
3. For the commercialization of OT-401	246.96	15.00%	246.96	46.27	200.69	by the end of 2023
For the other drug candidates, including OT-101, OT-301, OT-1001, OT-502,OT-202, OT-503 and OT-701						
1. For 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%	474.69	273.72	288.70	second half of 2023
2. For milestone payments of our other in-licensed drug candidates	96.15	5.84%	38.04	73.68	22.47	by the end of 2023
3. For the further expansion of our sales and marketing team	164.64	10.00%	164.64	46.27	118.37	by the end of 2023
For the acquisition of 100% equity interest in Suzhou Xiaxiang as disclosed in our announcement dated September 11, 2020	**164.64**	**10.00%**	**74.99**	**164.64**	**–**	**by the end of 2021**
For our working capital and other general corporate purposes	**164.64**	**10.00%**	**92.82**	**138.47**	**26.17**	**by the end of 2022**
Total	**1,646.41**	**100.00%**	**1,282.00**	**832.74**	**813.67**	

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

As of December 31, 2021, all the unused net proceeds are held by the Company in short-term deposits with licensed banks or authorized financial institutions.

Use of Proceeds from the Placing

On January 15, 2021, an aggregate of 28,000,000 placing Shares have been successfully placed by Morgan Stanley & Co. International plc to not less than six placees, who are professional investors and Independent Third Parties, at the placing price of HK$28.35 per Share in accordance with the placing and subscription agreement, and the placing and subscription of Shares have been completed on January 15, 2021 and January 22, 2021, respectively. The net price per Share for the subscription after deducting related fees and expenses is approximately HK$27.92 per Share. The subscription of Shares have a market value of approximately HK$834.4 million based on the closing price of HK$29.80 per Share as of January 12, 2021 and an aggregate nominal value of US$280.

The net proceeds arising from the placing and subscription amount approximately HK$781.7 million, of which the intended use was set out in the announcement of the Company dated January 22, 2021. The placing and subscription is being undertaken to strengthen the Group's financial position and for the long term funding of its business, expansion and growth plan. As of December 31, 2021, the net proceeds from placing and subscription were utilized as follows in accordance with the intended use:

Use of proceeds from placing and subscription	Amount of net proceeds for planned applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Utilized net proceeds as of December 31, 2021 *(HK$ million)*	Unutilized proceeds as of December 31, 2021 *(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%**	**–**	**234.51**	**by the end of 2025**
Funding of International multi-center clinical trials of the Company's therapies	**273.60**	**35%**	**45.76**	**227.84**	**by the end of 2023**
OT-702 (Eylea biosimilar)	99.66	12.75%	45.76	53.90	by the end of 2023
OT-301 (NCX-470)	50.03	6.40%	–	50.03	by the end of 2023
OT-101 (low-concentration atropine)	43.78	5.60%	–	43.78	by the end of 2024
OT-1001 (Zerviate)	30.10	3.85%	–	30.10	by the end of 2022
OT-202 (TKI)	50.03	6.40%	–	50.03	by the end of 2023
Building and development of new manufacturing facilities and equipment of Suzhou Xiaxiang and active pharmaceutical ingredients manufacturing facilities	**195.43**	**25%**	**193.26**	**2.17**	**by the end of 2022**
Other general corporate purposes	**78.17**	**10%**	**–**	**78.17**	**by the end of 2023**
Total	**781.70**	**100%**	**239.02**	**542.69**	

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

As of December 31, 2021, all the unused net subscription proceeds have been deposited into the bank account(s) maintained by our Group.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 33 to the consolidated financial statements.

EVENTS AFTER REPORTING PERIOD

On March 1, 2022, the Company entered into a series of cooperation arrangements with Viatris Pharmaceuticals Co., Ltd. ("**Viatris China**", a Chinese affiliate of Viatris Inc., a corporation incorporated and existing under the laws of the Delaware, the U.S., together with its affiliates, are collectively referred to as "**Viatris**"), pursuant to which the Group became the exclusive promoter to promote and market in hospitals nationwide in the PRC two ophthalmic drugs of Viatris, namely Xalatan and Xalacom, and will charge Viatris China promotion service fees. The initial term of the promotion arrangement is from March 1, 2022 to December 31, 2026, with conditional automatic renewal. Reciprocally, Viatris China became the exclusive distributor to distribute, promote and market the Company's sodium hyaluronate eye drops in the out-of-hospital distribution and retail drug markets in the PRC, and will charge the Company relevant fees during a period. The initial term of the distribution arrangement is from March 1, 2022 to December 31, 2026, with conditional automatic renewal. For details, please refer to the Company's announcement dated March 1, 2022.

Saved as disclosed herein, there was no event which has occurred after the year ended December 31, 2021 and up to the date of this annual report that would cause material impact on the Group.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time of convening the AGM as soon as practicable and in accordance with the Listing Rules. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules and the Articles of Association in due course. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of the Company in the notice of the AGM.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 31 to 45 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available and within the knowledge of the Directors, the Company maintained the prescribed public float as required under the Listing Rules as of the date of this annual report.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands where the Company is incorporated which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

AUDITORS

The Shares were listed on the Stock Exchange on July 10, 2020, and the Company has no change in auditors since the Listing Date. The consolidated financial statements for the year ended December 31, 2021 have been prepared by Deloitte Touche Tohmatsu, the auditor of the Company, who will retire at the conclusion of the AGM and being eligible, offer themselves for reappointment. A resolution for the re-appointment of by Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the AGM.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

All references above to other sections, reports or notes in this report form part of this annual report.

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

Shanghai, the People's Republic of China, March 25, 2022

Deloitte. 德勤

TO THE SHAREHOLDERS OF OCUMENSION THERAPEUTICS
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ocumension Therapeutics (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 74 to 151 which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development expenses	
The Group incurred significant research and development ("R&D") expenses of RMB385 million (2020: RMB355 million) (before capitalization) for the year ended December 31, 2021. In addition, R&D expenses of RMB76 million (2020: RMB35 million) were accrued as at December 31, 2021 as set out in note 22 to the consolidated financial statements. A large portion of these R&D expenses were service fees paid to outsourced service providers including contract research organisations ("CRO") and clinical trial sites (collectively referred to as the "Outsourced Service Providers"). We identified the cut-off of R&D expenses as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.	Our procedures in relation to the cut-off of the R&D expenses included: • Obtaining an understanding of key controls of the management in assessing and recording of the accrual of the R&D expenses, with the Outsourced Service Providers; • For the service fees paid to CRO, reading the key terms set out in service agreements and evaluating the completion status with reference to the progress reported by relevant CRO's representatives, on a sample basis, to determine whether the service fees were properly recorded according to the progress and/or relevant milestones achieved; • For the service fees paid to clinical trial centres, testing the accrual of the R&D expenses, on a sample basis, with reference to the supporting clinical trial data and terms of services.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Li Fung Tun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 25, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	NOTES	**2021** **RMB'000**	2020 *RMB'000*
Revenue	*5*	**56,146**	13,096
Cost of sales		**(19,211)**	(1,724)
Gross profit		**36,935**	11,372
Other income	*6*	**27,589**	19,271
Other expenses		**(160)**	(1,753)
Other gains and losses	*7*	**112,403**	(1,789,480)
Selling and marketing expenses		**(127,647)**	(50,729)
Research and development expenses		**(169,055)**	(179,550)
Administrative expenses		**(126,159)**	(232,811)
Listing expenses		**–**	(41,127)
Share of results of an associate		**(13,331)**	–
Finance costs	*8*	**(567)**	(59)
Loss for the year	*9*	**(259,992)**	(2,264,866)
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		**(305)**	–
		(305)	–
Total comprehensive expense for the year		**(260,297)**	(2,264,866)
Loss per share			
– Basic and diluted (RMB)	*13*	**(0.43)**	(7)

Consolidated Statement of Financial Position

At December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	14	**346,411**	66,085
Right-of-use assets	15	**19,451**	15,940
Intangible assets	16	**709,973**	201,652
Equity instruments at FVTOCI	17	**272,401**	–
Deposits and prepayments	18	**148,250**	212,481
		1,496,486	496,158
Current assets			
Inventories	19	**4,993**	3,027
Trade and other receivables	18	**44,353**	48,558
Bank balances and cash	21	**1,785,221**	2,051,819
		1,834,567	2,103,404
Current liabilities			
Trade and other payables	22	**211,668**	89,998
Lease liabilities	23	**4,186**	1,927
		215,854	91,925
Net current assets		**1,618,713**	2,011,479
Total assets less current liabilities		**3,115,199**	2,507,637
Non-current liability			
Lease liabilities	23	**7,026**	5,309
		7,026	5,309
Net assets		**3,108,173**	2,502,328
Capital and reserves			
Share capital	24	**46**	41
Reserves		**3,108,127**	2,502,287
Total equity		**3,108,173**	2,502,328

The consolidated financial statements on pages 74 to 151 were approved and authorised for issue by the board of directors on March 25, 2022 and signed on its behalf by:

