

2021 INTERIM REPORT
中期報告



勇氣 *Virtus et Lumen*
和光明



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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ye LIU (*Chief Executive Officer*)

Dr. Zhaopeng HU

Non-executive Directors

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

Dr. Wei LI

Mr. Yanling CAO

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

AUTHORISED REPRESENTATIVES

Mr. Ye LIU

Ms. Pui Chun Hannah SUEN

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 SECRETARIES

Ms. Yun JI

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

HONG KONG LEGAL ADVISER

Kirkland & Ellis

26th Floor, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

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

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

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Wuzhong District

Suzhou

Jiangsu Province

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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33 Hysan Avenue

Causeway Bay

Hong Kong

**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
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STOCK CODE

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COMPANY WEBSITE

www.ocumension.com

Financial Summary

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	20,803	1,952
Cost of sales	(5,116)	(22)
Loss for the period	(69,609)	(1,741,770)
Adjusted net loss for the period ⁽¹⁾	(109,185)	(61,185)
Adjusted R&D spending for the period ⁽¹⁾	244,541	85,261

Note:

(1) Non-IFRS Measure

Adjusted net loss for the period is defined as loss for the period adjusted by (a) adding back (i) fair value loss of financial liabilities at FVTPL; and (ii) share-based payment expenses, 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 period with our loss and total comprehensive expenses for the period, which is the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss for the period	(69,609)	(1,741,770)
<i>Add:</i>		
Fair value loss of financial liabilities at FVTPL	–	1,511,681
Share-based payment expenses	75,579	168,904
Gains related to transaction with EyePoint	(100,621)	–
Gains related to transaction with Alimera	(14,534)	–
Adjusted net loss for the period	(109,185)	(61,185)

Adjusted R&D spending for the six months ended June 30, 2021 was RMB244.5 million, which consists of (i) R&D expenses incurred as an expense on the condensed consolidated financial statement; and (ii) our capitalized R&D spending as a result of the relevant drug candidates having met the capitalization criteria in accordance with relevant accounting standards for the period. The following table reconciles our non-IFRS adjusted R&D spending for the period, which is the most directly comparable financial measure regarding our actual spending on R&D for the Reporting Period:

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Total R&D expenses for the period	92,244	52,109
<i>Add:</i>		
Capitalized R&D spending	152,297	33,152
Adjusted R&D spending for the period	244,541	85,261

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 platform positions us well to achieve leadership in China ophthalmology, with a first-mover advantage over future competitors.

Leveraging our platforms, we have built a strategically designed ophthalmic drug portfolio that is comprehensive, innovative and validated. As of the date of this report, we had 18 drug assets in our portfolio, covering all major front- and back-of-the-eye diseases. We have five key drug candidates in phase III clinical trial development stage in China, which we believe will potentially be first- or best-in-class if approved and have significant near-term revenue potential from as early as 2022. Our product portfolio includes three of the ten ophthalmic drugs approved by the FDA since 2015 that are not yet available in China in any formulation. Additionally, our product portfolio includes three drugs that are in or near the commercial stage. The following table summarizes our product portfolio and the status of each asset as of the date of this report.

OUR PORTFOLIO

	Program	Mode of Action	Indication	Commercial Rights	Partners	Pre-Clinical	Pre-IND	Phase I / II	Phase III	NDA / BLA
Key Drug Candidates	OT-401 (YUTIQ)	Fluocinolone acetonide intravitreal implant	Chronic NIDUS ⁵	Greater China, Korea and 11 countries in Southeast Asia	EYEPOINT PHARMACEUTICALS			China		US Approved (EyePoint)
	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		US Approved (Nicox)
	OT-702	Anti-VEGF	wAMD	Mainland China	Lu Ye Pharma			China		
Other Drug Candidates	OT-502 (DEXYCU)	Dexamethasone	Postoperative inflammation	Greater China, Korea and 11 countries in Southeast Asia	EYEPOINT PHARMACEUTICALS			China		US Approved (EyePoint)
	OT-202	Tyrosine kinase inhibitor	Dry eye	Global				China		
	OT-503 (NCX 4251)	Rufloxacin propionate nanocrystals	Blepharitis	Greater China	nicox			China	Phase II US Completed (Nicox)	
	OT-701	Anti-VEGF	wAMD	Greater China	SENJU			China	Phase III Japan Completed (Senju)	
Commercialization and Near to Commercialization Stage	OT-703 (ILUVIEN)	Fluocinolone intravitreal implant	DME	Greater China, Korea and 11 countries in Southeast Asia	ALIMERA			China		US Approved (Alimera)
	OT-204 (Ou Qin) ³	Sodium hyaluronate	Dry eye	Mainland China	汇恩兰德 HUONLAND					China Approved in 2019
	OT-303 ⁴	Brimonidine tartrate	Glaucoma and ocular hypertension	Mainland China	汇恩兰德 HUONLAND					China Approved in 2019
	OT-601	Moxifloxacin	Bacterial conjunctivitis	Global					China	
Pre-Clinical Stage	OT-601-C	Moxifloxacin-dexamethasone sodium phosphate	Postoperative inflammation	Global				China		
	OT-302	Acetazolamide	Acute glaucoma	Global				China		
	OT-1301	Cyclosporine implant	Cornea graft rejection	Global				China		
	OT-1601	Stem cells	Retinitis pigmentosa and dry AMD	Greater China	SanBio			China		
	OT-1602	Stem cells	Optic neuritis	Greater China	SanBio			China		

- May not require phase I and phase II clinical trials prior to beginning phase III clinical trials.
- May not require phase I clinical trials prior to beginning phase II clinical trials.
- 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 MAH of Ou Qin.
- 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.
- Non-infectious uveitis affecting the posterior segment of the eye.

Management Discussion and Analysis

BUSINESS REVIEW

Since the end of 2020, we have been continuously making significant progress with respect to our pipeline products and business operations, which is reflected in the following milestones and achievements:

Research and Development Performance

During the Reporting Period, we have further expanded our portfolio and optimize the gradient of our clinical stage pipelines, resulting in a more complete coverage of both anterior and posterior segment of the eye. On April 14, 2021, the Company obtained the exclusive rights from Alimera to commercialize ILUVIEN® in Greater China, South Korea and 11 countries in Southeast Asia. ILUVIEN® is a blockbuster product used for the treatment of diabetic macular edema (DME), the launch of which has been approved by the FDA. Among the drugs and drug candidates in the ophthalmic pipeline of Ocumension, two drugs have been commercialized nationwide, and two innovative drugs have been approved for pilot sales and real world study in Boao Lecheng Pilot Zone in accordance with the “pioneer piloting” policy. The number of ophthalmic drugs that entered phase III clinical trial remains far ahead in China. The increasing importance of the status of innovative ophthalmic drugs of our Company is emerging in the territory of innovative ophthalmic drugs nationwide, giving prominence to the value of our platform.

Progress of Our Key Drug Candidates

- OT-401 (YUTIQ) (fluocinolone intravitreal implant)

On April 7, 2021, the NDA of OT-401 was officially accepted by the CDE. OT-401 has also become the first innovative drug in the history of Chinese drug registration that uses only real world data for NDA application, which is a full-scale recognition of our product quality, R&D strengths and innovation spirit. Ocumension is also the pioneer in the real world study for the clinical development of innovative drugs in China.

On April 12, 2021, OT-401 was awarded the “Best Star Product of International Innovative Medical Device (國際創新藥械最佳明星產品獎)” at the International Innovative Medical Equipment Work Summary Conference 2020 (2020年度國際創新藥械工作總結大會) in Boao Lecheng Pilot Zone, becoming the benchmark innovative medical device product of Boao Lecheng Pilot Zone, and was recognized by authoritative experts.

We expect to obtain the NDA approval of OT-401 in 2021.

- OT-101 (0.01% atropine sulfate eye drop)

On April 7, 2021, we completed the first patient enrollment for the randomized, double-blind, placebo-controlled, parallel group, phase III MRCT for OT-101 on the safety and effectiveness of the treatment of pediatric myopia progression in the United States.

