This announcement contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our Company's control that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Our Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Zhaoke Ophthalmology Limited
兆科眼科有限公司

(Incorporated in the British Virgin Islands with limited liability and continued in the Cayman Islands)

(Stock Code: 6622)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The Board and the Directors of our Company are pleased to announce the unaudited consolidated interim results of our Group for the six months ended June 30, 2022, together with the comparative figures for the corresponding period in 2021 as follows. These interim results have been reviewed by the Audit Committee and our Company's auditors, KPMG.

In this announcement, "Zhaoke Ophthalmology", "we", "us" and "our" refer to our Company or where the context otherwise requires, our Group.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and (loss)/gain, net	**(5,624)**	7,345
R&D expenses	**(100,929)**	(123,435)
General and administrative expenses	**(39,510)**	(100,612)
Selling and distribution expenses	**(13,656)**	(6,566)
Finance costs	**(1,307)**	(1,764,390)
Loss for the period	**(161,026)**	(1,987,658)
Total comprehensive income for the period	**(46,362)**	(1,985,332)
Non-HKFRS adjusted loss for the period[(1)]	**(138,932)**	(123,294)

Note:

(1) NON-HKFRS MEASURES

Non-HKFRS adjusted net loss for the period is defined as loss and total comprehensive income for the period adjusted by adding back non-cash adjustments and one-time events of (i) changes in the carrying amount of preferred shares liability in relation to the redemption amount and conversion features for our Series A Preferred Shares and Series B Preferred Shares; (ii) Listing expenses; and (iii) equity-settled share-based payment expenses. The following table reconciles our Non-HKFRS adjusted net loss for the period with our loss.

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(161,026)**	(1,987,658)
Add:		
Changes in the carrying amount of preferred shares liability	**–**	1,763,499
Listing expenses	**–**	28,112
Equity-settled share-based payment expenses	**22,094**	72,753
Non-HKFRS adjusted loss for the period	**(138,932)**	(123,294)

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are a leading ophthalmic pharmaceutical company dedicated to the research, development, manufacturing and commercialization of therapies that address significant unmet medical needs in China.

China has the largest number of eye disease patients in the world, and there is still significant unmet demand from a rapidly increasing patient base. We are well positioned to capture the opportunity of a rapidly growing ophthalmology drug market, which is expected to reach approximately RMB11 billion in 2030, driven by market demand and new public policies in the healthcare sector in the PRC according to an industry report published by an independent industry consultant.

We have benefitted from the long-standing support given to the innovation and development of the healthcare industry, including ophthalmology, by the Chinese government over the past several years. Last year, the National Eye Health Plan was announced in the "Fourteenth Five-Year Plan for National Economic and Social Development of the PRC and the Outline of Vision Goals for 2035 (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要)" (the "**2035 Five-Year Plan**"), which clearly states the importance of establishing health service systems for the country.

Our drug portfolio is one of the largest and most comprehensive in the ophthalmology industry, with innovative and generic treatments covering the six major eye diseases across both the front- and back-of-the-eye. We have several potential blockbuster innovative drug candidates in the pipeline, which we believe will potentially be best-in-class and first-in-class, and which will contribute significantly to our future revenue. Through our ambitious growth strategy, which includes partnering with domestic and international pharmaceutical companies, our goal is to become a leader in the ophthalmology industry in China, and globally.

Anticipating the launch of our first product this year, we have built a robust commercialization strategy. To that end, we have implemented an innovative model developed across our online channels, including our ophthalmology community-focused WeChat account Zhaoke Boshi and partnerships with online medical platforms, as well as traditional offline channels through our experienced commercial teams and partnerships with hospitals. In addition, we also launched our very first commercialized product, the 堡得视® heat compress eyepatch, which is a heat eyepatch for patients with dry eye and meibomian gland dysfunction. The launch of 堡得视® heat compress eyepatch not only marks the beginning of Zhaoke Ophthalmology's new chapter as we turn from a pure R&D company to a R&D and commercialization pharmaceutical company, but also acts as a means for us to interact and communicate directly with patients and consumers through both online and offline channels.

At Zhaoke Ophthalmology, our vision is to be persistently patient- and physician-centric, harnessing our scientific rigor and the large innovative and generic drug portfolio that we have built to address the major eye conditions affecting both the front- and back-of-the-eye. Our objective is to eliminate as far as possible all preventable eye diseases and contribute significantly to the visual health of millions of patients globally.

Business Highlights

- 堡得视® heat compress eyepatch: In August 2022, we launched our first product 堡得视®, a heat compress eyepatch for patients with mild DED. This marks the beginning of our commercialization strategy and enables us to have direct contact with patients.

- NVK002: In July 2022, we completed patient recruitment for both the concurrent Phase III clinical trials – a two-year Phase III clinical trial ("**China CHAMP**") and a one-year Phase III bridging trial ("**Mini-CHAMP**") in China – significantly ahead of schedule, showcasing our strong clinical operations capabilities.

- CsA Ophthalmic Gel: In June 2022, our submission of the NDA for CsA Ophthalmic Gel was accepted for review by the CDE.

- TAB014: In June 2022, we completed the first patient enrollment for the Phase III clinical trial. TAB014 is our first drug for the treatment of back-of-the-eye diseases to enter a Phase III clinical trial, playing a vital role in our strategy.

- Presbyopia: In May 2022, we successfully established an agreement with Visus and introduced two innovative drugs BRIMOCHOL™ PF and Carbachol PF, to our portfolio. This makes us the first Chinese ophthalmic pharmaceutical company that has advanced-staged drug candidates across all three major front-of-the-eye diseases, namely myopia, DED and presbyopia.

- Partnership: In March 2022, we established partnerships with three of China's leading pharmaceutical supply chain service companies: Sinopharm Group Distribution Co., Ltd. (國藥控股分銷中心有限公司), Shanghai Pharmaceuticals Co., Ltd. (上藥控股有限公司), and China Resources Pharmaceutical Commercial Group Limited (華潤醫藥商業集團有限公司), in various areas including procurement models, logistics management, market developments, joint projects and information communication.

Business Review

Pipeline Strategy

We are focused on treatments which cover most ophthalmic diseases, including innovative and generic drugs that address the six major eye diseases across both the front- and back-of-the-eye. The six major ophthalmic indications in terms of the market potential in China are DED, myopia, presbyopia, wAMD, DME and glaucoma.

We have selected multiple drug candidates to address these diseases, since we believe this is the best way to treat their multiple and complicated underlying causes.

Innovative Drugs

Our Company has several key potential blockbuster innovative drugs in the pipeline over the next few years.

