



Ocumension Therapeutics
歐康維視生物

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock code 股份代號: 1477

Virtus et Lumen
勇 · 氣 · 和 · 光 · 明



2023

ANNUAL REPORT
年度報告



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Dr. Lian Yong CHEN (*Chairman of the Board*)
Dr. Wei LI
Mr. Yanling CAO
Ms. Yumeng WANG

Independent Non-executive Directors

Mr. Ting Yuk Anthony WU
Mr. Yiran HUANG
Mr. Zhenyu ZHANG

AUDIT COMMITTEE

Mr. Ting Yuk Anthony WU (*Chairman*)
Mr. Yiran HUANG
Mr. Zhenyu ZHANG

REMUNERATION COMMITTEE

Mr. Zhenyu ZHANG (*Chairman*)
Mr. Ting Yuk Anthony WU
Mr. Yiran HUANG

NOMINATION COMMITTEE

Dr. Lian Yong CHEN (*Chairman*)
Mr. Yiran HUANG
Mr. Zhenyu ZHANG

JOINT COMPANY SECRETARIES

Ms. Yun JI (*resigned on September 30, 2023*)
Ms. Hing Ling CHAU (*HKFCG, FCG*)
(*resigned on September 30, 2023*)
Mr. Tim RUAN
(*appointed on September 30, 2023*)
Ms. Tingchan CHEN (*HKACG, ACG*)
(*appointed on September 30, 2023*)

AUTHORIZED REPRESENTATIVES

Mr. Ye LIU
Ms. Hing Ling CHAU (*HKFCG, FCG*)
(*resigned on September 30, 2023*)
Mr. Tim RUAN (*appointed on September 30, 2023*)

REGISTERED OFFICE

The offices of Vistra (Cayman) Limited
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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

Unit 417, 4th Floor, Lippo Centre
Tower Two, No.89 Queensway
Admiralty
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

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Shops 1712-1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG LEGAL ADVISER

Kirkland & Ellis
26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
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AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
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88 Queensway, Admiralty
Hong Kong

STOCK CODE

1477

COMPANY WEBSITE

www.ocumension.com

Chairman's Statement

Dear Shareholders,

I would like to express my sincere gratitude for your recognition of and support to Ocumension. Although the year 2023 was stressful for both China's pharmaceutical market and capital markets, Ocumension managed to navigate through the year with bravery and perseverance and attained cheerful achievements.

In respect of R&D, we completed the NDA submission for ZERVIA[®] (OT-1001) in the hope of obtaining the earliest approval. ZERVIA[®] (OT-1001) is suitable for the treatment of allergic conjunctivitis in toddlers and preschoolers, which significantly fills the gap in this field and benefits the vast number of children in China. In addition, we were approved to market ILUVIEN[®] (OT-703) in Hong Kong, which is the first marketing authorization Ocumension managed to obtain outside of mainland China. With this approval, we have not only expanded the market but also gained overseas regulatory and registration experience. In 2023, we also completed the patient enrollment for the respective phase III clinical trials of OT-101 (0.01% atropine sulfate eye drop), OT-702 (aflibercept biosimilar) and DEXYCU[®] (OT-502), reaching scheduled milestones and paving the way towards the NDA submission of these products. The development of OT-202, the first new chemical entity under in-house development of the Company with a brand new mechanism of action, was also progressing well. 2023 saw the Company complete the phase II clinical trial for OT-202, with the results to be announced in the first quarter of 2024. All these efforts make Ocumension remain ahead of its peers in the ophthalmic pharmaceutical industry in terms of R&D pipeline and progress.

In 2023, Ocumension further solidified and strengthened its commercialization capability. Despite facing challenges from the general environment, the Company recorded an annual revenue of RMB246.4 million, representing an increase of 55.0% compared to the year ended 2022. The Company derived significant sales growth from the commercialized drugs. In particular, its market shares continued to grow in the fields of glaucoma treatment and anti-allergy treatment, which has underpinned Ocumension's leadership in both fields and set the stage for the successful launch of next-generation products in the future. In 2023, the first year of the marketing of Youshiying[®], the Company established a nationwide academic network through a battery of marketing activities, raising the medical profession's awareness of this product and allowing many doctors and patients to gain experience in how to use this product. Thanks to these efforts, Youshiying[®] was successfully included in the updated NRDL after a negotiation with the officials of the China National Healthcare Security Administration (中國國家醫療保障局), which serves as a favorable prerequisite for the rapid sales growth of Youshiying[®] in 2024.