On April 22, 2021, OT-101 was approved by the FDA for commencing the initial Pediatric Study Plan (iPSP), which represents the FDA’s authoritative recognition for its safety profile. It was also one of the few pediatric drugs in China which conducted international phase III MRCTs.

In May 2021, the applications for phase III clinical trial of OT-101 as IND were successively submitted in China, the United Kingdom and the European Union and were subsequently accepted.

On July 13, 2021, OT-101 was approved by the CDE to conduct a phase III clinical trial in China. The phase III clinical trial of OT-101 has become the world's first international phase III 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 the Company well-prepared for the future clinical trials for other drug candidates.

On August 2, 2021, OT-101 was approved to conduct a phase III clinical trial in the United Kingdom.

Other R&D Milestones Expected to be Achieved in 2021

- OT-1001 (0.24% hydrochloride cetirizine eye drop)

On September 21, 2020, OT-1001 received the approval of phase III clinical trial as IND in China. The patient enrollment is smoothly conducted, and we expect to complete the last patient enrollment in the fourth quarter of 2021.

- OT-502 (dexamethasone implant)

OT-502, approved to launch in the United States by the FDA on February 9, 2018, is the first and only FDA-approved, sustained-release intraocular drug for the treatment of postoperative inflammation indication. Utilizing the new drug delivery platform Verisome®, OT-502 can deliver dexamethasone into anterior chamber, directly inhibiting the synthesis and release of inflammatory mediators in anterior chamber. It works well in inhibiting responses to postoperative anterior chamber inflammation and avoids frequent use of topical hormonal eye drops, which effectively resolves the problem of poor compliance with medication after cataract surgery for patients, so as to provide a better treatment option for the management of postoperative inflammation.

On July 8, 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 and qualifying it for the pilot sales. OT-502 has also become Ocumension's second drug imported for urgent medical needs and used under the concessionary policy of "pioneer piloting" in Boao, Hainan Province, China.

On July 16, 2021, 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 cataract patient at Boao Super Hospital, which is the first injection of OT-502 in China.

On August 17, 2021, OT-502 was approved for carrying out real world study in Boao Lecheng Pilot Zone.

We expected to commence a phase III clinical trial of OT-502 in China in the fourth quarter of 2021.

- OT-202 (tyrosine kinase inhibitor)

OT-202 is a class I new drug self-developed by our Company for the treatment of dry eye.

The core mechanism of dry eye is mainly due to a variety of factors and diseases caused by the decrease in tear production or high evaporation, which leads to hypertonicity of tears. This hypertonic state activates by a series of inflammations on the ocular surface and releases inflammatory mediators into the tears fluid, and thus the cycle continues. The key treatment for dry eye is to break the vicious circle of inflammation.

Spleen tyrosine kinase (Syk) is a cytoplasmic protein kinase. Syk plays a key role in a variety of biological functions, including classical immunoreceptor such as activating Fc receptors (FcR) and the intracellular signal cascade of B cells receptors (BCRs) are particularly significant for the initiation of inflammation. Therefore, Syk inhibitors can be used for the treatment of various allergic diseases, autoimmune diseases and inflammatory diseases.

Syk is the target of OT-202, which achieves anti-inflammatory effects by inhibiting the activity of Syk kinase. It 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.

OT-202 was accepted by the CDE to conduct a phase I clinical trial in China. We expected to commence the phase I clinical trial of OT-202 in China in the fourth quarter of 2021.

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

Commercialized Products

During the Reporting Period, we achieved the revenue of gross hospital terminal sales of RMB27.74 million (unaudited), representing a year-on-year increase of 2,644.7%. We continued to accelerate the penetration of our drugs in hospitals in the PRC ophthalmology market, covering over 20 provinces in China. As of the date of this report, our products had been admitted to nearly 800 hospitals, representing an increase of over 500 hospitals as compared to the numbers as of 2020 year-end. We have established a strong and solid marketing network in key provinces and municipalities such as Jiangsu, Shanghai, Shandong, Liaoning and Chongqing. Our commercialization team is expected to expand to have more than 150 personnel by the end of 2021. Our commercialization team members are with outstanding professional capabilities and rich marketing experience, and are capable of quickly promoting the gross hospital terminal sales of our products and actively preparing for the commercialization of our first innovative drug OT-401.

Impact of COVID-19

Despite the weakened impact of COVID-19 on our operations in China in the first half of 2021, there are still uncertainties regarding its future impact in China and worldwide. The pandemic of COVID-19 may have potential impacts on our business, including but not limited to the sales of our products, the hiring of our staff, the involvement of our staff and patients for 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.

Manufacturing Performance

As of the date of this report, the construction and decoration of our Suzhou Xiixiang manufacture site was close to completion, and the trial production is expected to commence in October 2021 following the inauguration ceremony. The Suzhou Xiixiang manufacture site is expected to become one of the largest production plant for ophthalmic preparations in terms of capacity in China.

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 to 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 April 14, 2021, following our strategic investment in EyePoint, we acquired approximately 16.6% of the enlarged total outstanding shares of common stock of Alimera for a total consideration of approximately US\$10 million. We also issued Alimera 1,000,000 unlisted and non-transferable warrants conferring Alimera the rights to subscribe for an aggregate of 1,000,000 Shares at the subscription price of HK\$23.88 per Share upon the exercise of such warrants. The issue of warrants was completed on August 13, 2021.

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.

FUTURE DEVELOPMENT AND OUTLOOK

Ocumension upholds its philosophy of *Virtus et Lumen* and keeps moving forward to provide comprehensive solutions for the numerous ophthalmology patients in China. We aim at guarding the health of eyes of our patients and improve their quality of life. We expect to develop continuously and rapidly in the second half of 2021:

- 1) OT-401, the Company's Core Product and first key product, is expected to be approved to launch, in order to meet the needs of patients as soon as possible;
- 2) OT-202, a class I new drug developed in-house by our Company, is planned to commence a phase I clinical trial;
- 3) OT-502 is planned to commence a phase III clinical trial, which will increase the number of drugs of the Company in the phase III clinical trial stage to six, enabling the Company to be continuously ahead of its peers;
- 4) the Suzhou Xiixiang manufacture site is expected to complete construction and commence operation and production; and
- 5) the Company's revenue is expected to increase substantially compared to the same period of prior year because of rapid and continuous expansion of its business network.

Facing the swift evolution of the pharmaceutical market, Ocumension, as a young company, will persevere and take the lead in relieving the pain of patients and creating value for Shareholders and investors, and endeavor to quickly developing into a leader in ophthalmology.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2021, we generated revenue of RMB20.8 million from (i) the sales of ophthalmic products, namely Ou Qin®, brimonidine tartrate eye drop, OT-401 and Kangshu (康姝); and (ii) the pharmaceutical products promotion services. The following table sets forth the components of the revenue for the periods indicated.

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Sales of ophthalmic products	20,286	434
Pharmaceutical products promotion services	517	1,518
Total Revenue	20,803	1,952

For sales of ophthalmic pharmaceutical and other related products to customers, revenue is recognized at a point in time when control of the pharmaceutical and other related products is passed to customers, i.e. when these products are delivered and titles have passed to customers upon receipt by customers. For promotion services, revenue is recognized at a point in time when we satisfy our obligation to arrange for sales and delivery of the pharmaceutical products.

Cost of Sales

Our cost of sales consists of the purchase price of goods. For the six months ended June 30, 2021, we recorded cost of sales of RMB5.1 million attributable to the sales of Ou Qin®, brimonidine tartrate eye drop, OT-401 and Kangshu (康姝), representing an increase of RMB5.08 million from the cost of sales of RMB0.02 million for the six months ended June 30, 2020.

Other Income

Our other income consists of bank interest income arising from our bank deposit. For the six months ended June 30, 2021, our other income was RMB12.6 million, representing an increase of RMB4.5 million from the other income of RMB8.1 million for the six months ended June 30, 2020. 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. For further details, please also refer to the section headed "Other Information - Use of Proceeds from Listing and Placing" in this report.