1. CsA Ophthalmic Gel for DED (self-developed)

   (a) Overview

   CsA Ophthalmic Gel is an innovative drug being developed by us for the treatment of moderate to severe DED. It is a single, daily dose hydrogel which eliminates daytime administration and the associated discomfort and inconvenience and aims to dramatically improve patients' treatment compliance and quality of life. It is a proprietary hydrogel with patent approval in China and internationally. This novel formulation enhances the pharmacokinetic profiles of CsA on the ocular surface, allowing efficacy similar to that of Cyclosporine A products currently available for DED. However, unlike the current treatment, CsA Ophthalmic Gel's unique formulation stays on the eye for longer, requiring only once-a-day dosing (compared with traditional twice-a-day dosing). In the Phase III clinical trial for CsA Ophthalmic Gel, the treatment also showed a faster onset of action by demonstrating efficacy at around a two-week period, while other CsA drugs normally take around seven to eight weeks.

   (b) Updates during the Reporting Period

   On June 8, 2022, the NDA for CsA Ophthalmic Gel was accepted for review by the CDE.

   Our Company continues to target the commercialization of CsA Ophthalmic Gel in China as early as 2023. Due to the treatment's potential to benefit millions of people globally, we are also exploring opportunities outside of China.

2. NVK002 (Atropine) for Myopia (partnered with Vyluma)

(a) Overview

To date, low concentration atropine is the only medication that is consistently effective in myopia progression control among children and adolescents. Our innovative treatment, NVK002, is currently positioned as the first clinically-proven pharmaceutical product approved for treating the progression of myopia globally. This treatment has a proprietary formulation that successfully addresses the instability of low-concentration atropine and is preservative-free with an expected shelf life of more than 24 months. The clinical development of NVK002 involves two different concentrations of preservative-free atropine (0.01% and 0.02%) to determine the efficacy, safety and tolerability in children and adolescents with myopia, offering a distinct choice for doctors and patients.

Our Company's licensing partner for NVK002 is Vyluma, a wholly-owned subsidiary of U.S.-based Nevakar. Vyluma is currently conducting the Phase III clinical trial for NVK002 in the U.S. and Europe. The results of the three-year trial are expected to be available by the end of 2022 and will be followed by an NDA submission to the FDA in 2023.

In September 2021, we received approval from the CDE to initiate two concurrent Phase III clinical trials, including China CHAMP and Mini-CHAMP. Combined with global data from Vyluma's Phase III clinical trial in the U.S. and Europe, the overall CHAMP trial for NVK002 will be one of the most comprehensive and robust Phase III clinical trials for low dose atropine use in the world.

(b) Updates during the Reporting Period

The main objective of China CHAMP and Mini-CHAMP is to evaluate the efficacy and safety of NVK002 in the treatment of myopia progression in children and adolescents from three to 17 years old.

Led by Professor Wang Ningli from Beijing Tongren Hospital as the principal investigator, the China CHAMP trial involves 19 centers and has completed the enrollment of 777 patients. Co-led by Professor Qu Xiaomei from the Eye and ENT Hospital of Fudan University and Professor Yang Xiao from the Zhongshan Ophthalmic Center of Sun Yat-Sen University as the principal investigators, the Mini-CHAMP trial involves 18 centers and has completed the enrollment of 526 patients.

Both the China CHAMP and Mini-CHAMP have completed patient recruitment in July 2022, representing two and three months significantly ahead of schedule respectively. The early completion of patient recruitment across both trials gives our Company a strong head start in moving towards the goal of leading the market in launching a myopia progression treatment.

The drug could be available in the PRC market as early as 2024, potentially making Zhaoke Ophthalmology one of the first companies to commercialize a myopia drug in the PRC market.

3. BRIMOCHOL™ PF and Carbachol PF (partnered with Visus)

(a) Overview

BRIMOCHOL™ PF and Carbachol PF are pupil-modulating eye drops designed to be once-daily, preservative-free therapeutics to correct the loss of near vision associated with presbyopia. BRIMOCHOL™ PF is a fixed-dose combination of carbachol (a cholinergic agent) and brimonidine tartrate (an alpha-2 agonist). Carbachol PF is a proprietary, preservative-free formulation of carbachol monotherapy. Both investigational therapies reduce the size of the pupil resulting in a "pinhole effect" so that only centrally focused light rays are able to enter the eye, thereby sharpening both near and intermediate images.

In the VIVID Phase II study conducted by Visus in the U.S., both formulations met primary and secondary endpoints, demonstrating a three-line improvement in near visual acuity with no loss of distance vision out to nine hours. Both BRIMOCHOL™ PF and Carbachol PF were well tolerated with no serious adverse events. Phase III pivotal trials commenced in March 2022, with interim topline data expected in the fourth quarter of 2022.

Corresponding to the ongoing Phase III clinical study of BRIMOCHOL™ PF and Carbachol PF in the U.S., we plan to launch a clinical study in China for presbyopia in the near future.

4. TAB014 (Bevacizumab) for wAMD (partnered with TOT BIOPHARM)

(a) Overview

TAB014 is the first clinical-stage bevacizumab-based antibody indicated for wAMD in China. Bevacizumab is a clinically validated anti-VEGF drug. Globally, bevacizumab is approved for oncology treatment through intravenous infusion. However, there has been increasing off label use of bevacizumab via intravitreal injection for the treatment of wAMD.

(b) Updates during the Reporting Period

In March 2022, Zhaoke Guangzhou, a wholly-owned subsidiary of our Company, and TOT BIOPHARM Co., Ltd. (東曜藥業有限公司), a wholly-owned subsidiary of TOT BIOPHARM, entered into a supplemental agreement, pursuant to which Zhaoke Guangzhou will have full control in the execution of clinical trials and the ultimate decision-making power in the development and commercialization of TAB014 in China, Hong Kong and Macau. Zhaoke Guangzhou has also been given the right to develop TAB014 for other ophthalmic indications besides wAMD or novel formulations for ophthalmic indications.

On June 28, 2022, we completed the recruitment of the first patient for the Phase III clinical trial of TAB014.

The Phase III clinical trial of TAB014 is a randomized, double-blind and non-inferiority study. The main objective of the study is to evaluate the change from baseline in best corrected visual acuity (BCVA) at week 52 in TAB014-treated subjects group compared with Lucentis®-treated subjects group. The study will involve up to approximately 60 centers and enroll a total of 488 patients, led by Professor Chen Youxin from Peking Union Medical College Hospital as the principal investigator.