Ye Liu
DIRECTOR

Zhaopeng Hu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Share capital RMB'000 (note 24)	Share premium RMB'000	Other reserves RMB'000 (note)	Treasury share held in the trust RMB'000	FVTOCI revaluation reserve RMB'000	Share-based payment reserve RMB'000 (note 26)	Accumulated losses RMB'000	Total RMB'000
At January 1, 2020	4	2,091	(586,571)	–	–	35,907	(1,519,919)	(2,068,488)
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(2,264,866)	(2,264,866)
Issuance of treasury shares hold in the trust (note 24)	2	–	–	(2)	–	–	–	–
Vesting of restricted ordinary share	–	1,384	–	–	–	(1,384)	–	–
Automatic conversion of preferred shares upon initial public offering ("IPO") (note 24)	27	5,013,266	–	–	–	–	–	5,013,293
Issue of shares pursuant to IPO (note 24)	7	1,401,484	–	–	–	–	–	1,401,491
Issue of shares by exercise of over-allotment option (note 24)	1	209,647	–	–	–	–	–	209,648
Transaction costs attributable to issuance of new shares	–	(82,338)	–	–	–	–	–	(82,338)
Recognition of equity-settled share-based payments (note 26)	–	–	–	–	–	293,588	–	293,588
Forfeited equity-settled share-based payments	–	–	–	–	–	(225)	225	–
At December 31, 2020	41	6,545,534	(586,571)	(2)	–	327,886	(3,784,560)	2,502,328
Loss for the year	–	–	–	–	–	–	(259,992)	(259,992)
Other comprehensive expense for the year	–	–	–	–	(305)	–	–	(305)
Total comprehensive expense for the year	–	–	–	–	(305)	–	(259,992)	(260,297)
Issuance of ordinary shares (note 24)	2	663,296	–	–	–	–	–	663,298
Transaction costs attributable to issuance of new shares	–	(10,109)	–	–	–	–	–	(10,109)
Exercise of share options granted	2	125,388	–	–	–	(108,853)	–	16,537
Exercise of restricted share units ("RSUs")	–	31,598	–	*	–	(26,702)	–	4,896
Vesting of restricted ordinary shares	–	1,153	–	–	–	(1,153)	–	–
Purchase of shares via a trust (note 24)	–	(1,388)	–	*	–	–	–	(1,388)
Issuance of treasury shares hold in the trust (note 24)	1	–	–	(1)	–	–	–	–
Recognition of equity-settled share-based payments (note 26)	–	–	–	–	–	188,116	–	188,116
Grant of warrants (note 25)	–	–	4,792	–	–	–	–	4,792
Forfeited equity-settled share-based payments	–	–	–	–	–	(3)	3	–
At December 31, 2021	46	7,355,472	(581,779)	(3)	(305)	379,291	(4,044,549)	3,108,173

Note: Other reserves included 1) effect of put option granted to Suzhou Frontline BioVentures Venture Capital Fund II L.P. and Suzhou 6 Dimensions Venture Capital Partnership L.P. (collectively referred to as the "Onshore Investors") to convert their equity interests in a subsidiary to Ocumension Therapeutics (the "Company") preferred shares ("Share Purchase Option"); 2) differences between the carrying amounts of net assets attributable to the additional non-controlling interests at the date of issuance of subsidiary's equity and the relevant proceeds received; 3) deemed capital contribution upon granting of restricted shares or options to employees of subsidiary attributable to non-controlling interests; 4) effect of exercise of put option granted to non-controlling shareholders; 5) effect of deemed distribution of offshore investors arose from the difference between the fair value of the series A preferred shares at the date of issuance and the consideration received by the Company; and 6) warrants granted to Alimera Sciences Inc. ("Alimera") to subscribe the ordinary shares of the Company.

* Represented the relevant amount less than RMB1,000.

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	NOTE	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Loss for the year		**(259,992)**	(2,264,866)
Adjustments for:			
Loss on changes in fair value of financial liabilities at FVTPL		**–**	1,694,543
Bank interest income		**(26,885)**	(14,251)
Share of results of an associate		**13,331**	–
Depreciation of property, plant and equipment		**2,300**	1,714
Depreciation of right-of-use assets		**4,280**	1,465
Amortization of intangible assets		**7,318**	1,473
Financial costs		**567**	59
Share-based payments		**188,116**	293,588
Gain from changes in fair value of other financial assets		**(10,622)**	(7,630)
Other gains related to EyePoint Pharmaceuticals, Inc. ("EyePoint")		**(100,621)**	–
Gain on acquisition of an equity instrument at FVTOCI		**(14,534)**	–
Net unrealized foreign exchange loss		**35,391**	103,642
Operating cash flow before movements in working capital		**(161,351)**	(190,263)
Increase in trade and other receivables		**(31,147)**	(28,135)
Increase in inventories		**(1,966)**	(2,768)
(Decrease)/Increase in trade and other payables		**(2,385)**	8,592
NET CASH USED IN OPERATING ACTIVITIES		**(196,849)**	(212,574)
INVESTING ACTIVITIES			
Interest received from banks		**23,091**	2,127
Placement of pledged bank deposits		**(20,000)**	(17,500)
Release of pledged bank deposits		**17,500**	–
Placement of term deposits		**(1,130,000)**	–
Release of term deposits		**490,000**	564,674
Payment for rental deposits		**(6,058)**	(905)
Refund of rental deposits		**970**	–
Payment for property, plant and equipment		**(195,370)**	(50,167)
Payment of intangible assets		**(469,439)**	(254,442)
Redemption of other financial assets		**1,955,622**	1,832,083
Placement of other financial assets		**(1,945,000)**	(1,326,800)
Prepayment for investment of EyePoint		**–**	(102,472)
Payment for acquisition of Suzhou Xiaxiang Biomedicine Co., Ltd. ("Suzhou Xiaxiang")	*30*	**–**	(16,902)
Payment for investment in an equity instrument at FVTOCI		**(67,561)**	–
Payment for investment in an associate		**(848)**	–
Collection of withholding tax receivables from employees		**1,803**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(1,345,290)**	629,696

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	NOTE	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**663,298**	–
Proceeds from exercise of share options granted		**16,537**	–
Proceeds from exercise of RSUs		**4,896**	–
Payment of transaction costs attributable to the issuance of new shares		**(10,109)**	–
Payment on purchase of shares via a trust		**(1,388)**	–
Issuance of shares pursuant to IPO		**–**	1,401,491
Issuance of shares by exercise of over-allotment option		**–**	209,648
Payment of transaction costs attributable to IPO		**–**	(82,338)
Payment of lease liabilities		**(3,815)**	(1,382)
Interest paid		**(567)**	(59)
NET CASH FROM FINANCING ACTIVITIES		**668,852**	1,527,360
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(873,287)**	1,944,482
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,034,319**	192,404
Effects of exchange rate changes		**(35,811)**	(102,567)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*21*	**1,125,221**	2,034,319

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") effective from July 10, 2020. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company (together with its subsidiaries, collectively referred to as the "Group") is a specialty biopharmaceutical platform company committed to discovering (through either in-licensing or self-development), developing and commercializing innovative and best-in-class therapies for ophthalmic patients in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2

In addition, the Group also applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realizable value of inventories.

The application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 16	Property, Plant and Equipment-Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after January 1, 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 April 2021.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

Upon the application of the amendments, the Group will recognize 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 utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB10,987,000 and RMB11,212,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of accumulated losses (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment* ("IFRS 2"), leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income (expense) from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income (expense) are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income (expense) of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income (expense) of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income (expense) are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in an associate (continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9 *Financial instruments* ("IFRS 9"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income (expense) in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income (expense) by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a license that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a license that is distinct from other promised goods or services, the nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a license as a performance obligation satisfied over time. Otherwise, the Group considers the grant of license as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the license is granted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

The Group shall recognise revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office equipment and property that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-valued assets. Lease payments on short-term leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leasing (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leasing (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivables, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages, salaries and annual leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Share-based payments

Equity-settled share-based payment transactions

Share options/restricted ordinary shares/RSUs/share awards granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

When share options and RSUs are exercised or the restricted ordinary share and share awards are vested, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options, RSUs and share awards are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income (expense) or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income (expense) as directly in equity, respectively.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property and plant in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of assets other than those under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets not yet available for use are not amortized but tested individually for impairment annually and carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), or the same basis as intangible assets that are acquired separately.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible asset are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligations.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking in to account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the presented value of those cash flows (where the effect for the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All the financial assets are subsequently measured at fair value, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (expense) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* ("IFRS 3") applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income (expense) and accumulated in "FVTOCI revaluation reserve"; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under an expected credit loss ("ECL") model on financial assets (including trade and other receivables and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting dates to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income (expense) would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income (expense) are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortized cost

Financial liabilities including trade and other payables are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of the reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at each end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Warrants

Warrants issued as consideration for assets with parties other than employees are equity settled share-based payments transaction measured in accordance with IFRS 2. The fair value of warrants granted are measured at the fair value of the assets received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of equity instruments granted, measured at the date the entity obtains the assets, with a corresponding increase in equity (other reserve).

When the warrants are exercised, the amount previously recognised in other reserve will be transferred to share premium. When the warrants are not exercised at the expiry date, the amount previously recognised in other reserve will be transferred to accumulated losses.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalization.

During the year ended December 31, 2021, development costs amounted to RMB216 million (2020: RMB176 million) have been capitalized and research and development expenses amounted to RMB169 million (2020: RMB180 million) are expensed when incurred.

Key source of estimation uncertainty

The key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting periods, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment assessment of intangible assets not yet available for use

Intangible assets not yet available for use are stated at cost less accumulated amortization and impairment, if any. For intangible assets not yet available for use, the Group would assess the assets individually for impairment annually. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amount including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Changing the assumptions and estimates, including the discount rates, estimated revenue or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

Key source of estimation uncertainty (continued)

Impairment assessment of intangible assets not yet available for use (continued)

As at December 31, 2021, the carrying amounts of license rights and capitalized development costs not yet available for use is RMB461 million (2020: RMB176 million). Details of the assessment of impairment of intangible assets not yet available for use are disclosed in note 16.