Other Gains and Losses

For the six months ended June 30, 2021, our other gains and losses mainly consist of (i) net foreign exchange losses of RMB10.6 million, as compared with net foreign exchange gains of RMB17.4 million for the six months ended June 30, 2020, which is primarily due to the depreciation of the USD against RMB during the Reporting Period; (ii) the fair value loss of financial liabilities at FVTPL of nil, as compared with the one-time fair value loss of RMB1,511.7 million for the six months ended June 30, 2020, due to conversion of all of our preferred Shares upon Listing; (iii) a one-time gain of RMB100.6 million in relation to the transaction with EyePoint; and (iv) a one-time gain of RMB14.5 million in relation to the transactions with Alimera.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of salary and benefits expenses for our commercialization team. For the six months ended June 30, 2021, our selling and marketing expenses were RMB45.1 million.

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

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Salary and benefits	27,272	6,696
Share-based compensation	5,904	6,272
Marketing and promotion	7,238	1,429
Others	4,697	2,029
Total selling and marketing expenses	45,111	16,426

R&D Expenses and Adjusted R&D Spending

Our adjusted R&D spending for the six months ended June 30, 2021 was RMB244.5 million, representing an increase of 186.8% from RMB85.3 million for the six months ended June 30, 2020, primarily due to (i) the increase in the number of our pipeline products; and (ii) the increased R&D expenses incurred for clinical trials conducted for our drug candidates. 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 Measures” in this section.

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

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Third-party contracting costs and upfront and milestone payments	41,565	12,514
Staff costs	47,605	37,875
Depreciation and amortization	890	252
Others	2,184	1,468
Total R&D expenses	92,244	52,109
<i>Add:</i>		
Capitalized R&D spending	152,297	33,152
Adjusted R&D spending for the period	244,541	85,261

Administrative Expenses

Our administrative expenses consist of salaries and other expenses such as benefits, travel and share-based compensation expenses.

For the six months ended June 30, 2021, our administrative expenses were RMB58.1 million, representing a decrease of RMB92.6 million from RMB150.7 million for the six months ended June 30, 2020, which is primarily attributable to the decrease in staff costs including share-based compensation expenses.

Income Tax Expenses

Our income tax expense for the six months ended June 30, 2021 was nil (six months ended June 30, 2020: nil).

Loss for the Period

As a result of the above factors, for the six months ended June 30, 2021, our loss was RMB69.6 million, representing a decrease of RMB1,672.2 million from RMB1,741.8 million for the six months ended June 30, 2020.

Non-IFRS Measures

To supplement our condensed 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 period.

Adjusted net loss for the period, as an additional financial measure, is not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measure facilitates comparisons of our operating performance from period to period by eliminating impacts of 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 period may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRS. We define adjusted net loss for the period as loss for the period adjusted by (a) adding back (i) fair value loss of financial liabilities at FVTPL; and (ii) share-based payment expenses, 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 period with our loss for the period, which is the most directly comparable financial measure calculated with IFRS financial results:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(69,609)	(1,741,770)
<i>Add:</i>		
Fair value loss of financial liabilities at FVTPL	–	1,511,681
Share-based payment expenses	75,579	168,904
Gains related to transaction with EyePoint	(100,621)	–
Gains related to transaction with Alimera	(14,534)	–
Adjusted net loss for the period	(109,185)	(61,185)

Adjusted R&D spending for the period, as an additional financial measure, is not required by, or presented in accordance with, IFRS. Our adjusted R&D spending for the six months ended June 30, 2021 was RMB244.5 million, which consists of (i) R&D expenses of RMB92.2 million incurred as an expense on the condensed consolidated financial statement, representing an increase of 77.0% from RMB52.1 million for the six months ended June 30, 2020; and (ii) our capitalized R&D spending of RMB152.3 million as a result of the relevant drug candidates having met the capitalization criteria in accordance with relevant accounting standards for the period. The following table reconciles our non-IFRS adjusted R&D spending for the period, which is the most directly comparable financial measure regarding our actual spending on R&D for the Reporting Period:

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Total R&D expenses for the period	92,244	52,109
<i>Add:</i>		
Capitalized R&D spending	152,297	33,152
Adjusted R&D spending for the period	244,541	85,261

Selected Data from Condensed Consolidated Statement of Financial Position

Selected data from Condensed Consolidated Statement of Financial Position	As of June 30, 2021 <i>RMB'000</i> (Unaudited)	As of December 31, 2020 <i>RMB'000</i> (Audited)
Total current assets	2,357,493	2,103,404
Total non-current assets	922,681	496,158
Total assets	3,280,174	2,599,562
Total current liabilities	121,785	91,925
Total non-current liability	8,430	5,309
Total liabilities	130,215	97,234
Net assets	3,149,959	2,502,328

Trade Receivables

We allow an average credit period of 30 to 60 days to its trade customers. A majority of the trade receivables aged less than 90 days.

Trade Payable

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

Bank Balances and Cash

Our bank balances and cash represent short-term deposits in banks which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Our bank balances and cash primarily consist of (i) cash at bank; and (ii) term deposits with maturity date less than three months. We had RMB2,283.4 million bank balances and cash as of June 30, 2021, representing an increase of RMB231.6 million from RMB2,051.8 million as of December 31, 2020, primarily due to the funds raised from our top-up placing of Shares in January 2021.

Working Capital and Source of Capital

Our primary uses of cash related to the development of our drug candidates and the payment for purchase of equipment. We primarily funded our working capital needs through equity financing and also cash generated from the sales of Ou Qin®, brimonidine tartrate eye drop, OT-401 and Kangshu (康殊). We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of June 30, 2021, our cash and cash equivalents amounted to RMB2,259.1 million (December 31, 2020: RMB2,034.3 million). We follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

Borrowings

As of June 30, 2021, we did not have any borrowings (December 31, 2020: nil).

Capital Commitment

As of June 30, 2021, we have capital commitment of RMB232.8 million for the contracts in relation to the acquisition of property and equipment (December 31, 2020: RMB197.5 million).

Contingent Liabilities

As of June 30, 2021, we did not have any material contingent liabilities, guarantees or any litigation against us (December 31, 2020: nil).

Pledge of Assets

As of June 30, 2021, we pledged RMB24.3 million deposits to a bank to secure the letter of credit granted to the 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 June 30, 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 June 30, 2021, the carrying amount of EyePoint as equity instruments at FVTOCI of the Group was approximately RMB175.8 million (December 31, 2020: nil). Accordingly, the fair value of such investment compared to the Group's total assets as of June 30, 2021 was approximately 5.4%. For the details as to the losses during the Reporting Period in relation to our investment in EyePoint, please refer to Note 11 in "Notes to the Condensed Consolidated Financial Statements" in this report. For the six months ended June 30, 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 during the six months ended June 30, 2021. The Company did not have any future plans for material investments or capital assets as of June 30, 2021.

Foreign Exchange

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Certain of our term deposits, bank balances and cash, other financial assets, trade and other receivables, trade and other payables, preferred shares and gross obligation from share purchase option written 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 June 30, 2021, we had a total of 187 employees. For the six months ended June 30, 2021, the total remuneration cost incurred by the Group was 131.1 million (six months ended June 30, 2020: RMB193.2 million). The following table sets forth a breakdown of our employees by function as of June 30, 2021:

Function	Number	% of total
Commercial	89	47.6%
R&D	38	20.3%
Manufacturing	38	20.3%
Management and administrative	22	11.8%
Total	187	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 payment, 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 have 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 the Group's employees.

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

Other Information

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

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

Long positions in the Shares or underlying Shares of the Company

Name of Director	Name of interest	Number of Shares/ underlying Shares	Approximate percentage in shareholding ⁽³⁾
Mr. Ye LIU ("Mr. Liu")	Beneficial owner	47,963,490 ⁽¹⁾	7.60%
Dr. Zhaopeng HU ("Dr. Hu")	Beneficial owner	3,814,338 ⁽²⁾	0.60%

Notes:

- (1) Including 5,836,730 Shares directly held by him, 30,136,710 options granted under the ESOP and RSUs representing 11,990,050 Shares upon vesting granted under the RSU Scheme.
- (2) Including (i) a total of 929,243 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) 2,208,250 options that have been granted yet unexercised under the ESOP; and (iii) RSUs representing 676,845 Shares upon vesting that have been granted yet unsettled under the RSU Scheme.
- (3) The calculation is based on the total number of 631,205,380 Shares in issue as of June 30, 2021.