5. ZKY001 (self-developed)

(a) Overview

ZKY001 is a seven-amino acid peptide derived from the functional fragment of Thymosin β4 that binds actin, a type of protein that plays a central role in cell structure and movement. We are exploring multiple indications as we believe this asset can potentially be applied to multiple disease indications.

ZKY001 has broad applications in the healing of corneal wounds and can potentially be used in multiple corneal repair indications. We are currently exploring four indications for ZKY001, including CED, corneal epithelial defect, TPRK, a surgical treatment for myopia, pterygium, a growth in the cornea or the conjunctiva, and NK, a rare degenerative corneal disease.

(b) Updates during the Reporting Period

We completed treatment for the last patient in the Phase II clinical trial of ZKY001 for CED in February 2022. On March 16, 2022, the first patient was enrolled for Phase II clinical trial for pterygium disease. On August 5, 2022, the first patient was enrolled for the Phase II clinical trial for TPRK. We will refine our clinical development strategy for this asset once we have the trial results across multiple indications.

6. NTC010

(a) Overview

NTC010 is a fixed dose combination of antibiotics and steroids to prevent infection and inflammation for patients undergoing cataract surgery. The drug belongs to a new generation of antibiotics, which increase efficiency and cover a wider range of bacteria. The drug also shortens the duration of the treatment by half – from 14 to seven days – making it beneficial to patients' overall health and helping to prevent antibiotic overuse. The drug has already been approved in seven European countries. We plan to submit an NDA to the NMPA in the near future.

7. PAN-90806 (VEGFR2 inhibitor) for wAMD and DME (partnered with PanOptica)

(a) Overview

PAN-90806 is an innovative drug indicated in the treatment of wAMD, as well as DME, the leading cause of blindness in diabetic patients worldwide.

PAN-90806 is a novel eye drop formulation, which decreases the number of injections required. If approved as a maintenance therapy, PAN-90806 will bring significant convenience and a less invasive treatment alternative for patients. This will reduce the frequency of intravitreal injections and other treatment issues associated with mainstream anti-VEGF therapies while at the same time maintaining visual stability. PAN-90806 is expected to significantly reduce treatment discontinuation, and therefore slow underlying disease progression through improved patient comfort, acceptance, convenience and compliance.

We are currently focused on optimizing the formulation of PAN-90806. Subject to regulatory approvals, our Company plans to commence human trials after the completion of requisite animal studies.

Generic Drugs

We follow a balanced approach in designing our drug pipeline. In addition to innovative drug candidates, our Company has several key generic drugs in the pipeline. Generic drugs address a substantial portion of ophthalmic medical needs in China. From a market demand perspective, our generic pipeline complements our innovative pipeline and better positions us to become an efficient one-stop comprehensive solution provider. From a supply perspective, our generic programs also offer several strategic benefits.

During the Reporting Period, we continue to focus on commercializing Bimatoprost Timolol, a generic drug for glaucoma, as our first commercialized drug asset. The launch of this treatment positions us in the under-served glaucoma market, and prepares us for the future commercial launch of our innovative drugs.

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

Manufacturing

We have our own manufacturing facility, located in Nansha New District, Guangzhou, Guangdong Province, China. This facility gives us the strategic advantage of full manufacturing capability in-house, from production, dosing, filing and packaging to quality assurance. The facility occupies approximately 7,600 sq.m. and has state-of-the-art equipment and machinery from leading global suppliers. It is designed in accordance with the highest international standards and requirements of major global regulators, including the FDA, the NMPA and the EMA.

The cutting-edge manufacturing facility is ready for production. We currently have three manufacturing lines. As our Company transforms from a pure R&D drug developer into an R&D and commercialization pharmaceutical company, we have increased investment in our production facility in order to augment our capacity and fulfill the scale of mass production. The production capacity for single dose drugs has already increased tenfold.

Commercialization

Since last year, we have focused on developing an innovative go-to-market commercialization model. We recognize the rapidly shifting dynamics of the Chinese ophthalmic industry and believe that the traditional way of selling drugs must be complemented by new channels such as digital, social and e-commerce. Our innovative model does not rely only on traditional channels such as public hospitals and private eye hospitals or institutions, but also builds brand visibility in the digital world through WeChat, the most commonly used mobile application in China, and other online medical platforms.

In response to the demand for high quality insights in China and cutting-edge research in ophthalmology globally, our content-driven platform on WeChat, Zhaoke Boshi, was soft launched in September 2021. This platform not only showcases outstanding content, but also allows leading KOLs to share their knowledge and best practices, while facilitating discussion in the Chinese ophthalmic industry. Zhaoke Boshi is widely recognized by the industry; its base has grown to close to 10,000 followers as of the date of this announcement, and more than 60 leading KOLs in various fields of ophthalmology have contributed content or participated in livestream discussions.

In addition to digital engagement, our Company has recently launched the 堡得视® heat compress eyepatch. This product has been approved in China as a class 2 medical device for reducing symptoms of mild cases of DED. We launched our official flagship store on Tmall in August 2022.

The launch of the 堡得视® heat compress eyepatch exemplifies our core beliefs in two major significant areas. Firstly, many eye diseases are caused by multiple and complex pathogenic pathways, meaning that no single treatment will suffice. Although our R&D efforts will primarily focus on ophthalmic drugs, we believe a combination drug regimen therapy and medical device will ultimately deliver the best treatment options for patients. As such, we consider the eyepatch an appropriate companion therapy for patients suffering from differing degrees of DED. We will continue this approach across multiple indications and opportunistically engage with various partners to deliver diagnostic and therapeutic solutions alongside our drug assets. We are confident that this strategy will provide a meaningful benefit to patients and ophthalmologists over the short and long term.

Secondly, the nature of the eyepatch product leads itself to digital engagement. We believe Chinese consumers are generally uninformed about ophthalmic conditions, so making more people aware of eye diseases and interventions augments Zhaoke Ophthalmology's brand equity and enhances our core mission to be a responsible business enterprise in improving multiple relevant aspects of visual health as quickly as possible. We envision an omnichannel future and view digital engagement as an essential part of our ambitious journey to connect various stakeholders in an integrated informative and agile manner.

Research and Development

As a pharmaceutical company, R&D capability has always been one of the keys to our success. In the first half of 2022, we have concentrated on enhancing our R&D capability to advance key clinical studies and expand our drug pipeline.

Our Company has a R&D team with a time-tested, proven track record and a full suite of capabilities covering discovery, pre-clinical research and execution of clinical trials. Our R&D activities are led by an international management team with decades of industry experience working in global biotechnology and pharmaceutical companies. The size of our R&D team is 82 professionals at the end of the Reporting Period.