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

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

	2021 ***RMB'000***	2020 *RMB'000*
Timing of revenue recognition		
At a point in time		
Sales of ophthalmic products	**43,627**	9,093
Pharmaceutical products promotion services	**1,324**	4,003
Sales-based royalty income	**11,195**	–
	56,146	13,096

(ii) Performance obligations for contracts with customers

Sales of ophthalmic products

For the sale of ophthalmic products, revenue is recognised 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 recognised 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.

5. REVENUE AND SEGMENT INFORMATION (continued)

(ii) Performance obligations for contracts with customers (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 to arrange for sales and delivery of pharmaceutical products supplied by another parties. In this regards, the Group does not control the products provided by another party before those goods sold and delivered to customers. Accordingly, revenue is recognised at a point in time when the Group satisfies its obligation to arrange for sales and delivery of pharmaceutical products pursuant to the service contracts. The normal credit term is 30 days upon delivery. Payment for services is not due from the customer until the Group's customer has received settlements for its sales and therefore a contract asset is recognised at the point of time in which the services are performed. No further obligation is bear 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 recognised 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.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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.

Geographical information

All revenue from external customers is attributed to the Group and all non-current assets of the Group are located in the PRC.

5. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are as follows:

	2021 RMB'000	2020 RMB'000
Customer A (note i)	**11,195**	–
Customer B (note ii)	*	4,003
Customer C (note iii)	**11,972**	3,839
Customer D (note iii)	**7,771**	3,275
Customer E (note iii)	**7,800**	*

Notes:

(i) Revenue on sales-based royalty income

(ii) Revenue on pharmaceutical product promotion services

(iii) Revenue on sales of ophthalmic products

* The relevant amount is less than 10% of the total sales of the Group.

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Bank interest income	**26,885**	14,251
Government grant income (note)	**382**	5,020
Others	**322**	–
	27,589	19,271

Note:

Government grants include subsidies from the PRC government which are specifically for the incentive and other subsidies for IPO, research and development activities, employment support and training, which are recognised upon compliance with attached conditions.

7. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Gain from changes in fair value of other financial assets	**10,622**	7,630
Other gains related to EyePoint (note a)	**100,621**	–
Gain on acquisition of an equity instrument at FVTOCI (note b)	**14,534**	–
Loss on changes in fair value of financial liabilities at FVTPL (note c)	**–**	(1,694,543)
Net foreign exchange loss	**(13,374)**	(102,567)
	112,403	(1,789,480)

Notes:

(a) The other gains related to EyePoint are summarised as follows:

	2021 RMB'000	2020 RMB'000
Gain on acquisition of an associate (note i)	**25,941**	–
Gain on dilution on shares of an associate (note ii)	**29,440**	–
Gain on deemed disposal of an associate (note iii)	**45,240**	–
	100,621	–

i) The gain on acquisition of an associate represented the gain resulting from the acquisition on the shares of EyePoint, which is the difference between the acquisition date market quoted prices and the agreed subscription prices of shares.

ii) The gain on dilution on shares of an associate represented the gain as a result of the share allotment and issue of new shares by EyePoint, which decreased the proportionate ownership interests held by the Group.

iii) The gain on deemed disposal of an associate represented the gain as a result of the loss of significant influence over EyePoint as disclosed in note 17, which is the difference between the carrying amount of the associate and the fair value of the retained interest in EyePoint.

(b) The gain on acquisition of an equity instrument at FVTOCI represented the gain resulting from the acquisition on the shares of Alimera, which is the difference between the acquisition date market quoted prices and the agreed subscription prices of shares.

(c) Loss on changes in fair value of financial liabilities at FVTPL represented the changes in the fair value of the Series A and Series B Preferred Shares (the "Preferred Shares") charged to profit or loss during the year ended December 31, 2020. Details of the key terms and fair value movement of Preferred Shares for the year ended December 31, 2020, were set out in note 23 of consolidated financial statements presented in the annual report 2020 dated March 19, 2021. All issued Preferred Shares were automatically converted into 378,915,070 ordinary shares upon the successful IPO of shares of the Company on July 10, 2020, taking into account the Sub-division as defined in note 24.

8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expense on lease liabilities	**567**	59

9. LOSS BEFORE TAX

	2021 RMB'000	2020 RMB'000
Loss before tax for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**132,113**	171,176
Other Staff costs:		
– salaries and other benefits	**64,506**	48,187
– discretionary bonus (note)	**32,664**	10,482
– retirement benefit scheme contributions	**5,417**	161
– share-based payments	**63,723**	129,641
Total staff costs	**166,310**	188,471
Depreciation of property, plant and equipment	**2,300**	1,714
Depreciation of intangible assets	**7,318**	1,473
Depreciation of right-of-use assets	**4,280**	1,465
Cost of inventory recognised as an expense	**12,516**	1,724
Write-down of inventories	**–**	117
Auditor's remuneration:		
– audit-related service	**3,012**	2,550
– IPO-related service	**–**	5,683
– non-audit related service	**1,396**	1,690
	4,408	9,923

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

10. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands and is exempted from income tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated profits, Ocumension (Hong Kong) Limited ("Ocumension Hong Kong") did not have tax assessable profit for both years.

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC, the applicable tax rate of the PRC subsidiary is 25% for both years.

The tax charge for the reporting period can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Loss before tax	**(259,992)**	(2,264,866)
Tax charge at PRC EIT rated 25%	**(64,998)**	(566,217)
Tax effect of expense not deductible for tax purpose	**24,481**	541,857
Tax effect of tax losses not recognised	**40,909**	23,600
Tax effect of deductible temporary differences not recognised	**(392)**	760
Tax charge for the year	**–**	–

At December 31, 2021, the Group has unrecognised deductible temporary differences of RMB3,368,000 (2020: RMB4,936,000). In the opinion of the directors of the Company, no deferred tax asset is recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At December 31, 2021, the Group has unrecognised tax losses of approximately RMB331,988,000 (2020: RMB168,352,000). No deferred tax asset has been recognised in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

10. INCOME TAX EXPENSE (continued)

The unrecognised tax losses will be carried forward and expire in years as follows:

	2021 *RMB'000*	2020 *RMB'000*
2023	**3,905**	3,905
2024	**46,268**	46,268
2025	**118,179**	118,179
2026	**163,636**	–
	331,988	168,352

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Discretionary bonus *RMB'000*	Total *RMB'000*
For the year ended December 31, 2021					
Executive directors:					
Mr. Ye Liu					
(Chief Executive Officer) (note ii)	**–**	**3,506**	**–**	**1,391**	**4,897**
Dr. Zhaopeng Hu (note iii)	**–**	**1,831**	**53**	**192**	**2,076**
Non-executive directors:					
Dr. Lian Yong Chen					
(Chairman of the Board) (note i)	**–**	**–**	**–**	**–**	**–**
Dr. Wei Li (note i)	**–**	**–**	**–**	**–**	**–**
Mr. Yanling Cao	**–**	**–**	**–**	**–**	**–**
Mr. Lefei Sun (note iv)	**–**	**–**	**–**	**–**	**–**
Ms. Yumeng Wang (note v)	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors:					
Mr. Ting Yuk Anthony Wu (note vi)	**415**	**–**	**–**	**–**	**415**
Mr. Lianming He (note vi)	**166**	**–**	**–**	**–**	**166**
Mr. Yiran Huang (note vi)	**166**	**–**	**–**	**–**	**166**
	747	**5,337**	**53**	**1,583**	**7,720**

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Discretionary bonus *RMB'000*	Total *RMB'000*
For the year ended December 31, 2020					
Executive directors:					
Dr. Lian Yong Chen (Chairman of the Board) (note i)	–	–	–	–	–
Mr. Ye Liu (Chief Executive Officer) (note ii)	–	3,000	–	2,375	5,375
Dr. Zhaopeng Hu (note iii)	–	1,139	–	181	1,320
Dr. Wei Li (note i)	–	–	–	–	–
Non-executive directors:					
Mr. Yanling Cao	–	–	–	–	–
Mr. Lefei Sun (note iv)	–	–	–	–	–
Ms. Ye Shen (note iv)	–	–	–	–	–
Independent non-executive directors:					
Mr. Ting Yuk Anthony Wu (note vi)	178	–	–	–	178
Mr. Lianming He (note vi)	178	–	–	–	178
Mr. Yiran Huang (note vi)	178	–	–	–	178
	534	4,139	–	2,556	7,229

Notes:

i. On April 28, 2020, Dr. Lian Yong Chen and Dr. Wei Li previously appointed as non-executive directors of the Company were re-designated as executive directors of the Company. On July 20, 2021, Dr. Lian Yong Chen and Dr. Wei Li were re-designated from executive directors to non-executive directors of the Company. Dr. Lian Yong Chen was also appointed as the Chairman of the Board on April 28, 2020.

ii. Mr. Ye Liu was granted with share options, restricted ordinary shares, RSUs and share awards in respect of his service to the Group. During the year ended December 31, 2021, RMB119,788,000 (2020: RMB154,657,000) was recognised as share-based payments in the consolidated statement of profit or loss and other comprehensive income. Details are set out in note 26.

iii. Dr. Zhaopeng Hu was appointed as executive director of the Company on April 24, 2020. During the year ended December 31, 2021, RMB4,605,000 (2020: RMB9,290,000) was recognised as share-based payments in the consolidated statement of profit or loss and other comprehensive income.

iv. Ms. Ye Shen resigned as non-executive director of the Company on April 24, 2020. Mr. Lefei Sun was appointed as non-executive director of the Company on April 24, 2020 and resigned on March 19. 2021.

v. Mrs. Yumeng Wang was appointed as a non-executive director of the Company on March 19, 2021.

vi. Mr. Ting Yuk Anthony Wu, Mr. Lianming He and Mr. Yiran Huang were appointed as independent non-executive directors of the Company on June 23, 2020.