Save as disclosed above, as of June 30, 2021, to the best knowledge of 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 any of its associated corporations (with the meaning of Part XV of the SFO) as recorded in the register required to be kept, pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of June 30, 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 shareholder	Nature of interest	Total number of Shares/ underlying shares	Approximate percentage in shareholding ⁽⁷⁾
6 Dimensions Capital (Note 1)	Beneficial interest	119,890,000	18.99%
6 Dimensions Affiliates (Note 1)	Beneficial interest	6,310,000	1.00%
6 Dimensions Capital GP, LLC (Note 1)	Interest in controlled corporation	126,200,000	19.99%
Suzhou Frontline II (Note 2)	Beneficial interest	88,340,000	14.00%
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	14.00%
Suzhou 6 Dimensions (Note 2)	Beneficial interest	37,860,000	6.00%
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	6.00%
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	19.99%
Ziqing CHEN (陳梓卿) (Note 2)	Interest in controlled corporation	126,200,000	19.99%
Summer Iris Limited (Note 3)	Beneficial interest	78,214,230	12.39%
Boyu Capital Fund IV, L.P. (Note 3)	Interest in controlled corporation	78,214,230	12.39%
Boyu Capital General Partner IV, Ltd. (Note 3)	Interest in controlled corporation	78,214,230	12.39%
Boyu Capital Group Holdings Ltd. (Note 3) (Note 4)	Interest in controlled corporation	80,856,730	12.81%
TLS Beta Pte. Ltd. (Note 5)	Beneficial interest	54,169,400	8.58%
Temasek Life Sciences Private Limited (Note 5)	Interest in controlled corporation	54,169,400	8.58%
Fullerton Management Pte Ltd (Note 5)	Interest in controlled corporation	54,169,400	8.58%
Temasek Holdings (Private) Limited (Note 5)	Interest in controlled corporation	54,169,400	8.58%
Capital Research and Management Company (Note 6)	Beneficial interest	47,080,966	7.46%
The Capital Group Companies, Inc. (Note 6)	Interest in controlled corporation	47,080,966	7.46%

Notes:

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

For the purpose of the SFO, (i) Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) is deemed to have an interest in the Shares held by Suzhou Frontline II; (ii) Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) is deemed to have an interest in the Shares held by Suzhou 6 Dimensions; and (iii) Ziqing CHEN (陳梓卿) and Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) are deemed to have an interest in the Shares held by each of Suzhou Frontline II and Suzhou 6 Dimensions.
- (3) For the purpose of the SFO, each of Boyu Capital Fund IV, L.P. (as the sole shareholder of Summer Iris Limited), Boyu Capital General Partner IV, Ltd. (as the general partner of Boyu Capital Fund IV, L.P.) and Boyu Capital Group Holdings Ltd. (as the sole shareholder of Boyu Capital General Partner IV, Ltd.) is deemed to have an interest in the 78,214,230 Shares held by Summer Iris Limited.
- (4) For the purpose of the SFO, Boyu Capital Group Holdings Ltd. is deemed to have an interest in the 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) 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.
- (7) The calculation is based on the total number of 631,205,380 Shares in issue as of June 30, 2021.

Save as disclosed above, as of June 30, 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.

EMPLOYEE STOCK OPTION PLAN

The ESOP was adopted by the Company dated 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 be satisfied before the option(s) under the ESOP may be exercised. Further details of the ESOP are set out in the Prospectus.

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.

Details of the options granted under the ESOP as of June 30, 2021 are as follows:

Category and 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 cancelled/ forfeited/lapsed during the Reporting Period	Number of Shares underlying outstanding options as of June 30, 2021
Directors							
Mr. 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	0	0	30,136,710
Dr. 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	320,000 ⁽¹⁾	0	2,208,250
Other grantees in aggregate		10 years commencing on the adoption date	Between 0.001 to 0.201	27,562,800	11,745,260	0	15,817,540
Total				60,227,760	12,065,260 ⁽²⁾	0 ⁽²⁾	48,162,500

Notes:

- (1) During the Reporting Period, Dr. Hu exercised 320,000 options under the ESOP for the subscription of 320,000 Shares, among which 21,500 Shares were subsequently sold.
- (2) During the Reporting Period, 12,065,260 options under the ESOP had been exercised and nil had been canceled. Since the Listing and as of June 30, 2021, a total of 101,130 options under the ESOP had been canceled due to the resignation of relevant employees from the Group.

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 held by Coral Incentivization, representing an aggregate of 3.80% of the total issued share capital of the Company as of the date of this report.

Other Information

Details of the RSUs granted under the RSU Scheme as of June 30, 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 granted remain valid as of January 1, 2021	Number of Shares underlying RSUs settled during the Reporting Period	Number of RSUs cancelled/ forfeited during the Reporting Period	Number of Shares underlying RSUs granted remain valid as of June 30, 2021
Directors							
Mr. 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. 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	26,500	6,104,623
Total				22,808,650 ⁽¹⁾	4,010,632	26,500	18,771,518

Notes:

⁽¹⁾ The Company had granted RSUs representing 22,866,920 Shares upon vesting under the RSU Scheme, among which RSUs representing 58,270 Shares upon vesting have been forfeited due to resignation of the relevant employees as of January 1, 2021.

Save as disclosed in this report, no Share has been granted under the RSU Scheme throughout the six months ended June 30, 2021.

EVENTS AFTER THE REPORTING PERIOD

On July 2, 2021, the Board (i) approved the adoption of the 2021 share option scheme of the Company (the “**2021 Share Option Scheme**”), and (ii) further approved the grant of 8,668,000 options to Mr. Liu in accordance with the terms of the 2021 Share Option Scheme, both of which have been approved by the Shareholders at the extraordinary general meeting held on August 31, 2021 (the “**EGM**”). On July 2, 2021, the Company adopted the 2021 share award scheme of the Company (the “**2021 Share Award Scheme**”); and the Board approved the grant of a total of 13,152,000 award Shares to Mr. Liu and Dr. Hu in accordance with the terms of the 2021 Share Award Scheme, which has been approved by independent Shareholders at the EGM. For details, please refer to the Company’s announcement dated July 2, 2021, the circular dated August 11, 2021, and the poll results announcement of the EGM dated August 31, 2021.

On July 20, 2021, Dr. Lian Yong CHEN and Dr. Wei LI were re-designated from executive Directors to non-executive Directors with immediate effect. For details, please refer to the Company’s announcement dated July 20, 2021.

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 details, please refer to the Company's announcements dated April 14, 2021 and August 13, 2021, respectively.

On August 24, 2021 the Company entered into an asset purchase agreement with Novartis, pursuant to which Novartis agreed to, among others, transfer all approvals, licenses, registrations, or authorizations of any regulatory authority necessary to market the pharmaceutical products commercialized under the brand names Emadine® and Betoptic® S, respectively, in the PRC, for a total consideration of US\$35 million (equivalent to approximately RMB226.9 million). For further details, please refer to the Company's announcement dated August 24, 2021.