During the Reporting Period, the COVID-19 pandemic continued to impact the world, including China. Although the COVID-19 outbreak has caused some delays in our ongoing clinical trials, we have been able to react quickly and minimize the impact on our business. For example, we shortened the follow-up time with patients through optimizing their trial center visit process. Patients were under "closed-loop" management and were followed up on their medication experience by phone or video calls. During the "closed-loop" management period of the hospitals, drugs were delivered directly to patients from the central warehouse. We are also committed to working alongside our suppliers and business partners in China and the international healthcare community to ensure our clinical programs continued to operate.

Partnerships

We have established multiple licensing partnerships with leading companies in China, the U.S. and Europe, and will continue to build our global footprint.

In February 2022, our Company established a corporate gift agreement with the John Hopkins University, one of the world's leading private research institutes, to support translational research and academic exchange. The donation will be used to benefit the Johns Hopkins' Wilmer Eye Institute as a current use gift over the coming year, supporting translational research at the Wilmer Eye Institute, academic exchanges and mentoring opportunities between the Wilmer Eye Institute and us, and clinical and academic fund assessment.

In March 2022, our Company signed strategic partnership agreements with three of China's leading pharmaceutical supply chain service companies: Sinopharm Group Distribution Co., Ltd. (國藥控股分銷中心有限公司), Shanghai Pharmaceuticals Co., Ltd. (上藥控股有限公司), and China Resources Pharmaceutical Commercial Group Limited (華潤醫藥商業集團有限公司). We and the three leading Chinese pharmaceutical companies will collaborate on multiple aspects including procurement models, logistics management, market developments, joint projects and information communication.

Our Company will continue to explore partnership and collaboration opportunities with leading domestic and international pharmaceutical firms and research institutions, to further strengthen our R&D capability and expand our drug portfolio.

Environment, Social and Governance (ESG)

We are committed to the development of a sustainable healthcare industry in China. We rigorously monitor the environmental and social impact of our operations and implement measures to improve the sustainability of our business.

We clearly define the ESG responsibilities of the Board and senior management and have established a sustainability steering committee to assist the Board in its management and supervision of the progress and results of relevant initiatives.

We have established policies on the environment, employment system, occupational health and safety, training and development, supply chain management, product responsibility, anti-corruption and community investment.

As an example, since China's announcement of its national target to achieve carbon neutrality by 2060, we have taken steps to reduce the carbon emissions in response to climate change. To effectively manage the risks and opportunities brought by climate change to us, we have earnestly implemented our own Climate Change Policy during the Reporting Period and nurtured a top-down management culture to tackle the impact of climate change on the environment from five perspectives, namely governance, mitigation, adaptation, resistance and disclosure.

In addition, we have already set guiding environmental targets to provide a basis for the future emission reduction measures. Our Company also plans to implement more emission reduction measures in order to refine the environmental protection management. Moreover, our Company utilizes green deposits to invest the surplus cash reserves in environmentally friendly projects with the aim of supporting environmentally beneficial projects beyond our own operations.

We are committed to transparency and compliance and disclosing our ESG performance annually in our ESG report. In May 2022, we published our second ESG report to enhance our stakeholders' understanding of our current strategy regarding our socially responsible practices.

Future and Outlook

Looking forward, we remain committed to our ambitious "dual-core" growth strategy, which includes advancing various assets through pre-clinical and clinical stages and developing an innovative commercialization model. To address unmet medical needs around the world, we also plan to pursue favorable and value-creating opportunities by partnering with domestic and international pharmaceutical companies and institutions.

In July 2022, we completed patient recruitment for NVK002, our innovative drug for the treatment of myopia progression in children and adolescents, for the two concurrent Phase III clinical trials significantly ahead of schedule. We will continue the execution of the Phase III clinical studies in the second half of this year. Meanwhile, clinical data of the Phase III clinical trials of NVK002 conducted by our partner in the U.S. and Europe are expected to be available by the end of this year. NVK002 is well positioned to potentially be the first FDA approved and amongst the first low dose atropine treatments to commercialize in China. We are also exploring out-licensing opportunities for NVK002 in South Korea, as we see a huge demand for treatment for myopia among children and adolescents in South Korea.

On the back of the eye, we also concentrated our efforts on the development of treatments for back-of-the-eye diseases, including wAMD and DME. As the leading causes of blindness in China, wAMD and DME diagnosis rates stand incredibly low, below 3%. Although the affordability of anti-VEGF drugs has greatly improved since they were included on the National Reimbursement Drug List (國家醫保藥品目錄), the situation in China remains challenging due to multiple reasons including the lack of awareness of the public. However, we truly believe that by continuing to increase public awareness of visual health and improving treatments, the immense potential of the back-of-the-eye drug market will be realized in the next few years.

Various significant R&D milestones are also expected in the second half of 2022. These include the interim topline data of the Phase III trial of BRIMOCHOL™ PF and Carbachol PF for presbyopia by our partner Visus, the first patient recruitment for the Phase II clinical study of self-developed ZKY001 for TPRK, and an NDA submission to the NMPA for NTC010.

Commercialization has been a major focus for our Company in 2022. We have built an innovative commercialization model, incorporating both online and offline channels, to meet increasing demand in the digital sphere. In August 2022, we launched our first commercial product, the 堡得视® heat compress eyepatch together with an official flagship store on Tmall on August 15, 2022. We intend to continue to build out and connect various components of our integrated omnichannel commercial strategy. While we will continue strengthening our connections with public eye hospitals, we will also expand our private ophthalmic institution network, as well as explore collaboration opportunities with e-commerce platforms.

Although the macroeconomic environment currently faces challenges, we see strong momentum in the global ophthalmic industry, particularly in China, which is driven by growing market demand and public policies as indicated by the National Eye Health Plan (全國眼健康規劃) included as part of the 2035 Five-Year Plan. In addition, the Chinese government has designated three geographic areas as future centers of excellence for healthcare, which includes the Greater Bay Area (大灣區), home to our state-of-art manufacturing facility.

Our team has been very disciplined when it comes to deploying financial capital. As at June 30, 2022, we have RMB1,569,352,000 cash or cash equivalents, which gives us extremely strong support to continue advancing all of the clinical programs of our innovative and generic drug candidates.

Together with our state-of-the-art manufacturing facility in Nansha, Guangzhou, and our proven R&D capabilities and expertise, we firmly believe that our Company is well-positioned to capture the fast-growing opportunities in the Chinese ophthalmic industry as well as in the global ophthalmology sector through partnerships with international eye institutes and partners, providing the best-in-class ophthalmic drugs and treatments to patients around the world.