The executive directors' emoluments shown above were for their services as directors of the Company in connection with the management of the affairs of the Company and Group.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Ye Liu is also the chief executive of the Company, and his emoluments disclosed above included those services rendered by him as the chief executive.

Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

There were no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during both years.

Five highest paid employees

The five highest paid individuals of the Group during the year included two directors (2020: two directors) of the Company, details of whose remuneration are set out above. Details of the remunerations for the years of the remaining three (2020: three) highest paid in employees who are neither a director nor chief executive of the Company are as follow:

	2021 *RMB'000*	2020 *RMB'000*
Salaries and other benefits	**3,681**	3,256
Discretionary bonus (note)	**1,815**	1,029
Retirement benefit scheme contributions	**113**	8
Share-based payments	**23,595**	59,382
	29,204	63,675

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The emoluments of these employees (excluding two directors (2020: two directors)) are within the following bands:

	Number of individuals	
	2021 ***No. of employees***	2020 *No. of employees*
Hong Kong Dollars ("HK$") 6,500,001 to HK$7,000,000	**1**	–
HK$11,000,001 to HK$11,500,000	**1**	–
HK$11,500,001 to HK$12,000,000	–	1
HK$17,500,001 to HK$18,000,000	**1**	–
HK$29,000,001 to HK$29,500,000	–	1
HK$30,000,001 to HK$30,500,000	–	1
	3	3

12. DIVIDENDS

No dividend was paid or declared during the year ended December 31, 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

13. 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:

	2021	2020
Loss:		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	**(259,992)**	(2,264,866)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	**607,143,512**	302,348,710

The computation of basic and diluted loss per share for the reporting period excluded the unvested restricted ordinary shares of the Company (note 26), the shares held by Coral Inventivization Limited ("Coral Inventivization") for unexercised awarded restricted share units (note 24) and the shares held by Computershare Hong Kong Trustees Limited ("Computershare") for unvested share awards (note 24).

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for both years are calculated based on the assumption that the sub-division of shares as disclosed in note 24 had been effected since January 1, 2020.

The computation of diluted loss per share for December 31, 2021 did not assume the exercise of share options and RSUs, the vesting of restricted ordinary shares and share awards and the exercise of warrants since their assumed exercise would result in a decrease in loss per share.

The computation of diluted loss per share for December 31, 2020 did not assume the conversion of preferred shares, the exercise of share options and RSUs, over-allotment option before exercise and the vesting of restricted ordinary shares since their assumed conversion or exercise would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Construction in process *RMB'000*	Total *RMB'000*
COST				
At January 1, 2020	484	560	–	1,044
Additions	1,710	6,284	50,955	58,949
Acquired on acquisition of Suzhou Xiaxiang (note 30)	–	–	8,071	8,071
At December 31, 2020	2,194	6,844	59,026	68,064
Additions	1,418	3,257	277,951	282,626
At December 31, 2021	**3,612**	**10,101**	**336,977**	**350,690**
DEPRECIATION				
At January 1, 2020	192	73	–	265
Provided for the year	988	726	–	1,714
At December 31, 2020	1,180	799	–	1,979
Provided for the year	644	1,656	–	2,300
At December 31, 2021	**1,824**	**2,455**	**–**	**4,279**
CARRYING VALUES				
At December 31, 2021	**1,788**	**7,646**	**336,977**	**346,411**
At December 31, 2020	1,014	6,045	59,026	66,085

The above items of property, plant and equipment except for construction in process, after taking into account of the residual value, are depreciated on a straight-line basis at the following rate per annum:

Leasehold improvement	Over the shorter of the terms of the leases or 5 years
Furniture, fixtures and equipment	10-33%

Construction in process mainly relates to the manufacture site in Suzhou.

15. RIGHT-OF-USE ASSETS

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount		
Vehicles	–	10
Properties	**10,987**	7,206
Leasehold lands	**8,464**	8,724
	19,451	15,940
Depreciation for the year		
Vehicles	**11**	128
Properties	**4,010**	1,251
Leasehold lands	**259**	86
	4,280	1,465
Expense relating to short-term and low-value assets leases	**2,050**	1,542
Total cash outflow for leases	**6,432**	2,983
Additions to right-of-use assets	**7,791**	16,169

Note: Included in additions to right-of-use assets amounted of RMB8,810,000 are the acquisition of a leasehold land in the PRC through acquisition of Suzhou Xiaxiang (note 30) for the year ended December 31, 2020.

For both years, the Group leases various properties, office equipment and vehicles for its operations. Lease contracts are entered into for fixed term of 1 month to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension or termination options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group entered into short-term leases for office equipment and apartments. As at December 31, 2021 and 2020, the outstanding lease commitment relating to these vehicles and departments are RMB586,000 and RMB422,000 respectively.

As at December 31, 2021, the Group entered into a new lease for office department that have not yet commenced, with average non-cancellable period 3.5 years, the total future undiscounted cash flows over the non-cancellable period amounted to RMB32,070,000 (2020: nil).

In addition, lease liabilities of RMB11,212,000 are recognised with related right-of-use assets of RMB10,987,000 as at December 31, 2021 (2020: lease liabilities of RMB7,236,000 and related right-of-use assets of RMB7,206,000). The lease agreements do not impose any covenants other than the security interests in the leased assets are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16. INTANGIBLE ASSETS

	Software license RMB'000	License rights and capitalized development costs RMB'000	Total RMB'000
COST			
At January 1, 2020	–	25,000	25,000
Additions	2,249	175,876	178,125
At December 31, 2020	2,249	200,876	203,125
Additions	2,576	513,063	515,639
At December 31, 2021	**4,825**	**713,939**	**718,764**
AMORTIZATION			
At January 1, 2020	–	–	–
Charge for the year	84	1,389	1,473
At December 31, 2020	84	1,389	1,473
Charge for the year	623	6,695	7,318
At December 31, 2021	**707**	**8,084**	**8,791**
CARRYING VALUES			
At December 31, 2021	**4,118**	**705,855**	**709,973**
At December 31, 2020	2,165	199,487	201,652

Except for certain license rights and capitalized development costs not yet available for use, intangible assets are amortized on a straight-line basis over the following periods:

License rights	15-18 years
Software license	5 years

16. INTANGIBLE ASSETS (Continued)

For the year ended December 31, 2021, the additions in license rights and capitalized development costs include the followings.

On April 14, 2021, the Company completed the acquisition of a license right from Alimera in relation to the licensed products in certain territories. In consideration on the acquisition, the Group paid US$10,000,000 (equivalent to approximately RMB64,934,000) and issued 1,000,000 non-transferable warrants valued at RMB4,792,000 to Alimera as disclosed in note 25. For details of acquisition of a license right from Alimera, please refer to the Company's announcement on April 14, 2021.

On August 24, 2021, the Company entered into the asset purchase agreement with Novartis AG ("Novartis") to acquire marketing authorizations and intellectual properties related to two products in the PRC at a cash consideration of US$35,000,000 (equivalent to approximately RMB227,391,000). For details of acquisition of licensed rights from Novartis, please refer to the Company's announcement on August 24, 2021.

The Group incurred costs in developing of its products and certain of the payments amounting to RMB215,946,000 have been recognised as intangible assets as the relevant pipelines have met the capitalization criteria in accordance with IAS 38 *Intangible Assets*.

As at December 31, 2021, the management determined that there is no impairment on the licensed rights and development costs not yet available for use with the carrying amount of RMB460,548,000 (2020: RMB175,875,000). Management believes that any reasonably possible change in any of the key assumptions would not cause the recoverable amounts to be lower than their carrying amounts.

17. EQUITY INSTRUMENTS AT FVTOCI

	2021 ***RMB'000***	2020 *RMB'000*
Listed equity securities in the United States of America ("US")	**272,401**	–

The above listed equity investments represent ordinary shares of listed equities in the US, EyePoint (NASDAQ: EYPT) and 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 recognising 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 realizing their performance potential in the long run.

Included in listed equity investments above is the Group's investment in EyePoint with a carrying amount of RMB234,953,000 as at December 31, 2021 (December 31, 2020: nil). On December 31, 2020 (US Time) (which was January 1, 2021 China time), the Company completed the subscription of 3,010,722 EyePoint shares for a total consideration of approximately US$15,704,829 (equivalent to approximately RMB102,472,000). Upon completion of the subscription of the shares on January 1, 2021, the Group held approximately 16.6% of the enlarged total outstanding shares of EyePoint and the Chief Executive Officer (the "CEO") of the Company, was appointed as a board director of EyePoint and a member of the board on science committee. The board of directors in EyePoint has authorised the science committee to exercise the powers over the decision-making of key strategic and tactical issues relating to EyePoint's research and development ("R&D") activities. Considering the power to participate in the financial and operating policy decisions, the directors of the Company consider that the Group had significant influence over EyePoint and the investment was therefore classified as an associate of the Group.

17. EQUITY INSTRUMENTS AT FVTOCI (continued)

Subsequent to the subscription of shares, 1) as a result of share allotment and issue of new ordinary shares by EyePoint, the Group's shareholding in EyePoint was diluted from 16.6% to 10.5%, which resulted in a gain on dilution of shares of RMB29,440,000; and 2) the CEO of the Company resigned as a member of science committee of EyePoint on April 23, 2021. The directors of the Company considered the Group has lost its significant influence on EyePoint due to the loss of the power to participate in the financial and operating policy decisions of EyePoint. The loss of significant influence over EyePoint is regarded as deemed disposal of the Group's associate and EyePoint became an equity instrument at FVTOCI of the Group. The Group had accounted for its investment in EyePoint using the equity method of accounting before the deemed disposal, and accounted for it as equity instrument at FVTOCI using quoted price of the investment. Difference between the carrying amount of investment in an associate and fair value of shares of EyePoint resulted in the Group recognising a gain of RMB45,240,000 in profit or loss. For details of investment in EyePoint, please refer to the Company's announcement on January 4, 2021.