In 2023, the Company's Suzhou manufacture site further sharpened its process and elevated its management level. The Company undertook original equipment manufacturer production for some well-known overseas ophthalmic pharmaceutical enterprises in 2023, which demonstrates that Ocumension's production process and quality have been up to international standards and gained peer recognition. Based on the above, the export and sale of ophthalmic preparations produced by Ocumension to developed countries will materialize in the near future and serve as China's maiden voyage to foreign ophthalmic markets.

Undaunted by the challenging market environment, Ocumension attained marked development of business in 2023, leading to an increase in the headcount. The headcount increased from 398 at the end of 2022 to 444 as of December 31, 2023. During its expansion, Ocumension safeguarded its cash flow by leveraging the efficiency driven by its strong organizational capacity and adopting a raft of measures such as increasing sales and reducing costs, thus ensuring that the Company can remove what gets in the way of achieving its profit target in the future when the market is painting a grim picture.

The year 2024 marks the sixth year since Ocumension's inception. Still in its early stages, Ocumension will stay true to its original aspiration of "*Virtus et Lumen*" and maintain rapid development while remaining attuned to the changes in the market. Further, the Company will continue its efforts to create value and returns for Shareholders.

Thank you!

Yours faithfully,

Dr. Lian Yong CHEN

Chairman and Non-executive Director

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

	For the year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	246,367	158,957	56,146	13,096	–
Cost of sales	(102,002)	(56,041)	(19,211)	(1,724)	–
Gross profit	144,365	102,916	36,935	11,372	180
Other income	23,203	35,654	27,589	19,271	3,877
Other expenses	(4,641)	(128)	(160)	(1,753)	–
Other gains and losses	5,430	19,901	112,403	(1,789,480)	(1,170,347)
Impairment losses under expected credit loss model, net of reversal	(349)	(683)	–	–	–
Selling and marketing expenses	(226,253)	(183,039)	(127,647)	(50,729)	(2,479)
R&D expenses	(123,768)	(184,309)	(169,055)	(179,550)	(99,464)
Administrative expenses	(196,142)	(190,748)	(126,159)	(232,811)	(57,185)
Listing expenses	–	–	–	(41,127)	–
Share of results of an associate	–	–	(13,331)	–	–
Finance costs	(1,325)	(1,793)	(567)	(59)	(63)
Loss before tax	(379,480)	(402,229)	(259,992)	(2,264,866)	(1,325,481)
Income tax expense	(307)	(414)	–	–	–
Loss for the year attributable to:					
– Owners of the Company	(379,787)	(402,643)	(259,992)	(2,264,866)	(1,312,311)
– Non-controlling interests	–	–	–	–	(13,170)
	(379,787)	(402,643)	(259,992)	(2,264,866)	(1,325,481)
Other comprehensive income (expense):					
<i>Item that will not be reclassified to profit or loss</i>					
Fair value gain (loss) on investments in equity instruments at FVTOCI	407,254	(177,401)	(305)	–	–
Total comprehensive income (expense) for the year attributable to:					
– Owners of the Company	27,467	(580,044)	(260,297)	(2,264,866)	(1,312,311)
– Non-controlling interests	–	–	–	–	(13,170)
	27,467	(580,044)	(260,297)	(2,264,866)	(1,325,481)

	For the year ended December 31,				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Loss per Share					
– Basic and diluted (RMB)	(0.59)	(0.64)	(0.43)	(7)	(32)
Loss for the year	(379,787)	(402,643)	(259,992)	(2,264,866)	(1,325,481)
<i>Add:</i>					
Impairment loss (reversed) recognised on long-lived assets	(3,179)	3,179	–	–	–
Loss on changes in fair value of financial liabilities at FVTPL	–	–	–	1,694,543	1,196,248
Gains related to transaction with EyePoint	–	–	(100,621)	–	–
Gains related to transaction with Alimera	–	–	(14,534)	–	–
Share-based payments	139,729	218,792	188,116	293,588	46,803
Non-IFRS measure:					
Adjusted net loss for the year ⁽¹⁾	(243,237)	(180,672)	(187,031)	(276,735)	(82,430)

Notes:

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

	As of December 31,				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Non-current assets	2,065,365	1,588,514	1,496,486	496,158	27,704
Current assets	1,205,634	1,455,160	1,834,567	2,103,404	1,261,993
Non-current liabilities	35,747	47,382	(7,026)	(5,309)	(3,318,750)
Current liabilities	315,284	247,653	(215,854)	(91,925)	(39,435)
Net assets (liabilities)	2,919,968	2,748,639	3,108,173	2,502,328	(2,068,488)
Equity (deficits) attributable to the owners of the Company	2,919,968	2,748,639	3,108,173	2,502,328	(2,068,488)
Non-controlling interests	–	–	–	–	–
Total equity (deficits)	2,919,968	2,748,639	3,108,173	2,502,328	(2,068,488)