Financial Review

Six months ended June 30, 2022 compared to six months ended June 30, 2021

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income	**11,866**	7,410
Other net loss	**(17,490)**	(65)
R&D expenses	**(100,929)**	(123,435)
General and administrative expenses	**(39,510)**	(100,612)
Selling and distribution expenses	**(13,656)**	(6,566)
Finance costs	**(1,307)**	(1,764,390)
Loss for the period	**(161,026)**	(1,987,658)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	**114,664**	2,326
Total comprehensive income for the period	**(46,362)**	(1,985,332)
Non-HKFRS Measures		
Adjusted loss for the period	**(138,932)**	(123,294)

1. Overview

For the six months ended June 30, 2022, we recorded a total loss of approximately RMB161.0 million, as compared with approximately RMB1,987.7 million for the six months ended June 30, 2021, mainly due to the changes in the carrying amount of preferred shares liability in relation to the redemption amount and conversion features for the Series A Preferred Shares and Series B Preferred Shares, before they were converted into ordinary Shares on the Listing Date.

Our R&D expenses for the six months ended June 30, 2022 were approximately RMB100.9 million, representing a decrease of approximately 18.2% from approximately RMB123.4 million for the six months ended June 30, 2021, primarily due to the commencement of Phase III clinical trials for our key products, NVK002 and TAB014, in May and June 2022, respectively, without incurring significant costs during the Reporting Period.

2. Other Income

Our Group's other income primarily consists of bank interest income and government grants, which represent one-off subsidies we have received from government authorities for our R&D activities.

For the six months ended June 30, 2022, our Group's other income increased to approximately RMB11.9 million, compared to approximately RMB7.4 million for the six months ended June 30, 2021. The increase was primarily attributable to an increase in interest income from bank deposits of approximately RMB2.8 million and an increase in subsidies of approximately RMB1.5 million that we have received from the local government for our R&D activities.

3. Other Net Loss

For the six months ended June 30, 2022, we recorded approximately RMB17.5 million of other net loss, compared to approximately RMB65,000 of other net loss for the six months ended June 30, 2021. Such net loss primarily consists of net foreign exchange gain or loss in connection with fund transfers among bank accounts in different currencies and bank balances that are denominated in U.S. dollars.

4. R&D Expenses

Our Group's R&D expenses primarily consisted of (i) clinical trial professional service fees, primarily including payments to contract research organizations, hospitals and other medical institutions and testing fees incurred for preclinical studies and clinical trials; (ii) depreciation and amortization in relation to our R&D equipment and facilities; (iii) staff costs, including salaries, bonus and welfare payments for R&D personnel; (iv) costs of raw materials and consumables used for R&D of our drug candidates; (v) equity-settled share-based payment for R&D personnel; and (vi) utilities.

For the six months ended June 30, 2022, our R&D expenses decreased by approximately RMB22.5 million, or 18.2%, to approximately RMB100.9 million from approximately RMB123.4 million for the six months ended June 30, 2021. The decrease was mainly due to the commencement of Phase III clinical trials for our key products, NVK002 and TAB014, in May and June 2022, respectively, without incurring significant costs during the Reporting Period, which was partly offset by an increase of approximately RMB10.6 million in employee salaries and benefits in line with the expansion in headcount.

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Clinical trial professional service fees	**44,544**	78,072
Staff costs	**22,003**	11,434
Depreciation and amortization	**15,256**	11,138
Cost of raw materials and consumables used	**8,750**	2,600
Equity-settled share-based payment	**4,610**	13,429
Utilities	**2,376**	1,641
Transportation costs	**927**	–
Others	**2,463**	5,121
Total	**100,929**	123,435

5. General and Administrative Expenses

Our general and administrative expenses consist of staff costs, Listing expenses, professional service fees for legal, consulting and auditing services, general operating expenses, depreciation in relation to our office equipment and equity-settled share-based payment for those other than R&D personnel and commercial team.

For the six months ended June 30, 2022, our general and administrative expenses were approximately RMB39.5 million, representing a decrease of approximately RMB61.1 million from approximately RMB100.6 million for the six months ended June 30, 2021, which is primarily attributable to (i) the one-time Listing fees incurred in connection with the IPO in 2021; and (ii) the decrease in equity-settled share-based payment according to number of share option(s) vested during the respective periods.

6. Selling and Distribution Expenses

Our selling and marketing expenses mainly consist of salary and benefits expenses for our commercial team. Our selling and distribution expenses increased from RMB6.6 million for the six months ended June 30, 2021 to approximately RMB13.7 million for the six months ended June 30, 2022, primarily attributable to (i) an increase in the headcount of our commercial team; and (ii) an increase in marketing-related expenses.

7. Finance Costs

Our finance costs decreased significantly from approximately RMB1,764.4 million for the six months ended June 30, 2021 to approximately RMB1.3 million for the six months ended June 30, 2022, which was primarily attributable to changes in the carrying amount of financial liabilities recognized in relation to the redemption amount and conversion features for the Series A Preferred Shares and Series B Preferred Shares during 2021.

8. Loss for the Period

As a result of the above factors, for the six months ended June 30, 2022, we recorded a loss of approximately RMB161.0 million, as compared to a loss of approximately RMB1,987.7 million for the six months ended June 30, 2021.

9. Non-HKFRS Measure

To supplement our Group's interim consolidated financial statements, which are presented in accordance with the HKFRS, we also use adjusted total loss for the period and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the HKFRS. We believe that these adjusted measures provide useful information to Shareholders and potential investors in understanding and evaluating our Group's interim consolidated results of operations in the same manner as they help our management.

Adjusted total loss for the period represents the total loss for the period excluding the effect of equity-settled share-based payment expenses, Listing expenses and certain non-cash items and one-time events, namely changes in the carrying amount of preferred shares liability. The term adjusted total loss for the period is not defined under the HKFRS. However, we believe that this and other non-HKFRS measures are reflections of our Group's normal operating results by eliminating the potential impact of items that the management do not consider to be indicative of our Group's operating performance. The adjusted total loss for the period, as the management of our Group believes, is adopted in the industry where our Group is operating. However, the presentation of the adjusted total loss for the period is not intended to be (and should not be) considered in isolation or as a substitute for the financial information prepared and presented in accordance with the HKFRS. Shareholders and potential investors of our Company should not view the non-HKFRS measures (i.e. the adjusted total comprehensive loss for the period) on a stand-alone basis or as a substitute for results under the HKFRS, or as being comparable to results reported or forecasted by other companies.