For the year ended December 31, 2021, the fair value loss on investments in equity instruments at FVTOCI were recognised in other comprehensive expense amounted to approximately RMB305,000 (December 31, 2020: nil), which consisted of the fair value gain on Eyepoint of approximately RMB44,342,000 and fair value loss on Alimera of approximately RMB44,647,000.

Details of fair value measurement are set out in note 32.

18. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Trade receivables	**18,509**	7,810
Prepayments for		
– R&D expenses for projects (note a)	**93,848**	108,593
– acquisition of property, plant and equipment	**18,182**	19,059
– selling and marketing expenses	**5,063**	–
– investment in EyePoint (note b)	**–**	102,472
Utility and rental deposits	**7,092**	2,003
Interest receivable	**4,103**	309
Value added tax recoverable	**41,071**	11,937
Withholding tax receivables from employees (note c)	**–**	1,803
Government subsidy receivables (note d)	**–**	5,000
Others	**4,735**	2,053
	192,603	261,039
Analysis as:		
Current assets	**44,353**	48,558
Non-current assets (note e)	**148,250**	212,481
	192,603	261,039

Notes:

a) The Company made prepayments for R&D expenses for projects carried out by collaborators or contracted research organisations. Certain of the payments will be recognised 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) On December 31, 2020 (US time) (which is January 1, 2021 China time), the Company executed an agreement to subscribe, 3,010,722 EyePoint (NASDAQ: EYPT) shares for a total consideration of approximately US$15,704,829 (equivalent to approximately RMB102,472,000.) The Company hold approximately 16.6% of the enlarged total outstanding shares of EyePoint. As of December 31, 2020, the Company made prepayments for the aforesaid investment. The transaction was completed on January 1, 2021 China time.

c) During the year ended December 31, 2020, the directors of the Company approved the acceleration of the share options for the employees and therefore, receivables of the withholding tax paid on behalf of them recognised. As at December 31, 2020, the balances represents outstanding withholding tax receivable amount due from employees. The amounts are unsecured, non-interest bearing and repayable on demand and have been fully settled during the year ended December 31, 2021.

d) As of December 31, 2020. the government subsidy receivables represented the balance receivable from the PRC government for their incentive for IPO. The amount was recognised since the fulfillment with the attached conditions in the year ended December 31, 2020 and fully received by the Company in the year ended December 31, 2021.

e) The non-current portion mainly includes the prepayments for development costs, acquisition of property, plant and equipment and investment in EyePoint and certain amount of value added tax recoverable expected to realize beyond twelve months at the end of the reporting period.

18. TRADE AND OTHER RECEIVABLES (continued)

As at January 1, 2020, trade receivables from contracts with customers amounted to RMB96,000.

The Group allows an average credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables, presented based on invoice date:

	2021 **RMB'000**	2020 RMB'000
0-90 days	**18,231**	7,810
91-180 days	**278**	–
	18,509	7,810

As at December 31, 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB481,000 (2020: RMB358,000) which are past due, out of which RMB87,000 (2020: nil) is past due over 90 days as at reporting date. The Group maintains adequate credit policy to access the credit quality of the customers and closely monitored to minimise any credit risk associated with the trade debtors. The Group's customers have good repayment history during the current year, and strong financial capacity as they are the subsidiaries of large listed corporate in PRC.

Details of impairment assessment of trade and other receivables are set out in note 32.

19. INVENTORIES

	2021 **RMB'000**	2020 RMB'000
Finished goods	**4,993**	3,027

20. OTHER FINANCIAL ASSETS

The other financial assets measured at FVTPL of the Group are short term investments issued by banks with no predetermined or guaranteed return and are principal protected (the "Financial Products") for the year ended December 31, 2021 (2020: not principal protected). The Financial Products are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including bonds, debentures and other financial assets. As of the years ended December 31, 2021 and 2020, all of the Financial Products have been redeemed.

Details of fair value measurement are set out in note 32.

21. BANK BALANCES AND CASH

	2021 *RMB'000*	2020 *RMB'000*
Cash at bank	**815,221**	1,149,256
Term deposits	**970,000**	902,563
	1,785,221	2,051,819
Analysed as:		
Cash and cash equivalents	**1,125,221**	2,034,319
Term deposits with maturity date between three months to one year (note a)	**640,000**	–
Pledged bank deposits (note b)	**20,000**	17,500
	1,785,221	2,051,819

Note:

(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 classified as current asset.

Bank balances carry interests at market rates ranging as follows per annum:

	2021	2020
Cash at bank	**nil to 2.0%**	nil to 2.025%
Term deposits	**2.4% to 2.7%**	0.12% to 2.15%

22. TRADE AND OTHER PAYABLES

	2021 *RMB'000*	2020 *RMB'000*
Trade payables	**4,407**	9,343
Payables and accruals for		
– R&D expenses for projects (note a)	**75,617**	35,373
– legal and professional fee	**1,772**	3,832
– selling and marketing expenses	**3,218**	2,533
– construction payables (note b)	**114,221**	27,841
– others	**1,597**	2,777
Other tax payables	**2,399**	1,439
Payroll payables	**8,437**	6,860
	211,668	89,998

Notes: a) Amount included service fees payable to outsourced service providers, including contract research organisation and clinical trial sites.

b) As at December 31, 2021, the construction payables mainly relate to the construction for manufacture site in Suzhou, the PRC.

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

	2021 *RMB'000*	2020 *RMB'000*
0-30 days	**4,407**	9,281
31-60 days	**–**	62
	4,407	9,343

23. LEASE LIABILITIES

	2021 *RMB'000*	2020 *RMB'000*
Lease liabilities payable:		
Within one year	**4,186**	1,927
Within a period of more than one year but not exceeding two years	**4,131**	1,837
Within a period of more than two years but not exceeding five years	**2,895**	3,472
	11,212	7,236
Less: Amount due for settlement with twelve months shown under current liabilities	**(4,186)**	(1,927)
Amount due for settlement after twelve months shown under non-current liabilities	**7,026**	5,309

The weighted average incremental borrowing rates applied to lease liabilities amounted to 4.7% for the year ended December 31, 2021 (2020: 4.7%).

24. SHARE CAPITAL

	Number of shares	Share capital *US$'000*
Ordinary shares		
Ordinary shares of US$0.00001 each after Sub-division		
Authorised		
At January 1, 2020	462,108,493	46
Sub-division (note i)	4,158,976,437	–*
Automatic conversion of Preferred Shares upon IPO	378,915,070	4
At December 31, 2020 and 2021	**5,000,000,000**	**50**

24. SHARE CAPITAL (continued)

	Number of shares	Amount US$'000	Equivalent amount of ordinary shares RMB'000
Issued and fully paid			
At January 1, 2020	6,640,555	–*	4
Issuance of treasury shares hold in the trust (note ii)	2,400,000	–*	2
Automatic conversion of Preferred Shares upon IPO	378,915,070	4	27
Sub-division (note i)	81,364,995	–	–
Issuance of shares pursuant to IPO (note iii)	105,930,000	1	7
Issuance of shares by exercise of over-allotment option (note iii)	15,889,500	–*	1
At December 31, 2020	591,140,120	5	41
Issuance of ordinary shares (note iv)	28,000,000	–*	2
Exercise of share options granted	28,667,055	1	2
Issuance of treasury shares hold in the trust (note v)	18,936,000	1	1
Purchase of shares via a trust (note vi)	–	–	–
At December 31, 2021	**666,743,175**	**7**	**46**

* Represented the relevant amount less than US$1,000.

Notes:

(i) Pursuant to written resolutions of the Company's shareholders passed on June 23, 2020, each ordinary shares and preferred shares in the Company's issued and unissued share capital with par value of US$0.0001 each have been subdivided into 10 shares of the corresponding class with par value of US$0.00001 each (the "Sub-division").

(ii) On April 30, 2020, the Company issued 2,400,000 ordinary shares to Coral Incentivization at par value of US$0.0001 (prior to the Sub-division as defined below) on trust for the benefits of selected employees of the Company pursuant to the terms of the pre-IPO RSU Scheme.

(iii) In connection with the Company's IPO, 105,930,000 and 15,889,500 ordinary shares of US$0.00001 par value each were issued at HK$14.66 per share for a total gross cash consideration of HK$1,552,934,000 and HK$232,940,000 (equivalent to RMB1,401,491,000 and RMB209,648,000), on July 10, 2020 and August 5, 2020, respectively.

(iv) On January 22, 2021, the Company completed the placing of existing shares. The gross proceeds from the subscription amount to approximately HK$793,800,000 (equivalent to approximately RMB663,298,000). An aggregate of 28,000,000 shares have been successfully placed by Morgan Stanley & Co. International plc to six placees at the placing price of HK$28.35 per share in accordance with the placing and subscription agreement. For details, please refer to the Company's announcements dated January 13, 2021 and January 22, 2021, respectively.

(v) On December 21, 2021, the Company issued 18,936,000 shares on trust for the benefits of selected employees of the Company pursuant to the terms of the 2021 Share Award Scheme as details set out in note 26.

(vi) During the current year, the Company instructed Computershare to acquire its own shares through the Hong Kong Stock Exchange as follows. Those shares are held by Computershare for the purpose of satisfying part of the grant of share awards under the 2021 Share Award Scheme as details set out in note 26.