Save as disclosed herein, there was no event which has occurred after June 30, 2021 that would cause material impact on the Group.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2021 (for the six months ended June 30, 2020: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The CG Code has been applicable to the Company with effect from July 10, 2020, the date of Listing.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the six months ended June 30, 2021. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines during the six months ended June 30, 2021. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

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 June 30, 2021, such net proceeds from Listing 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 proceeds (%)	Utilized net proceeds as of June 30, 2021 (HK\$ million)	Unutilized net proceeds as of June 30, 2021 (HK\$ million)	Expected time frame for unutilized amount
For the Core Product					
1. Fund the costs and expenses in connection with R&D personnel as well as the continuing R&D activities of OT-401	197.57	12.00%	38.28	159.29	by the end of 2025
2. For milestone payments of OT-401	49.39	3.00%	33.90	15.49	by the end of 2022
3. For the commercialization of OT-401	246.96	15.00%	22.73	224.23	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. 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%	185.26	377.16	second half of 2023
2. For milestone payments of our other in-licensed drug candidates	96.15	5.84%	58.11	38.04	by the end of 2023
3. For the further expansion of our sales and marketing team	164.64	10.00%	22.73	141.91	by the end of 2023
For the acquisition of 100% equity interest in Suzhou Xiaxiang as disclosed in the Company's announcement dated September 11, 2020	164.64	10.00%	164.64	-	by the end of 2021
For our working capital and other general corporate purposes	164.64	10.00%	91.63	73.01	by the end of 2022
Total	1,646.41	100.00%	617.28	1,029.13	

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

As of June 30, 2021, all the unused net proceeds from Listing 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 no less than six places 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\$27.95 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 to 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 June 30, 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 June 30, 2021 (HK\$ million)	Unutilized net proceeds as of June 30, 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-centre clinical trials of the Company's therapies	273.60	35%	26.47	247.13	by the end of 2023
OT-702 (Eylea biosimilar)	99.66	12.75%	26.47	73.19	second half of 2023
OT-301 (NCX-470)	50.03	6.40%	-	50.03	second half 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%	87.98	107.45	by the end of 2022
Other general corporate purposes	78.17	10%	-	78.17	by the end of 2023
Total	781.70	100%	114.45	667.25	

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

As of June 30, 2021, all the unused net proceeds from placing and subscription have been deposited into the bank accounts maintained by our Group.

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

Save as disclosed in "Use of Proceeds from Listing and Placing" in this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2021.

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

The changes in the information of Directors or chief executive of the Company since the date of the Company's 2020 annual report are set out below:

1. On March 19, 2021, Mr. Lefei SUN has resigned as a non-executive Director due to his desire to devote more time to other business commitment;
2. Ms. Yumeng WANG has been appointed as a non-executive Director with effect from March 19, 2021;
3. Mr. Ting Yuk Anthony WU has been appointed as an independent non-executive director of 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), with effect from June 3, 2021;
4. Dr. Lian Yong CHEN has resigned 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), with effect from July 9, 2021; and
5. 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.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, none of the Directors or any of their respective associates were granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiary, or had exercised any such right during the six months ended June 30, 2021.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

REVIEW OF THE UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2021 have been reviewed by the Group's independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Ting Yuk Anthony WU, Mr. Lianming HE and Mr. Yiran HUANG. The chairman of the Audit Committee is Mr. Ting Yuk Anthony WU. The Audit Committee has jointly reviewed with the management and the independent auditor of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results of the Group for the six months ended June 30, 2021) of the Group. The Audit Committee considered the unaudited interim results of the Group for the six months ended June 30, 2021 are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

APPRECIATION

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

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

Shanghai, the PRC, August 20, 2021

Report on Review of Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Ocumension Therapeutics (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 28 to 54 which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive expense, statement of changes in equity and statement of cash flows for the six month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 20, 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Expense

For the Six Months Ended June 30, 2021

	NOTES	Six months ended June 30,	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3	20,803	1,952
Cost of sales		(5,116)	(22)
Gross profits		15,687	1,930
Other income	4	12,626	8,072
Other gains and losses	4	111,177	(1,492,253)
Selling and marketing expenses		(45,111)	(16,426)
Research and development ("R&D") expenses		(92,244)	(52,109)
Administrative expenses		(58,058)	(150,667)
Listing and other expenses		–	(40,294)
Share of results of an associate		(13,331)	–
Finance costs		(355)	(23)
Loss for the period	6	(69,609)	(1,741,770)
Other comprehensive expense:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		(29,569)	–
		(29,569)	–
Total comprehensive expense for the period		(99,178)	(1,741,770)
Loss per share	8		
– Basic and diluted (RMB)		(0.12)	(27)

Condensed Consolidated Statement of Financial Position

At June 30, 2021

	NOTES	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	143,504	66,085
Right-of-use assets	9	20,666	15,940
Intangible assets	10	354,612	201,652
Equity instruments at FVTOCI	11	243,137	–
Deposits and prepayments	12	160,762	212,481
		922,681	496,158
Current assets			
Inventories		2,309	3,027
Trade and other receivables	12	71,810	48,558
Bank balances and cash	13	2,283,374	2,051,819
		2,357,493	2,103,404
Current liabilities			
Trade and other payables	14	117,678	89,998
Lease liabilities		4,107	1,927
		121,785	91,925
Net current assets		2,235,708	2,011,479
Total assets less current liabilities		3,158,389	2,507,637
Non-current liability			
Lease liabilities		8,430	5,309
		8,430	5,309
Net assets		3,149,959	2,502,328
Capital and reserves			
Share capital	15	44	41
Reserves		3,149,915	2,502,287
Total equity		3,149,959	2,502,328

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended June 30, 2021

	Attributable to owners of the Company							Total RMB'000
	Share capital RMB'000 (note 15)	Share premium RMB'000	Other reserves RMB'000 (Note)	FVTOCI revaluation reserves RMB'000	Treasury share held in the trusts RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	
At January 1, 2020 (audited)	4	2,091	(586,571)	-	-	35,907	(1,519,919)	(2,068,488)
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(1,741,770)	(1,741,770)
Issuance of treasury shares held in the trust (note 15)	2	-	-	-	(2)	-	-	-
Vesting of restricted ordinary shares	-	461	-	-	-	(461)	-	-
Recognition of equity-settled share-based payment (note 17)	-	-	-	-	-	168,904	-	168,904
At June 30, 2020 (unaudited)	6	2,552	(586,571)	-	(2)	204,350	(3,261,689)	(3,641,354)
At January 1, 2021 (audited)	41	6,545,534	(586,571)	-	(2)	327,886	(3,784,560)	2,502,328
Loss for the period	-	-	-	-	-	-	(69,609)	(69,609)
Other comprehensive expense for the period	-	-	-	(29,569)	-	-	-	(29,569)
Total comprehensive expense for the period	-	-	-	(29,569)	-	-	(69,609)	(99,178)
Issuance of ordinary shares (note 15)	2	663,296	-	-	-	-	-	663,298
Transaction costs attributable to issuance of new shares	-	(10,109)	-	-	-	-	-	(10,109)
Exercise of share options granted (note 17)	1	64,070	-	-	-	(55,718)	-	8,353
Exercise of restricted share units ("RSUs") (note 17)	-	31,598	-	-	-*	(26,702)	-	4,896
Vesting of restricted ordinary shares	-	922	-	-	-	(922)	-	-
Recognition of equity-settled share-based payment (note 17)	-	-	-	-	-	75,579	-	75,579
Grant of warrants (note 16)	-	-	4,792	-	-	-	-	4,792
At June 30, 2021 (unaudited)	44	7,295,311	(581,779)	(29,569)	(2)	320,123	(3,854,169)	3,149,959

* The relevant amount is less than RMB\$1,000.

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.