The table below sets forth a reconciliation of the loss for the period to adjusted loss for the period during the periods indicated:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(161,026)**	(1,987,658)
Add:		
Changes in the carrying amount of preferred shares liability	**–**	1,763,499
Listing expenses	**–**	28,112
Equity-settled share-based payment expenses	**22,094**	72,753
Non-HKFRS adjusted loss for the period	**(138,932)**	(123,294)

Selected Data from Interim Consolidated Statement of Financial Position

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Total current assets	**2,013,565**	2,208,894
Total non-current assets	**567,504**	396,513
Total assets	**2,581,069**	2,605,407
Total current liabilities	**(79,931)**	(89,008)
Total non-current liabilities	**(29,315)**	(20,912)
Total liabilities	**(109,246)**	(109,920)
Net current assets	**1,933,634**	2,119,886

10. Liquidity and Source of Funding and Borrowing

Our primary uses of cash are to fund our clinical trials, manufacturing, purchase of equipment and raw materials and other expenses. During the Reporting Period, we primarily funded our working capital requirements through net proceeds from the Global Offering and pre-IPO investments. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

As at June 30, 2022, the current assets of our Group were approximately RMB2,013.6 million, including cash and cash equivalents of approximately RMB1,569.4 million, time deposits with an original maturity over three months of approximately RMB290.9 million, pledged bank deposits of approximately RMB60.9 million and other current assets of approximately RMB92.4 million. As at June 30, 2022, the current liabilities of our Group were approximately RMB79.9 million, including other payables and accruals of approximately RMB45.3 million, amounts due to related companies of approximately RMB1.3 million, bank borrowings of approximately RMB25.2 million and other current liabilities of approximately RMB8.1 million.

Our Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimize the cost of funds, our Group's treasury is centralized. Cash is generally placed in deposits mostly denominated in U.S. Dollars, Hong Kong dollars and RMB. Our Group's liquidity and financing requirements are reviewed regularly.

11. Pledge Bank Balance

Our pledged bank balance was approximately RMB60.9 million as of June 30, 2022, representing bank balance we pledged with banks for a bank loan and for the issue of a letter of credit for importing certain machines and equipment.

12. Key Financial Ratios

The following table sets forth the components of our key financial ratio for the dates indicated:

	As at June 30, 2022 *(%)*	As at December 31, 2021 *(%)*
Current ratio[(1)]	**25.2**	24.8
Gearing ratio[(2)]	**N/A[(3)]**	N/A[(3)]

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Gearing ratio represents interest-bearing borrowings less cash and cash equivalents and time deposits with original maturity over three months, divided by total equity and multiplied by 100% as of the same date.

(3) As of December 31, 2021 and June 30, 2022, we were in a net cash position and thus gearing ratio is not applicable.

13. Contingent Liabilities

As at June 30, 2022, our Group did not have any significant contingent liabilities.

14. Capital Commitment

The capital commitment of our Group as at June 30, 2022 was approximately RMB332.0 million, representing an increase of approximately RMB137.3 million as compared with that of approximately RMB194.7 million as at December 31, 2021, primarily attributable to progress made in the construction of manufacturing facilities and R&D activities.

15. Employees and Remuneration

As at June 30, 2022, our Group had a total of 268 employees. The following table sets forth the total number of employees by function as of June 30, 2022:

Function	**Number of employees**	**% of the total**
Management	6	2.2
R&D	82	30.6
Manufacturing	69	25.7
Quality control	45	16.8
Sales and marketing	38	14.2
Environmental, health and safety	2	0.8
Administrative	26	9.7
Total	268	100.0

The remuneration of the employees of our Group comprises salaries, bonuses, employees provident fund and social security contributions, other welfare payments and equity-settled share-based payment.

The total remuneration costs incurred by our Group for the six months ended June 30, 2022 was approximately RMB68.9 million, as compared to approximately RMB96.7 million for the six months ended June 30, 2021. The decrease was primarily attributable to a decrease in equity-settled share-based payment of approximately RMB50.7 million, which was partly offset by an increase of approximately RMB22.9 million in employee salaries and benefits in line with the expansion in headcount.

16. Foreign Exchange Exposure

During the six months ended June 30, 2022, we mainly operated in China and a majority of the transactions were settled in RMB, the functional currency of our Company's primary subsidiaries. As at June 30, 2022, a significant amount of our Group's cash and cash equivalents was denominated in Hong Kong dollars, and certain cash and cash equivalents, prepayments on purchases of property, plant and equipment and other payables denominated in foreign currencies.

Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact on our Group. We do not expect future currency fluctuations would materially impact the Group's operations. The Group closely monitors the fluctuation of exchange rates and reviews the foreign currency risk management strategy from time to time. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

As at June 30, 2022, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022 – unaudited

		Six months ended June 30,	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**–**	–
Other income		**11,866**	7,410
Other net loss		**(17,490)**	(65)
R&D expenses	4(b)	**(100,929)**	(123,435)
General and administrative expenses		**(39,510)**	(100,612)
Selling and distribution expenses		**(13,656)**	(6,566)
Finance costs	4(a)	**(1,307)**	(1,764,390)
Loss before taxation	4	**(161,026)**	(1,987,658)
Income tax	5	**–**	–
Loss for the period		**(161,026)**	(1,987,658)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities with functional currencies other than Renminbi ("**RMB**")		**114,664**	2,326
Total comprehensive income for the period		**(46,362)**	(1,985,332)
Loss per share *(RMB)*	6		
Basic		**(0.30)**	(7.02)
Diluted		**(0.30)**	(7.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2022 – unaudited

	Notes	**As at June 30, 2022** ***RMB'000***	As at December 31, 2021 *RMB'000*
Non-current assets			
Property, plant and equipment		**223,088**	184,318
Intangible assets		**310,908**	162,383
Prepayments on purchases of property, plant and equipment		**33,508**	49,812
		567,504	396,513
Current assets			
Other receivables and prepayments	8	**92,378**	46,800
Pledged bank deposits		**60,920**	25,508
Time deposits with original maturity over three months		**290,915**	8,157
Cash and cash equivalents		**1,569,352**	2,128,429
		2,013,565	2,208,894
Current liabilities			
Other payables and accruals	9	**45,271**	59,153
Amounts due to related companies		**1,321**	13,684
Bank loans		**25,185**	10,289
Lease liabilities		**8,154**	5,882
		79,931	89,008
Net current assets		**1,933,634**	2,119,886
Total assets less current liabilities		**2,501,138**	2,516,399

	As at June 30, 2022 *RMB'000*	As at December 31, 2021 *RMB'000*
Non-current liabilities		
Lease liabilities	**29,286**	20,861
Deferred income	**29**	51
	29,315	20,912
Net assets	**2,471,823**	2,495,487
Capital and reserves		
Share capital	**–***	–*
Reserves	**2,471,823**	2,495,487
Total equity	**2,471,823**	2,495,487

* The balance represents amount less than RMB1,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The unaudited consolidated interim financial information set out in this announcement does not constitute the Group's unaudited interim financial report for the six months ended June 30, 2022 but is extracted from that unaudited interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the financial year ended December 31, 2021.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose unmodified review report is included in the interim financial report to be sent to shareholders. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are development, manufacturing and marketing of ophthalmic drugs. No revenue was derived from these activities during the six months ended June 30, 2022 and 2021.