	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid RMB'000
December 2021	101,000	17.12	16.52	1,388

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

25. 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 as disclosed in note 16. 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 year ended December 31, 2021.

26. SHARE-BASED PAYMENT TRANSACTIONS

(a) Restricted share award

To provide the incentive and maintain the key management of the Group, on August 28, 2018, the Company issued 290,370 restricted ordinary shares to Mr. Ye Liu and 145,185 restricted ordinary shares to an employee (collectively referred to as "Restricted Person") at the total consideration of approximately RMB3,000 (at US$0.001 per share).

The Company shall have the right to repurchase the unvested shares from the Restricted Person at the initial issuance price upon termination of the Restricted Person's employment or upon his voluntary termination of his employment with the Company (the "Repurchase Right").

None of the restricted ordinary shares may be sold, transferred, pledged, hypothecated, or otherwise disposed of, directly or indirectly, by the Restricted Person prior to the termination of the Repurchase Right. The aforesaid arrangement has been accounted for as share-based payment transactions. Accordingly, the Group measured the fair value of the unvested restricted ordinary shares as of the grant date and is recognising the amount as compensation expense over the vesting period for each separately vesting portion of the unvested restricted ordinary shares. The restricted ordinary shares shall be vested over four years on a quarterly basis from August 28, 2018 and accelerated the vesting schedule upon completion of IPO.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the restricted ordinary shares granted are approximately RMB214,000 for the year ended December 31, 2021 (2020: RMB965,000).

The restricted ordinary shares were valued by the directors of the Company with reference to the valuation carried out by Valuelink Management Consultants Limited, on the grant date of the restricted ordinary shares. The weighted average grant date fair value of the restricted ordinary shares as determined to be RMB8.47 per share as of August 28, 2018.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Restricted share award (continued)

The following table summarised the Group's restricted ordinary shares movement during the years:

	Number of unvested restricted shares	Weighted average granted date fair value *RMB*
Restricted ordinary shares		
At January 1, 2020	299,444	8.47
Vested prior to the Sub-division	(54,444)	(8.47)
Sub-division	2,205,000	N/A
Total after the Sub-division	2,450,000	0.847
Vested after the Sub-division	(1,088,880)	(0.847)
At December 31, 2020	1,361,120	0.847
Vested after the Sub-division	(1,361,120)	0.847
At December 31, 2021	–	–

(b) Pre-IPO share option scheme of the Company

The Company's pre-IPO share option scheme (the "Pre-IPO 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 Pre-IPO 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 2,396,480 shares prior to the Sub-division of the Company on May 23, 2018, in which options may be granted under the Pre-IPO Option Scheme.

On January 22, 2020, a resolution was passed by the board of directors of the Company to increase the capacity of the Pre-IPO Option Scheme to at a maximum of 6,032,889 shares prior to the Sub-division. The options granted to one director and certain employees of the Group in 2020 under the Pre-IPO 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.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Pre-IPO share option scheme of the Company (continued)

The following table discloses movements of the outstanding options granted under the Pre-IPO Option Scheme during the years:

	Number of share options			
	Directors of the Company		Employees	
	2021	2020	**2021**	2020
At the beginning of the year	**32,664,960**	1,284,224	**27,562,800**	1,112,255
Granted prior to the Sub-division	**–**	1,729,447	**–**	1,906,963
Reclassification (note)	**–**	252,825	**–**	(252,825)
Sub-division	**–**	29,398,464	**–**	24,897,537
Exercised after the Sub-division	**(10,704,000)**	–	**(17,963,055)**	–
Forfeited after the Sub-division	**–**	–	**(418,518)**	(101,130)
Total at the end of the year	**21,960,960**	32,664,960	**9,181,227**	27,562,800

Note: On April 24, 2020, an employee was appointed as executive director of the Company and 252,825 options granted under the Pre-IPO Option Scheme has been reclassified.

During the year ended December 31, 2020, the weighted average exercise price of share options granted prior to the Subdivision is US$1.88 for the directors of the Company and US$1.88 for the employees, respectively. During the year ended December 31, 2021, the weighted average exercise price of share options forfeited is US$0.19 for the employees (2020: US$0.19). The weighted average exercise price of share options exercised is US$0.02 for the directors of the Company and US$0.14 for the employees respectively.

In respect of share options exercised during the year ended December 31, 2021, the weighted average share price at the date of exercise was HK$20.33.

As at December 31, 2021, total of 31,142,187 share options were outstanding (2020: 60,227,760), with the weighted average exercise price of US$0.18 (2020: US$0.14). Among them total of 26,467,661 share options were exercisable (2020: 29,786,000), with the weighted average exercise price of US$0.18 (2020: US$0.13).

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Pre-IPO share option scheme of the Company (continued)

The fair value of the options granted was determined using the binominal option pricing model. The range of fair value of shares and corresponding inputs for the Pre-IPO share options (prior to the Sub-division) were as follows:

	2020
Grant date fair value of shares	US$10.81-US$11.48
Exercise price	US$1.88
Expected volatility	66.9%-76.5%
Expected life	2.81 years-3.22 years
Risk-free rate	0.22%-1.53%
Expected dividend yield	nil
Fair value at grant date	RMB227,978,000

The Company used the discounted cash flow and back-solve method to determine the underlying share value of the Company. The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB59,636,000 for the year ended December 31, 2021 (2020: RMB198,841,000) in relation to share options granted by the Company.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Restricted share unit Scheme ("Pre-IPO RSU Scheme") of the Company

On April 28, 2020, the Company adopted a RSU Scheme, under which, at the maximum of 2,400,000 shares (prior to the Sub-division) can be issued by the Company under the RSU Scheme. Up to December 31, 2021, the Company has granted 2,286,692 RSUs (prior to the Sub-division) to certain directors of the Company and employees under the Pre-IPO RSU Scheme. For all granted RSUs, 20% of the shares are to be vested on the first anniversary of the vesting commencement date, and the remaining shares are to be vested with equal quarterly instalments over the following sixteen quarters.

The following table discloses movements of the Company's RSUs held by grantees for the current year:

	Number of RSUs held by			
	Directors of the Company		Employees	
	2021	2020	**2021**	2020
At the beginning of the year	**13,343,740**	–	**9,464,910**	–
Granted prior to the Sub-division	**–**	1,334,374	**–**	952,318
Sub-division	**–**	12,009,366	**–**	8,570,862
Exercised after the Sub-division	**(676,845)**	–	**(3,333,787)**	–
Forfeited after the Sub-division	**–**	–	**(275,694)**	(58,270)
Total at the end of the year	**12,666,895**	13,343,740	**5,855,429**	9,464,910

The RSUs were granted on April 30, 2020 and June 15, 2020, with the weighted average exercise price of US$1.89 (prior to the Sub-division).

During the year ended December 31, 2021, the weighted average exercise price for the RSUs exercised and forfeited is US$0.19 and US$0.19 (2020: US$0.19 for the RSUs forfeited) respectively.

In respect of the RSUs exercised during the year ended December 31, 2021, the weighted average share price at the dates of exercise was HK$22.75.

During the year ended December 31, 2021, 4,010,632 number of RSUs were exercised and settled by transferring treasury shares held in the trust to the directors and the employees. As at December 31, 2021 total of 9,470,408 (2020: 8,812,780) RSUs are vested but unexercised.

For the year ended December 31, 2020, 58,270 RSUs were forfeited, among them 10,150 RSUs forfeited after the vesting date which led RMB67,000 recognised in share-based payment reserve to be transferred to accumulated losses. There is no RSUs forfeited after the vesting date for the year ended December 31, 2021.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(c) Restricted share unit Scheme ("Pre-IPO RSU Scheme") of the Company (Continued)

Fair value of the Pre-IPO RSU granted

The fair value of the RSUs granted during the current year was determined by using the binominal option pricing model. Key assumptions are acquired to be determined by the directors of the Company with best estimate. The range of fair value of shares and corresponding inputs for the RSUs (prior to the sub-division) were as follows:

	June 15, 2020	April 30, 2020
Grant date fair value of shares	US$11.48	US$10.81
Exercise price	US$1.88	US$1.88-US$2.01
Expected volatility	76.6%	76.6%
Expected life	10 years	10 years
Risk-free rate	0.72%	0.65%
Expected dividend yield	nil	nil
Fair value at grant date	RMB2,187,000	RMB148,831,000

The Company used the discounted cash flow method to determine the underlying share value of the Company. The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the year from the valuation date to the expected liquidation date. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the RSUs. Dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB34,588,600 for the year ended December 31, 2021 in relation to the RSUs granted by the Company (2020: RMB93,782,000).

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(d) 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, 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 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.

The following table discloses movements of the outstanding options granted under the 2021 share Option Scheme for the current year:

	Number of share options	
	Directors of the Company	**Employees**
At the beginning of the year	–	–
Granted	8,818,000	5,393,812
Forfeited	–	(161,251)
Total at the end of the year	8,818,000	5,232,561

During the current year, the weighted average exercise price of share options granted is HK$27.29 for the directors of the Company and HK$19.07 for the employees, respectively. During the current year, the weighted average exercise price of share options forfeited is HK$19.07 for the employees of the Company.