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Loss before tax	(69,609)	(1,741,770)
Adjustments for:		
Finance costs	355	23
Bank interest income	(12,303)	(8,053)
Share of results of an associate	13,331	–
Depreciation of property, plant and equipment	1,229	525
Depreciation of right-of-use assets	1,686	662
Amortisation of intangible assets	896	697
Share-based payment expenses	75,579	168,904
Gain from changes in fair value of other financial assets	(6,642)	(2,027)
Loss on changes in fair value of financial liabilities at FVTPL	–	1,511,681
Other gains related to EyePoint	(100,621)	–
Gain on acquisition of an equity instrument at FVTOCI	(14,534)	–
Net unrealized foreign exchange loss (gain)	10,620	(17,032)
Operating cash flows before movements in working capital	(100,013)	(86,390)
Decrease in inventories	718	22
Increase in trade and other receivables	(14,702)	(12,187)
Increase in contract assets	–	(1,282)
Increase in trade and other payables	(3,005)	37,615
NET CASH USED IN OPERATING ACTIVITIES	(117,002)	(62,222)
INVESTING ACTIVITIES		
Interest received from banks	9,468	4,404
Placement of pledged bank deposit	(24,284)	–
Release of pledged bank deposit	17,500	–
Release of deposits for rental	–	624
Deposits for rental	(1,295)	–
Payment for property, plant and equipment	(129,816)	(5,557)
Payment of intangible assets	(120,643)	(158,181)
Redemption of other financial assets	1,361,642	622,916
Placement of other financial assets	(1,355,000)	(408,896)
Payment for investment in an equity instrument at FVTOCI	(65,297)	–
Payment for investment in an associate	(848)	–
Release of term deposits	–	563,872
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(308,573)	619,182

Condensed Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2021

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	663,298	–
Proceeds from exercise of share options granted	8,353	–
Proceeds from exercise of RSUs	890	–
Payment of transaction costs attributable to the initial public offering (“IPO”)	–	(3,681)
Payment of transaction costs attributable to the issuance of new shares	(10,109)	–
Payments of lease liabilities	(1,111)	(668)
Interest paid	(355)	(23)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	660,966	(4,372)
NET INCREASE IN CASH AND CASH EQUIVALENTS	235,391	552,588
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,034,319	192,404
Effects of exchange rate changes	(10,620)	10,285
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,259,090	755,277

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2021

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which became relevant to the Group as stated below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2020.

2.1 Accounting policies which became relevant to the Group

Investments 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 condensed 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 condensed 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 of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Accounting policies which became relevant to the Group (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", 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 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 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 condensed consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Financial instruments

Financial assets

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 expense and accumulated in the 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Accounting policies which became relevant to the Group (continued)

Financial instruments (continued)

Financial liabilities and equity

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 "Share-based Payment". 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.

2.2 Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's condensed 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

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

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Timing of revenue recognition		
<i>At a point in time</i>		
Sales of ophthalmic products	20,286	434
Pharmaceutical products promotion services	517	1,518
Total revenue	20,803	1,952

For sales of ophthalmic pharmaceutical and other related products to customers, revenue is recognised at a point in time when control of the pharmaceutical and other related products is passed to customers, i.e. when these products are delivered and titles have passed to customers upon receipt by customers. For promotion services, revenue is recognised at a point in time when the Group satisfies its obligation to arrange for sales and delivery of pharmaceutical products.

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 chief operating decision maker for review.

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

3. REVENUE AND SEGMENT INFORMATION (continued)**Information about major customers**

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

	Six months ended June 30	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Customer A	13,143	1,518
Customer B	3,040	–
Customer C	N/A*	434

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Other income		
Bank interest income	12,303	8,053
Government grant income (note a)	2	19
Others	321	–
	12,626	8,072
Other gains and losses		
Net foreign exchange (losses) gains	(10,620)	17,401
Gain from changes in fair value of other financial assets	6,642	2,027
Fair value loss of financial liabilities at FVTPL (note b)	–	(1,511,681)
Other gains related to EyePoint (note c)	100,621	–
Gain on acquisition of an equity instrument at FVTOCI (note d)	14,534	–
	111,177	(1,492,253)

Notes:

- a) Government grants include subsidies from the PRC government which are specifically for the incentive and other subsidies for employment support and training, which are recognised upon compliance with attached conditions.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2021

4. OTHER INCOME AND OTHER GAINS AND LOSSES (continued)

Notes: (continued)

- b) The fair value loss 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 six months ended June 30, 2020. Details of the key terms and fair value movement of Preferred Shares for the six months ended June 30, 2020, were set out in note 15 of condensed consolidated financial statements presented in the interim report 2020 dated August 26, 2020. 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 15.
- c) The other gains related to EyePoint are summarized as follows:

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
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 differences 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 11, which is the difference between the carrying amount of the associate and the fair value of the retained interest in EyePoint.
- d) 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 differences between the acquisition date market quoted prices and the agreed subscription prices of shares.

5. INCOME TAX EXPENSE

No income tax expense has been incurred by the Group during the six months ended June 30, 2021 and 2020 as there was no assessable profits derived from or earned for any of the periods presented.

6. LOSS FOR THE PERIOD

	Six months ended June 30,	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Loss for the period has been arrived at after charging:		
Directors' emoluments	40,125	107,749
Other staff costs excluding directors' emoluments	90,977	85,466
Total staff costs	131,102	193,215
Depreciation of property and equipment	1,229	525
Depreciation of right-of-use assets	1,686	662
Amortisation of intangible asset	896	697
Auditors' remuneration	880	880
Listing expenses	–	39,687
Lease payments in respect of short-term and low values assets	664	476

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. LOSS PER SHARE

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

	Six months ended June 30,	
	2021 (unaudited)	2020 (unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share (RMB'000)	69,609	1,741,770
Number of shares		
Weighted average number of ordinary shares of the purpose of basic and diluted earnings per share calculation	595,869,053	63,651,910

The computation of basic loss per share for the reporting period excluded the unvested restricted ordinary shares of the Company (note 17) and the shares held by Coral Incentivization Limited ("Coral Incentivization") for unexercised awarded restricted shares units (note 15).

8. LOSS PER SHARE (continued)

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the six months ended June 30, 2020 are calculated based on the assumption that the Sub-division of shares as disclosed in note 15 which had been effective since January 1, 2020.

The computation of diluted loss per share for the six months ended June 30, 2021 did not assume the exercise of share options granted and RSUs, the vesting of restricted ordinary shares and the exercise of warrants since their assumed exercise or vesting would result in a decrease in loss per share.

The computation of diluted loss per share for the six months ended June 30, 2020 did not assume conversion of the preferred shares, the exercise of share options granted and RSUs, and the vesting of restricted ordinary shares since their assumed conversion, exercise or vesting would result in a decrease in loss per share.

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

During the current interim period, the Group incurred RMB76,777,000 (six months ended June 30, 2020: nil) on construction costs for the production facility located in Suzhou, and RMB1,871,000 (six months ended June 30, 2020: RMB4,508,000) on acquisition of equipment and leasehold improvement of office. There was no disposal or written off of property, plant and equipment.

During the current interim period, the Group entered into several new lease agreements with lease terms of 3 years. On lease commencement, the Group recognised right-of-use assets of RMB6,412,000 (six months ended June 30, 2020: nil) and lease liabilities of RMB6,412,000 (six months ended June 30, 2020: nil).

As at the end of the current interim period, the Group was committed to acquire property, plant and equipment for its operation of RMB232,774,000 (December 31, 2020: RMB197,471,000).

10. INTANGIBLE ASSETS

During the current interim period, the Group had addition of intangible assets of RMB153,856,000 (six months ended June 30, 2020: RMB33,294,000), which consisted of capitalized development cost of R&D projects, acquisition of computer software and a licensed right from Alimera.

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 RMB65,297,000) and issued 1,000,000 non-transferable warrants to Alimera as disclosed in note 16. For details of acquisition of a license right from Alimera, please refer to the Company's announcement on April 14, 2021.

11. EQUITY INSTRUMENTS AT FVTOCI

	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
Listed equity securities in the United States of America ("US")	243,137	–

The above listed equity investments represent ordinary shares of listed equities in the U.S., 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 realising their performance potential in the long run.

Included in listed equity investment above is the Group's investment in EyePoint with a carrying amount of RMB175,829,000 as at June 30, 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 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.

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 six months ended June 30, 2021, the fair value loss on investment in equity instruments at FVTOCI were recognised in other comprehensive income amounted to approximately RMB29,569,000 (six months ended June 30, 2020: nil), which consisted of the fair value loss on EyePoint of approximately RMB14,782,000 and fair value loss on Alimera of approximately RMB14,787,000.