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

HKFRS 8, *Operating Segments*, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organization (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because primarily all of its non-current operating assets and capital expenditure were located/incurred in the People's Republic of China ("**PRC**"). Accordingly, no geographical information is presented.

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Interest on bank loan	**466**	194
Interest on lease liabilities	**841**	697
Changes in the carrying amount of preferred shares liability:		
– Changes in present value of redemption amount	**–**	58,208
– Changes in fair value of conversion features	**–**	1,705,291
	1,307	1,764,390

(b) Other items

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Amortization of intangible assets	**1,053**	1,054
Depreciation charge		
– owned property, plant and equipment	**13,124**	8,422
– right-of-use assets	**3,115**	2,162
R&D expenses	**100,929**	123,435
Listing expenses	**–**	28,112

5 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

(a) Cayman Islands income tax

There is no income tax in the Cayman Islands and accordingly, the operating results reported by the Company, is not subject to any income tax in the Cayman Islands.

(b) Hong Kong income tax

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as the Group has no estimated assessable profits.

(c) The PRC corporate income tax

No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, as the Group's PRC entity has no estimated assessable profits.

6 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB161,026,000 (six months ended June 30, 2021: RMB1,987,658,000) and the weighted average of 541,946,928 ordinary share (six months ended June 30, 2021: 283,262,051 ordinary shares) in issue during the interim period after taking into account the effect of Capitalization issue, calculated as follows:

	Six months ended June 30,	
	2022	2021
	Number of shares	*Number of shares*
Issued ordinary shares at the beginning of the year	**541,946,928**	377,480
Effect of Capitalization issue	**–**	150,614,520
Effect of conversion of convertible redeemable preferred shares to ordinary shares upon IPO	**–**	89,264,928
Effect of shares issued upon IPO	**–**	42,326,989
Effect of shares issued related to equity settled share-based transactions	**–**	678,134
Weighted average number of ordinary shares at end of the period	**541,946,928**	283,262,051

(b) Diluted loss per share

Diluted loss per share is the same as basic loss per share for the six months ended June 30, 2022 and 2021, as all of the potential ordinary shares are anti-dilutive.

7 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended June 30, 2022 and 2021.

8 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
Value added tax recoverable	**16,059**	9,017
Prepayments to suppliers	**61,090**	32,232
Other receivables	**15,229**	5,551
	92,378	46,800

All other receivables and prepayments are expected to be recovered or recognized as expense within one year.

9 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
Payables for purchase of property, plant and equipment	**8,181**	28,394
Payroll payables	**10,420**	12,795
Accrued costs for R&D expenses	**12,566**	6,830
Payables for purchase of materials	**5,155**	1,001
Accrued office expense and others	**3,163**	4,604
Other taxes payables	**5,786**	5,529
	45,271	59,153

All of the other payables and accruals are expected to be settled and expensed within one year or are repayable on demand.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

Patient enrollment was completed for the China CHAMP and the Mini-CHAMP of one of our key products, NVK002, on July 21, 2022 and July 28, 2022 respectively. The main objective of the China CHAMP and Mini-CHAMP is to evaluate the efficacy and safety of NVK002 in the treatment of myopia progression in children and adolescents. Led by Professor Wang Ningli from Beijing Tongren Hospital as the principal investigator, the China CHAMP trial involves 19 centers and has completed the enrollment of 777 patients in less than four months and two months ahead of schedule. Co-led by Professor Qu Xiaomei from Eye and ENT Hospital of Fudan University and Professor Yang Xiao from Zhongshan Ophthalmic Center of Sun Yat-Sen University as the principal investigators, the Mini-CHAMP trial involves 18 centers and has completed the enrollment of 526 patients in less than three months and three months ahead of schedule. Completion of the enrollment of these two Phase III trials puts us at the forefront in the development of drug treatment for myopia progression in China.

Save as disclosed above, there was no other significant event affecting our Group which occurred after the end of the Reporting Period up to the date of this announcement.

INTERIM DIVIDEND

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

COMPLIANCE WITH THE CG CODE

Pursuant to code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and not be performed by the same individual. Dr. Li Xiaoyi currently serves as both the Chairman and the CEO. Dr. Li Xiaoyi has been operating and managing our Group since its establishment. Our Board believes that vesting the roles of both CEO and Chairman in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within our Group. We consider that the balance of power and authority of the present arrangement will not be impaired as the Board comprises eight other experienced and high-calibre individuals who would be able to offer advice from various perspectives. In addition, for major decisions of our Group, our Board will make consultations with appropriate Board committees and senior management.

Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and our Shareholders as a whole and the deviation from Code provision C.2.1 of Part 2 of the CG Code is appropriate in such circumstance. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether the separation of the roles of Chairman and CEO is necessary.

Our Company is committed to maintaining a high standard of corporate governance (which is of critical importance to our development) to protect the interest of the Shareholders. Save as disclosed above, our Directors consider that we have complied with all applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules during the Reporting Period and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

We have adopted the Model Code set out in Appendix 10 to the Listing Rules as its securities code to regulate the dealing by the Directors in securities of our Company.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code during the Reporting Period and up to the date of this announcement. No incident of non-compliance with the Model Code by the employees who are likely to be in possession of inside information of our Company was noted by us.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Our Company's Shares were listed on the Stock Exchange on April 29, 2021 with a total of 123,567,500 offer Shares issued. The net proceeds from the Global Offering amounted to approximately HK$1,932.3 million, after deducting the underwriting fees, commissions and related Listing expenses.