As at December 31, 2021, total of 14,050,561 share options were outstanding, with the weighted average exercise price of HK$24.23.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The fair value of the options granted was determined using the binominal option pricing model. The range of fair value of shares and corresponding inputs for the share options were as follows:

	August 31, 2021 ***(note)***	**September 30, 2021**
Grant date fair value of shares	HK$9.75	HK$9.65
Exercise price	HK$27.43	HK$19.07
Expected volatility	54.00%	54.00%
Expected life	9.84 years	10.00 years
Risk-free rate	1.39%	1.39%
Expected dividend yield	nil	nil
Fair value at grant date	RMB70,182,000	RMB45,023,000

Note:

The share options granted to a director of the Company with the vesting commencement date of July 2, 2021 was proposed by the board of directors on July 2, 2021 and approved by the shareholders on August 31, 2021.

The directors of the Company estimated the risk-free rate based on the yield of Hong Kong Government Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of RMB25,084,000 for the year ended December 31, 2021 in relation to share options granted by the Company.

26. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(e) 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. 101,000 shares (2020: nil) have been purchased from the open market during the year ended December 31, 2021.

For the share awards granted to certain director of the Company, 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 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.

The following table discloses movements of the outstanding awards granted under the 2021 Share Award Scheme for the current year:

	Number of share awards	
	Directors of the Company	**Employees**
At the beginning of the year	–	–
Granted	13,152,000	5,393,812
Forfeited	–	(161,251)
Total at the end of the year	13,152,000	5,232,561

No share awards are vested as of December 31, 2021.

The fair value of the share awards granted was determined by the market price of the Company at the grant date.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the awards shares granted are approximately RMB68,594,000 for the year ended December 31, 2021.

27. RETIREMENT BENEFITS PLANS

The employees of the Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB5,470,000 (2020: RMB161,000) for the year ended December 31, 2021.

During the years ended December 31, 2021 and 2020, the Group had no forfeited contribution utilised to reduce the existing level of contributions, As at December 31, 2021 and 2020, there is no forfeited contribution under the defined contribution retirement scheme which may be used by the Group to reduce the contribution payable in the future years.

28. CAPITAL COMMITMENTS

	2021 ***RMB'000***	2020 *RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Acquisition of property, plant and equipment	**27,895**	197,471

29. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	2021 ***RMB'000***	2020 *RMB'000*
Short-term benefits	**8,736**	8,693
Discretionary bonus (note)	**2,240**	4,359
Post-employment benefits	**109**	4
Share-based payments	**144,755**	214,456
	155,840	227,512

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

30. ACQUISITION OF SUZHOU XIAXIANG

Pursuant to the cooperation agreement entered with Suzhou Wuzhong Economic and Technological Development Zone Management Committee (蘇州吳中經濟技術開發區管理委員會) (the "Management Committee") on October 18, 2019, the Group committed to acquire 100% equity interests of Suzhou Xiaxiang, which was established by Suzhou Wuzhong Asset Management Co., Ltd. (蘇州市吳中資產經營管理有限公司), a wholly owned subsidiary of the Management Committee, after the IPO of the Company or within three years of the commencement of Suzhou Xiaxiang's operation, whichever is earlier, on the condition that relevant leasehold lands ownership certificates have been obtained. The consideration of the acquisition will be determined by reference to the valuation result conducted by an independent third party upon the acquisition date.

The Group completed the acquisition on September 11, 2020 and acquired the entire interest in Suzhou Xiaxiang at a cash consideration of RMB36,005,000. Suzhou Xiaxiang holds a production facility construction located in Suzhou, the PRC, to be used for production after the construction is completed. 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 liability recognised at the date of acquisition

	RMB'000
Bank balances and cash	19,103
Other receivables	26
Property, plant and equipment	8,071
Right-of-use assets	8,810
Other payables	(5)
	36,005

	RMB'000
Net cash outflows arising on acquisition:	
Consideration paid in cash	36,005
Less: bank balances and cash acquired	(19,103)
	16,902

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, and equity comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 *RMB'000*	2020 *RMB'000*
Financial assets		
Equity instruments at FVTOCI	**272,401**	–
Amortized cost (including cash and cash equivalents)	**1,816,475**	2,065,797
Financial liabilities		
Amortized cost	**200,832**	81,699

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, equity instruments at FVTOCI, bank balances and cash and trade and other payables. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk

Certain bank balances and cash, equity instruments at FVTOCI, trade and other receivables, trade and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

	2021	2020
	RMB'000	*RMB'000*
Assets		
US$	**296,319**	996,139
HK$	**24,852**	3,394
Liabilities		
US$	**46,780**	26,808

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$ and HK$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US$ and HK$. For a 5% weakening of RMB against US$ and HK$, there would be an equal and opposite impact on loss for the year.

	2021	2020
	RMB'000	*RMB'000*
Impact on profit or loss		
US$	**(12,477)**	(36,350)
HK$	**(1,243)**	(170)

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities, fixed-rate term deposits, pledged bank deposits and bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) Other price risk

The Group is exposed to other price risk arising from equity instruments at FVTOCI.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date for equity instruments at FVTOCI. If the equity value of the ordinary shares of investments had been changed based on the 5% higher/lower, the other comprehensive income (expense) of the Group for the year ended December 31, 2021 would increase or decrease by approximately RMB13,620,000 (2020: nil) as a result of the changes in fair value of equity instruments at FVTOCI.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances, term deposits and pledged bank deposits.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not cred it-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Trade receivables arising from contracts with customers

The Group has concentration of credit risk as 52% and 96% of the total trade receivables were due from the Group's largest customer and the five largest customers respectively (2020: 57.2% and 100% of the total trade receivables was due from a single customer). In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customers, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group has performs impairment assessment under the ECL model on trade balances individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

According to individual assessment of the management, since all of the trade receivables balances are due from reputable pharmaceutical companies which have low risk of default and usually settled within credit period. The exposure to credit risk for the balance is assessed within lifetime ECL, in the opinion of the management, the impairment loss for the trade receivables from the customers is immaterial.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Other receivables

For the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

Bank balances

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	**2021 Gross carrying amount** ***RMB'000***	2020 Gross carrying amount *RMB'000*
Financial asset at amortized cost						
Bank balances	*21*	A1-A3	N/A	12m ECL	**1,785,221**	2,051,819
Other receivables	*18*	N/A	N/A (note a)	12m ECL	**12,745**	6,168
Trade receivables from contracts with customers	*18*	N/A	N/A (note b)	Lifetime ECL	**18,509**	7,810

Notes:

(a) For the purpose of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly. As at December 31, 2021 and 2020, the balances of other receivables and rental deposits are not past due and the internal credit rating of these balances are considered as low risk.

(b) For trade receivables, the Group has applies the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity table

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2021						
Trade and other payables	**N/A**	**200,832**	**–**	**–**	**200,832**	**200,832**
Lease liabilities	**4.7**	**4,392**	**4,434**	**3,245**	**12,071**	**11,212**
		205,224	**4,434**	**3,245**	**212,903**	**212,044**
At December 31, 2020						
Trade and other payables	N/A	81,699	–	–	81,699	81,699
Lease liabilities	4.7	1,976	1,975	3,995	7,946	7,236
		83,675	1,975	3,995	89,645	88,935

32. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	*Notes*	Fair value as at		Fair value hierarchy	Valuation Techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
		2021 *RMB'000*	2020 *RMB'000*				
Other financial assets	20	**–**	–	Level 3	Discounted cash flow, which was estimated based on expected return, discounted at a rate that reflects the risk of underlying investments.	Expected return	N/A
Listed equity securities at FVTOCI	17	**272,401**	–	Level 1	Quoted bid prices in an active market	N/A	N/A

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

32. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

(ii) Reconciliation of Level 3 fair value measurements

The following table presents the reconciliation of Level 3 measurements of other financial assets and financial liabilities at FVTPL during the years:

	Other financial Assets *RMB'000*	Financial liabilities at FVTPL *RMB'000*
At January 1, 2020	497,653	3,318,750
Purchase of other financial assets	1,326,800	–
Redemption of other financial assets	(1,832,083)	–
Fair value changes	7,630	1,694,543
Automatic conversion of Preferred Share upon IPO	–	(5,013,293)
At December 31, 2020	–	–
Purchase of other financial assets	1,945,000	–
Redemption of other financial assets	(1,955,622)	–
Fair value changes	10,622	–
At December 31, 2021	–	–

Fair value gains or losses on financial assets at FVTPL and financial liabilities at FVTPL are included in "other gains and losses".

(iii) 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 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.

33. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place/country and date of establishment/ incorporation/operation	Issued and fully paid share capital/ registered capital		Equity interest attributable to the Group as at December 31		Principal activities
		2021	2020	**2021 %**	2020 %	
Directly held by the Company						
Ocumension Hong Kong	Hong Kong March 7, 2018	**Issued capital of US$1 and paid-up capital of US$1**	Issued capital of US$1 and paid-up capital of US$1	**100**	100	Investment holding
Indirectly held by the Company						
Ocumension Shanghai* 歐康維視生物醫藥(上海)有限公司	Shanghai March 25, 2018 (note ii)	**Registered capital of RMB725,481,152 and paid-up capital of RMB392,798,718**	Registered capital of US$109,081,433 and paid-up capital of US$42,003,030	**100**	100	Researching, developing and commercialising therapies for ophthalmic patients
Ocumension Therapeutics (Suzhou) Co., Ltd.* 蘇州歐康維視生物科技有限公司	PRC February 11, 2020 (note i)	**Registered capital of US$130,000,000 and paid-up capital of US$90,439,932**	Registered capital of US$50,000,000 and paid-up capital of US$42,999,965	**100**	100	Researching, developing and commercialising therapies for ophthalmic patients
Ocumension Therapeutics (Zhejiang) Co., Ltd.* 歐康維視(浙江)醫藥有限公司	PRC May 11, 2020 (note ii)	**Registered capital of RMB191,603,000 and paid-up capital of RMB130,701,722**	Registered capital of US$29,000,000 and paid-up capital of US$20,499,980	**100**	100	Researching, developing and commercialising therapies for ophthalmic patients
Suzhou Xiaxiang* 蘇州夏翔生物醫藥有限公司	PRC October 18, 2019 (note ii&iii)	**Registered capital of RMB200,000,000 and paid-up capital of RMB35,000,000**	Registered capital of RMB200,000,000 and paid-up capital of RMB35,000,000	**100**	100	Plant construction
Ocumension (Shanghai) Supply Chain Co., Ltd. 歐康維視(上海)供應鏈有限公司	PRC October 9, 2020 (note i)	**Registered capital of US$2,000,000 and paid-up capital of US$2,000,000**	Registered capital of US$2,000,000 and paid-up capital of nil	**100**	100	Trading of pharmaceutical products

* English translated name of identification only.