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

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2021

12. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
Trade receivable	8,819	7,810
Prepayments for R&D services (note a)	110,402	108,593
Prepayments for investment in EyePoint (note 11)	–	102,472
Prepayment for acquisition of property, plant and equipment	70,226	19,059
Prepayment for selling and marketing activities	4,046	–
Value added tax recoverable	26,710	11,937
Receivables arising from the exercise of RSUs	4,006	–
Utility and rental deposits	3,299	2,003
Interest receivable	3,144	309
Withholding tax receivables from employees	–	1,803
Government subsidy receivables (note b)	–	5,000
Others	1,920	2,053
	232,572	261,039
Analysis as:		
Current	71,810	48,558
Non-current	160,762	212,481
	232,572	261,039

Notes:

- a) The Company made prepayments for its R&D services carried out by collaborators or contracted research organizations. 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 as at the reporting period ended and classified as non-current assets.
- b) During the year ended December 31, 2020, the government subsidy receivables represent the balance receivable from the PRC government for their incentive for the successful IPO. The amount is recognised since the fulfillment with the attached conditions. The amount was fully received during the current period.

12. TRADE AND OTHER RECEIVABLES (continued)

The Group allows an average credit period of 30 to 60 days to its trade customers.

The following is an analysis of trade receivable by age (net of loss allowance), presented based on the invoice date at the end of the reporting period.

	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
0 – 60 days	8,389	7,810
61 – 90 days	430	–
	8,819	7,810

13. BANK BALANCES AND CASH

	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
Cash at bank	1,408,951	1,149,256
Term deposits with original maturity date less than three months	874,423	902,563
	2,283,374	2,051,819
Analysed as:		
Cash and cash equivalents	2,259,090	2,034,319
Pledged bank deposits (note)	24,284	17,500
	2,283,374	2,051,819

Note: Pledged bank deposits represented deposits pledged to a bank to secure the letter of credit granted to the Group and are classified as current assets.

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2021

14. TRADE AND OTHER PAYABLES

	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
Trade payables	1,497	9,343
Payables and accruals for		
– intangible asset, and R&D expenses (note)	59,018	35,373
– construction payable	44,948	27,841
– marketing expenses	4,334	2,533
– legal and professional fee	1,144	3,832
– others	1,407	2,777
Payroll payables	3,865	6,860
Other tax payables	1,465	1,439
	117,678	89,998

Note: Amount included service fees paid to outsourced service providers including contract research organisations and clinical trial sites.

The average credit period on purchases of goods/services of the Group is 30 to 60 days. The following is an analysis of trade payables by age, presented based on the invoice date as at the end of the reporting period:

	At June 30, 2021 RMB'000 (unaudited)	At December 31, 2020 RMB'000 (audited)
0 – 30 days	1,497	9,281
31 – 60 days	–	62
	1,497	9,343

15. SHARE CAPITAL

	Number of shares	Share Capital US\$'000	
Ordinary shares			
Ordinary shares of US\$0.0001 each prior to the Sub-division and US\$0.00001 each after the Sub-division (note ii)			
Authorised			
At January 1, 2020 (audited)	462,108,493	46	
Sub-division (note ii)	4,158,976,437	–	
At June 30, 2020 and July 1, 2020 (unaudited)	4,621,084,930	46	
Automatic conversion of Preferred Shares upon IPO	378,915,070	4	
At December 31, 2020 and January 1, 2021 (audited) and June 30, 2021 (unaudited)	5,000,000,000	50	
	Number of shares	Amount US\$'000	Equivalent amount of ordinary shares RMB'000
Issued and fully paid			
At January 1, 2020 (audited)	6,640,555	–*	4
Issuance of ordinary shares (note i)	2,400,000	–*	2
Sub-division (note ii)	81,364,995	–	–
At June 30, 2020 and July 1, 2020 (unaudited)	90,405,550	–*	6
Automatic conversion of Preferred Shares upon IPO	378,915,070	4	27
Issuance of shares on IPO (note iii)	105,930,000	1	7
Issuance of shares on exercise of over-allotment option (note iii)	15,889,500	–*	1
At December 31, 2020 and January 1, 2021 (audited)	591,140,120	5	41
Issuance of ordinary shares (note iv)	28,000,000	–*	2
Exercise of share options granted (note v)	12,065,260	–*	1
At June 30, 2021 (unaudited)	631,205,380	5	44

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

Notes to the Condensed Consolidated Financial Statements

For the Six Months Ended June 30, 2021

15. SHARE CAPITAL (continued)

Notes:

- (i) On April 30, 2020, the Company issued 2,400,000 ordinary shares to Coral Incentivization at par value of US\$0.0001 on trust for the benefits of selected employees of the Company pursuant to the terms of the pre-IPO RSU Scheme.
- (ii) 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").
- (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\$793.8 million (equivalent to approximately RMB663.3 million). 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) During the six months ended June 30, 2021, some employees and directors exercised the share options under pre-IPO share option scheme (the "Option Scheme") to subscribe 12,065,260 ordinary shares of the Company with exercise prices ranging from US\$0.001 to US\$0.188 per share at a total consideration of RMB8,353,000.

16. WARRANTS

On April 14, 2021, the Company entered into an agreement with Alimera for the issuance of 1,000,000 non-transferable warrants which would entitle Alimera to subscribe for up to 1,000,000 fully paid ordinary shares of the Company at the exercise price of HK\$23.88 per share. The warrants were issued in conjunction with the acquisition of a license right from Alimera as disclosed in note 10. The warrants were granted on April 14, 2021, and the issuance was subsequently completed on August 13, 2021 with the expiry date on August 12, 2025. Such warrant reserve is included in other reserves until they are being exercised. For further details of the warrants issue, please refer to the Company's announcements dated April 14, 2021 and August 13, 2021, respectively. There was no exercise of warrants during the six months ended June 30, 2021.

17. SHARE-BASED PAYMENT TRANSACTIONS

(a) Restricted share award

To provide incentive and maintain the key management of the Group, on August 28, 2018, the Company issued 290,370 restricted ordinary shares to the CEO of the Company 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").

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Restricted share award** (continued)

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 condensed consolidated profit or loss and other comprehensive expenses for the restricted ordinary shares granted are approximately RMB204,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB443,000).

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.

The following table summarised the Group's restricted ordinary shares movement during the period:

	Number of unvested restricted shares	Weighted average grant date fair value RMB'000
Restricted ordinary shares		
At January 1, 2020 (audited)	299,444	8.47
Vested prior to the Sub-division Sub-division	(54,444)	(8.47)
	2,205,000	N/A
At June 30, 2020 and July 1, 2020 (unaudited)	2,450,000	0.847
Vested after the Sub-division	(1,088,880)	(0.847)
At December 31, 2020 (audited)	1,361,120	0.847
Vested after the Sub-division	(1,088,880)	(0.847)
At June 30, 2021 (unaudited)	272,240	0.847

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(b) The Option Scheme**

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

The directors of the Company approved up to 2,396,480 shares prior to the Sub-division of the Company on May 23, 2018, in which options may be granted under the Option Scheme.

On January 22, 2020, a resolution was passed by the board of directors of the Company to increase the capacity of the Option Scheme to at a maximum of 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 Option Scheme generally vest over 60-months with a cliff vesting of 20% on the first trading date after the expiry of one year after the commencement date of the director and staff employment and a vesting of 5 percent (5%) of each quarter for the following sixteen quarters and the vesting schedule shall be accelerated upon completion of IPO. The exercisable period of the option will be expired with the later of the second anniversary of the IPO of the Group or three months after option is fully vested.

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

	Number of share options			
	Directors of the Company		Employees	
	Six months ended		Six months ended	
	2021	2020	2021	2020
At the beginning of the period	32,664,960	1,284,224	27,562,800	1,112,255
Granted prior to the Sub-division	–	1,729,447	–	1,906,963
Exercised during the period	(320,000)	–	(11,745,260)	–
Reclassification (note)	–	252,825	–	(252,825)
Sub-division	–	29,398,464	–	24,897,537
At the end of the period	32,344,960	32,664,960	15,817,540	27,663,930

Note: On April 24, 2020, an employee was appointed as an executive director of the Company and 252,825 options granted under the Option Scheme was reclassified.