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, 2022** *(HK$ million)*	**Unutilized net proceeds as of June 30, 2022** *(HK$ million)*	**Expected time frame for unutilized amount**
For the clinical development and commercialization of our two Core Products	618.34	32.00%	156.05	462.29	
1. Allocated to CsA Ophthalmic Gel	438.64	22.70%	119.49	319.15	By the end of 2025
2. Allocated to ZKY001	179.70	9.30%	36.56	143.14	By the end of 2025
The continuing R&D activities as well as commercialization of the other drug candidates in our pipeline	888.86	46.00%	184.64	704.22	
1. The continuing R&D activities of other key drug candidates	579.69	30.00%	49.72	529.97	By the end of 2025
2. The continuing R&D activities of other innovative and generic drug candidates	57.97	3.00%	57.97	–	–
3. The milestone payments of our other in-licensed drug candidate	96.62	5.00%	56.72	39.90	By the end of 2025
4. The further expansion of our sales and marketing team in anticipation of new product launches in the coming year	154.58	8.00%	20.23	134.35	By the end of 2025
Carrying out the production line expansion of our advanced Nansha manufacturing facility in anticipation of our product launches in the coming years	135.27	7.00%	124.32	10.95	By the end of 2022
Our business development activities and the expansion of drug pipelines	96.62	5.00%	96.62	–	–
Working capital and other general corporate purposes	193.23	10.00%	72.34	120.89	By the end of 2023
	1,932.32	100.00%	633.97	1,298.35	

As at June 30, 2022, all the unused net proceeds are held by our Company in short-term deposits with licensed banks or authorized financial institutions in Hong Kong and the PRC.

The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by our Company and is subject to changes in accordance with our actual business operation. Going forward, the net proceeds will be applied in the manner as set out in "Future Plans and Use of Proceeds" of the Prospectus and there is no change in the intended use of net proceeds as previously disclosed in the Prospectus.

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

During the Reporting Period and up to the date of this announcement, neither our Company nor any of our subsidiaries have purchased, sold or redeemed any of our Company's listed securities.

MATERIAL LITIGATION

We were not involved in any material litigation or arbitration during the six months ended June 30, 2022. Our Directors are also not aware of any material litigation or claims that were pending or threatened against our Group during the six months ended June 30, 2022.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Mr. Wong Hin Wing, Ms. Cai Li and Mr. Liew Fui Kiang. The chairman of the Audit Committee is Mr. Wong Hin Wing.

The Audit Committee has reviewed the accounting principles and practices adopted by our Group and discussed auditing, internal control and financial reporting matters, including the review of our Group's unaudited interim financial report for the six months ended June 30, 2022.

The Audit Committee reviews and assesses the effectiveness of our Company's risk management and internal control systems which cover all material financial, operational and compliance controls. The Audit Committee also reviews regularly the corporate governance structure and practices within our Company and monitors compliance fulfillment on an ongoing basis.

PUBLICATION OF THE 2022 CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and our website (zkoph.com). The interim report of our Company for the six months ended June 30, 2022 containing all the information in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and our Company in due course.

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.

DEFINITIONS

"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"Capitalization Issue"	the subdivision of each share in our Company's issued and unissued share capital with par value of US$0.0001 each into 400 Shares of the corresponding class with US$0.00000025 each on April 1, 2021
"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
"CED"	corneal epithelial defect
"CEO"	the chief executive officer of our Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	chairman of the Board
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this interim results announcement only, Hong Kong, Macau Special Administrative Region and Taiwan
"Company", "our Company", "we" or "us"	Zhaoke Ophthalmology Limited
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this interim results announcement, our Core Products refer to CsA ophthalmic gel and ZKY001
"CsA"	a selective immuno-suppressant that inhibits calcineurin, an activator of T cells

"DED"	dry eye disease
"Director(s)"	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
"DME"	diabetic macular edema
"EMA"	European Medicines Agency
"FDA"	the United States Food and Drug Administration
"Global Offering"	the offer for subscription of the shares as described in the Prospectus
"Group", "our Group", "we" or "us"	our Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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
"IPO"	the initial public offering of the Shares of our Company on the Stock Exchange
"KOL"	key opinion leader
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	April 29, 2021, being the date on which dealings in our Shares first commence 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

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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
"Nevakar"	Nevakar, Inc., a pharmaceutical company incorporated under the laws of Delaware of the U.S. in 2015 and one of our licensing partners
"NK"	neurotrophic keratitis
"NMPA"	National Medical Products Administration
"PanOptica"	PanOptica, Inc., a biopharmaceutical company incorporated under the laws of Delaware of the U.S. in 2009 and one of our licensing partners
"Prospectus"	the prospectus issued by our Company dated April 16, 2021
"Reporting Period"	the six months ended June 30, 2022
"RMB"	Renminbi
"R&D"	research and development
"Series A Preferred Shares"	the convertible series A preferred shares of our Company allotted and issued in the series A financing, which were subsequently converted to ordinary Shares on the Listing Date
"Series B Preferred Shares"	the convertible series B preferred shares of our Company allotted and issued in the series B Financing, which were subsequently converted to ordinary Shares on the Listing Date

"Share(s)"	ordinary shares in the share capital of our Company of US$0.00000025 each
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"TOT BIOPHARM"	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司), formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司), a limited liability company established under the laws of Hong Kong in 2009 and one of our licensing partners, whose shares are listed on the Stock Exchange (stock code: 1875)
"TPRK"	transepithelial photorefractive keratectomy
"U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the U.S.
"VEGF"	vascular endothelial growth factor, a signal protein produced by cells that stimulates the formation of blood vessels
"VEGFR2"	vascular endothelial growth factor receptor 2, a type of VEGF that is a primary responder to vascular endothelial growth factor signal, and thereby regulates endothelial migration and proliferation
"Visus"	VISUS THERAPEUTICS INC., a pharmaceutical company incorporated under the law of Delaware of the U.S. in 2019 and one of our licensing partners
"Vyluma"	Vyluma Inc., a pharmaceutical company incorporated under the law of Delaware of the U.S. in 2021 and one of our licensing partners
"wAMD"	wet age-related macular degeneration

"Zhaoke Guangzhou"	Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Co., Ltd. (兆科(廣州)眼科藥物有限公司), a limited liability company established in the PRC on June 16, 2016 and an indirect wholly-owned subsidiary of our Company

For and on behalf of the Board
Zhaoke Ophthalmology Limited
Dr. Li Xiaoyi
Chairman and Executive Director

Hong Kong, August 24, 2022

As at the date of this announcement, the Board comprises Dr. Li Xiaoyi and Mr. Dai Xiangrong as executive Directors; Ms. Leelalertsuphakun Wanee, Ms. Tiantian Zhang, Ms. Cai Li and Mr. Chen Yu as non-executive Directors; and Mr. Wong Hin Wing, Prof. Lo Yuk Lam and Mr. Liew Fui Kiang as independent non-executive Directors.