Notes:

(i) The subsidiary is a wholly foreign invested limited liability company incorporated in the PRC.

(ii) The subsidiaries are domestic limited liability companies incorporated in the PRC.

(iii) During the year ended December 31, 2020, the Group acquired equity interest of 100% in Suzhou Xiaxiang, a domestic limited liability company incorporated in PRC. Details are set out in note 30.

None of the subsidiaries had issued any debt securities at the end of the year.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Financial liabilities at FVTPL *RMB'000*	Lease liabilities *RMB'000*	Accrued issue cost *RMB'000*	Total *RMB'000*
At January 1, 2020	3,318,750	1,259	–	3,320,009
Financing cash flows	–	(1,441)	(82,338)	(83,779)
Interest expenses	–	59	–	59
New leases entered and lease modification	–	7,359	–	7,359
Transaction costs attributable to issuance of new shares	–	–	82,338	82,338
Automatic conversion of Preferred Shares upon IPO	(5,013,293)	–	–	(5,013,293)
Fair value changes	1,694,543	–	–	1,694,543
At December 31, 2020	–	7,236	–	7,236
Financing cash flows	–	(4,382)	(10,109)	(14,491)
Interest expenses	–	567	–	567
New leases entered and lease modification	–	7,791	–	7,791
Transaction costs attributable to issuance of new shares	–	–	10,109	10,109
At December 31, 2021	**–**	**11,212**	**–**	**11,212**

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTE	2021 RMB'000	2020 RMB'000
Non-current assets			
Investments in subsidiaries		941,832	887,835
Intangible asset		182,790	122,162
Prepayments		66,084	89,235
Equity instruments at FVTOCI		272,401	–
		1,463,107	1,099,232
Current assets			
Other receivables		5,797	1,910
Amounts due from subsidiaries		768,142	105,480
Other financial assets		–	–
Bank balances and cash		1,434,733	1,624,302
		2,208,672	1,731,692
Current liabilities			
Trade and other payables		27,235	23,887
Amounts due to subsidiaries		–	404
		27,235	24,291
Net current assets		2,181,437	1,707,401
Total assets less current liabilities		3,644,544	2,806,633
Net assets		3,644,544	2,806,633
Capital and reserves			
Share capital	24	46	41
Reserves		3,644,498	2,806,592
Total equity		3,644,544	2,806,633

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

The movement of the reserves of the Company are as follows:

	Share premium RMB'000	Other reserves RMB'000	Treasury share held in the trust RMB'000	FVTOCI revaluation reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2020	2,091	(285,583)	–	–	35,907	(985,202)	(1,232,787)
Loss and total comprehensive expense for the year	–	–	–	–	–	(2,796,266)	(2,796,266)
Issuance of treasury shares held in the trust (note 24)	–	–	(2)	–	–	–	(2)
Vesting of restricted ordinary shares	1,384	–	–	–	(1,384)	–	–
Automatic conversion of Preferred Shares upon IPO (note 24)	5,013,266	–	–	–	–	–	5,013,266
Issue of shares pursuant to IPO (note 24)	1,401,484	–	–	–	–	–	1,401,484
Issue of shares by exercise of over-allotment option (note 24)	209,647	–	–	–	–	–	209,647
Transaction costs attributable to issuance of new shares	(82,338)	–	–	–	–	–	(82,338)
Recognition of equity-settled share-based payments	–	–	–	–	293,588	–	293,588
Forfeited equity-settled share-based payments (note 26)	–	–	–	–	(225)	225	–
At December 31, 2020	6,545,534	(285,583)	(2)	–	327,886	(3,781,243)	2,806,592
Loss and total comprehensive expense for the year	–	–	–	(305)	–	(27,926)	(28,231)
Issuance of ordinary shares (note 24)	663,296	–	–	–	–	–	663,296
Transaction costs attributable to issuance of new shares	(10,109)	–	–	–	–	–	(10,109)
Exercise of share options granted	125,388	–	–	–	(108,853)	–	16,535
Exercise of restricted share units	31,598	–	–	–	(26,702)	–	4,896
Vesting of restricted ordinary shares	1,153	–	–	–	(1,153)	–	–
Purchase of shares via a trust (note 24)	(1,388)	–	–	–	–	–	(1,388)
Issuance of treasury shares had in the trust (note 24)	–	–	(1)	–	–	–	(1)
Recognition of equity-settled share-based payments (note 26)	–	–	–	–	188,116	–	188,116
Grant of warrants (note 25)	–	4,792	–	–	–	–	4,792
Forfeited equity-settled share-based payments	–	–	–	–	(3)	3	–
At December 31, 2021	**7,355,472**	**(280,791)**	**(3)**	**(305)**	**379,291**	**(3,809,166)**	**3,644,498**

36. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2021, the Group entered into new lease agreements for the use of office for one to three years. At the dates of lease commencement, the Group recognised an aggregate amounts of RMB7,791,000 of right-of-use assets and RMB7,791,000 lease liabilities (2020: RMB7,359,000 of right-of-use assets and RMB7,359,000 lease liabilities).

37. SUBSEQUENT EVENTS

Pursuant to a series of cooperation arrangements with Viatris Pharmaceuticals Co., Ltd. (暉致醫藥有限公司) ("Viatris China" a Chinese affiliate of Viatris Inc., a corporation incorporated and existing under the laws of the Delaware, the U.S., together with its affiliates, are collectively referred to as "Viatris") signed on March 1, 2022, the Group became the exclusive promoter to promote and market in hospitals nationwide in the PRC for two ophthalmic drugs of Viatris and will charge Viatris China promotion service fees. The initial term of the promotion arrangement is from March 1, 2022 to December 31, 2026, with conditional automatic renewal. Reciprocally, Viatris China became the exclusive distributor to distribute, promote and market the Company's certain products in the out-of-hospital distribution and retail drug markets in the PRC, and will charge the Group relevant fees during a period. The initial term of the distribution arrangement is from March 1, 2022 to December 31, 2026, with conditional automatic renewal. Details are set out in the announcement of the Company dated March 1, 2022.

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
"AGM"	the annual general meeting of the Company
"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
"APAC"	Asia-Pacific
"Articles of Association"	the articles of association of the Company conditionally adopted on June 23, 2020 and affective on the Listing Date, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Boao Lecheng Pilot Zone"	Boao Lecheng International Medical Tourism Pilot Zone (博鰲樂城國際醫療旅遊先行區) in Hainan Province, China
"Boao Super Hospital"	Boao Super Hospital (博鰲超級醫院) in Boao Lecheng Pilot Zone, Hainan Province, China
"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 annual report and for geographical reference only and except where the context requires, references in this annual 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
"Coral Incentivization"	Coral Incentivization Limited, a business company incorporated in the BVI with limited liability on March 31, 2020
"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
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this annual report, our Core Product refers to OT-401 (YUTIQ)
"COVID-19"	an infectious disease caused by the most recently discovered coronavirus (severe acute respiratory syndrome coronavirus 2), first reported in December 2019
"CTA"	the clinical trial application
"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
"FDA"	the United States Food and Drug Administration
"FVTOCI"	fair value through other comprehensive income
"FVTPL"	fair value through profit or loss
"Greater China"	the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Group" or "Ocumension"	the Company and its subsidiaries

"Grade III hospitals"	a top-level hospital in China, as hospitals in China are divided into three classes by National Health Commission of the PRC (中華人民共和國國家衛生健康委員會), among which, Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks
"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
"Independent Third Party(ies)"	party or parties that, to the best of our Directors' knowledge, information and belief, having made all reasonable inquiries, is or are not a connected person or connected persons of the Company
"Listing" or "IPO"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	July 10, 2020, being the date on which dealings in our Shares first commenced 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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MRCT"	multi-regional clinical trial, a clinical trial that is conducted in different regions under a common trial design for simultaneous global new drug development
"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
"Novartis"	refers to (a) Novartis AG, a Swiss multinational pharmaceutical company based in Basel, Switzerland, the shares of which are traded on the Swiss Stock Exchange under the stock code "NOVN" and on the New York Stock Exchange under the ticker symbol "NVS", (b) Novartis Ophthalmics AG, (c) Novartis Pharma AG, each a company organized under the laws of Switzerland, and (d) Novartis Technology LLC, a company organized under the laws of Delaware, the United States, collectively, and where the context requires, either of Novartis AG, Novartis Ophthalmics AG, Novartis Pharma AG, and Novartis Technology LLC, include their respective affiliate or affiliates
"Prospectus"	the prospectus issued by the Company dated June 29, 2020
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the one-year period from January 1, 2021 to December 31, 2021
"RSU(s)"	the restricted share unit
"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

"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
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"wAMD"	wet age-related macular degeneration
"Written Guidelines"	the Guidelines for Securities Transactions by Directors adopted by the Company
"%"	Per cent

In this annual 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
欧康维视