During the six months ended June 30, 2020, the weighted average exercise price of share options granted is US\$0.19 for the directors of the Company and US\$0.19 for the employees, respectively. No share options were granted in the current period.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(b) The Option Scheme** (continued)

As at June 30, 2021, total of 48,162,500 share options were outstanding (December 31, 2020: 60,227,760), with the weighted average exercise price of US\$0.14 (December 31, 2020: US\$0.14). Among them total of 37,092,640 share options were exercisable (December 31, 2020: 29,786,000), with the weighted average exercise price of US\$0.18 (December 31, 2020: US\$0.13).

During the six months ended June 30, 2021, the weighted average exercise price of share options exercised is US\$0.19 for the directors of the Company and US\$0.10 for the employees, respectively. No share options were exercised during the six months ended June 30, 2020.

The fair value of the options granted during the six months ended June 30, 2020 was determined using the binomial 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:

	For the Six months ended June 30, 2020 (unaudited)
Grant date fair value of shares	US\$9.08~US\$9.78
Exercise price	US\$1.88
Expected volatility	67.5%~76.5%
Expected life	2.81~3.22 years
Risk-free rate	0.22%~1.53%
Expected dividend yield	nil

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 options. 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 a total expense of RMB54,316,000 (six months ended June 30, 2020: RMB111,072,000) for the six months ended June 30, 2021, in relation to share options granted by the Company.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(c) 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. During the six months ended June 30, 2020, the Company granted 2,286,692 RSUs (prior to the Sub-division) to certain directors of the Company and employees under the 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 interim period:

	Number of RSUs held by			
	Directors of the Company		Employees	
	Six months ended		Six months ended	
	2021	2020	2021	2020
At the beginning of the period	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 during the period	(676,845)	–	(3,333,787)	–
Forfeited during the period	–	–	(26,500)	–
Total after the Sub-division at the end of the period	12,666,895	13,343,740	6,104,623	9,523,180

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 six months ended June 30, 2021, some employees and directors exercised the RSUs in exchange for 4,010,632 treasury shares held in the trust. During the six months ended June 30, 2021, 26,500 RSUs were forfeited (six months ended June 30, 2020: nil). As at June 30, 2021, total of 7,202,578 (December 31, 2020: 8,812,780) RSUs are vested but unexercised and 11,568,940 (December 31, 2020: 13,995,870) RSUs remained unvested.

17. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(c) RSU Scheme of the Company** (continued)***Fair value of the Pre-IPO RSUs granted***

The fair value of the RSUs granted during the year ended December 31, 2020 was determined by using the binomial option pricing model. Key assumptions are required 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 RMB21,059,000 (six months ended June 30, 2020: RMB57,389,000) for the six months ended June 30, 2021 in relation to the RSUs granted by the Company.

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**Fair value measurements and valuation processes**

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

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

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

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

Financial assets	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)	Fair value hierarchy	Valuation technique and key input
Listed equity securities at FVTOCI	243,137	–	Level 1	Quoted bid prices in an active market

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

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

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)**Reconciliation of Level 3 fair value measurements**

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

	Other financial assets RMB'000
At January 1, 2020 (audited)	497,653
Purchase of other financial assets	408,896
Redemption of other financial assets	(616,155)
Net gain on other financial assets	2,027
At June 30, 2020 and July 1, 2020 (unaudited)	292,421
Purchase of other financial assets	917,904
Redemption of other financial assets	(1,215,928)
Net gain on other financial assets	5,603
At December 31, 2020 and January 1, 2021 (audited)	–
Purchase of other financial assets	1,355,000
Redemption of other financial assets	(1,361,642)
Net gain on other financial assets	6,642
At June 30, 2021 (unaudited)	–

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

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

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

19. RELATED PARTY TRANSACTIONS**Compensation of key management personnel**

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

	Six months ended June 30,	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Short term benefits	4,694	4,932
Post-employment benefits	52	8
Discretionary bonus	2,255	1,224
Share-based payments	50,868	132,416
	57,869	138,580

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

20. SUBSEQUENT EVENTS

Saved as disclosed in elsewhere of this report, the following significant events took place subsequent to June 30, 2021:

On July 2, 2021, the board of directors of the Company (i) approved the adoption of a share option scheme (the "2021 Share Option Scheme"), and (ii) further approved to grant 8,668,000 options to the CEO of the Company in accordance with the terms of the 2021 Share Option Scheme, both of which are subject to the approval from the shareholders at the extraordinary general meeting to be held on August 31, 2021 (the "EGM"). On the same date, (i) the Company adopted a share award scheme (the "2021 Share Award Scheme"); and (ii) the board of directors of the Company approved the grant of a total of 13,152,000 award shares to the CEO of the Company and Dr Zhaopeng HU in accordance with the terms of the 2021 Share Award Scheme, subject to their acceptance and the independent shareholders' approval at the EGM. For details, please refer to the Company's announcement dated July 2, 2021 and circular dated August 11, 2021.

On July 20, 2021, Dr Lian Yong CHEN and Dr Wei LI were re-designated from executive directors to non-executive directors with effect from July 20, 2021. For details, please refer to the Company's announcement dated July 20, 2021.

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 its 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 details, please refer to the Company's announcements dated April 14, 2021 and August 13, 2021, respectively.

Definitions and Acronyms

“6 Dimensions Affiliates”	6 Dimensions Affiliates Fund, L.P., a limited partnership established under the laws of Cayman Islands on October 25, 2017 and one of our controlling shareholders
“6 Dimensions Capital”	6 Dimensions Capital, L.P., a limited partnership established under the laws of Cayman Islands on August 16, 2017 and one of our controlling shareholders
“Alimera”	Alimera Sciences, Inc. a biopharmaceutical company organized and existing under the laws of the State of Delaware of the United States, whose shares of common stock are traded on the Nasdaq (ticker symbol: ALIM)
“Audit Committee”	the audit committee of the Board
“Boao Lecheng Pilot Zone”	Boao Lecheng International Medical Tourism Pilot Zone (博鳌樂城國際醫療旅遊先行區) in Hainan Province, China
“Boao Super Hospital”	Boao Super Hospital (博鳌超級醫院) in Boao Lecheng Pilot Zone, Hainan Province, China
“Board” or “Board of Directors”	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 excluding, for the purpose of this interim report and for geographical reference only and except where the context requires otherwise, Hong Kong, Macau Special Administrative Region and Taiwan
“chronic NIU-PS”	chronic non-infectious uveitis affecting the posterior segment of the eye
“Company”, “our Company”, “the Company”, “Ocumension”, or “we”	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
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Coral Incentivization”	Coral Incentivization Limited, a business company incorporated in the British Virgin Islands with limited liability on March 31, 2020
“Core Product”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this report, our Core Product refers to OT-401 (YUTIQ)

Definitions and Acronyms

“COVID-19”	an infectious disease caused by the most recently discovered coronavirus (severe acute respiratory syndrome coronavirus 2), first reported in December 2019
“Director(s)”	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
“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., formerly known as pSivida Corp., a biotech company incorporated under the laws of the State of Delaware of the United States on March 19, 2008, one of the Company’s licensing partners whose shares of common stock are traded on The Nasdaq Stock Market LLC (ticker symbol: EYPT)
“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”, “our Group”, “the Group”, or “we”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huonland”	Beijing Huonland Pharmaceutical Co., Ltd. (北京匯恩蘭德製藥有限公司), a limited liability company established under the laws of the PRC on August 3, 2012 and one of our licensing partners. Hounland 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, or CTA, in China
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

"MAH"	marketing authorization holder, who is allowed to market a drug product within a certain region or country
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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
"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
"NMPA"	National Medical Products Administration, the institution that performs the functions of CFDA instead according to the Institutional Reform Plan of the State Council of the PRC
"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
"pre-IND"	the stage before IND application
"Prospectus"	the prospectus issued by the Company dated June 29, 2020
"R&D"	research and development
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the period of the six months ended June 30, 2021
"RSU(s)"	the restricted share unit(s)
"RSU Scheme"	the restricted share unit scheme adopted by the Company on April 28, 2020, the details of which are set out in the Prospectus
"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

Definitions and Acronyms

“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
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“Written Guidelines”	the Guidelines for Securities Transactions by Directors adopted by the Company



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