Management Discussion and Analysis

OVERVIEW

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

To date, we have 25 front- and back-of-the-eye drug assets, and have established a complete ophthalmic drug pipeline, covering all major front- and back-of-the-eye diseases, among which five products are in phase III clinical trial. The following table summarizes our product portfolio and the status of each drug asset as of December 31, 2023:

Program	Mechanism of Action	Indication	Commercial Rights	BD Partners	Pre-IND	Phase I / II	Phase III	NDA / BLA
OT-401 (Youshiying®) (優施靈®)	Fluocinolone intravitreal implant	Chronic NIU-PS	Greater China, Korea and 11 countries in Southeast Asia	EYEPOINT				Commercialized US approved (EyePoint)
OT-1004 (Emadine®) (埃美丁®)	Emedastine difumarate	Allergic conjunctivitis	Mainland China	NOVARTIS				Commercialized
OT-305 (Betoptic® S) (貝特舒®)	Betaxolol hydrochloride	Glaucoma and ocular hypertension	Mainland China	NOVARTIS				Commercialized
OT-306 (Xalatan®) (適利達®)	Latanoprost	Glaucoma and ocular hypertension	Mainland China	VIATRIS				Commercialized
OT-307 (Xalacom®) (適利加®)	Latanoprost and timolol maleate	Glaucoma and ocular hypertension	Mainland China	VIATRIS				Commercialized
OT-1005 (Azep®) (妥賽平®)	Azelastine hydrochloride	Allergic conjunctivitis	Mainland China	VIATRIS				Commercialized
OT-204 (Ou Qin®) (歐沁®)	Sodium hyaluronate	Dry eye	Mainland China	匯恩蘭德 HUONLAND				Commercialized
OT-303 ²	Brimonidine tartrate	Glaucoma and ocular hypertension	Mainland China	匯恩蘭德 HUONLAND				Commercialized
OT-402 (Visudyne®) (維達達爾®)	Verteporfin	Choroidal neovascularization	Mainland China	CHEPLAPHARM				Commercial Rights
OT-601 (Kangwenjuan®) (康文娟®)	Moxifloxacin	Bacterial conjunctivitis	Global					Commercialized
OT-1001 (ZERVATE®)	Cetirizine hydrochloride	Allergic conjunctivitis	Greater China and 11 countries in Southeast Asia	nicox				CN NDA Accepted US Approved (Nicox)
OT-101	Low-concentration atropine	Myopia	Global			Global		
OT-101-S	Dual-chamber Low-concentration atropine	Myopia	Global			China IND Accepted		
OT-301 (NCX 470®)	Nitric oxide-donating prostaglandin analog	Glaucoma and ocular hypertension	Greater China, Korea and 12 countries in Southeast Asia	nicox		Global		
OT-702	Anti-VEGF	wAMD	China's mainland	Boan Biotech 博安生物		China		
OT-703	Fluocinolone intravitreal implant	DME	Greater China, Korea and 11 countries in Southeast Asia	Alimera		China		US Approved (Alimera)
OT-502 (DEXYCU®)	Dexamethasone	Postoperative inflammation	Greater China, Korea and 11 countries in Southeast Asia	EYEPOINT		China		US Approved (EyePoint)
OT-202	Tyrosine kinase inhibitor	Dry eye	Global			China		
OT-601-C	Moxifloxacin-dexamethasone sodium phosphate	Postoperative inflammation	Global			China		
OT-701 ³	Anti-VEGF	wAMD	Greater China	SENJU		China		Japan Approved (Senju and GTS)
OT-503 ⁴ (NCX 4251®)	Fluticasone propionate nanocrystals	Blepharitis	Greater China	nicox		China		Phase II USA completed (Nicox)
OT-302	Acetazolamide	Acute glaucoma	Global			China		
OT-1301 ¹	Cyclosporine implant	Cornea graft rejection	Global			China		
OT-1601 ¹	Stem cells	Retinitis pigmentosa and dry AMD	Greater China	SanBio		China		
OT-1602 ¹	Stem cells	Optic neuritis	Greater China	SanBio		China		

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

BUSINESS REVIEW

During the Reporting Period, we have been making significant progress with respect to our pipeline products and business operations, including the following milestones and achievements:

Research and Development Performance

During the Reporting Period, we managed to achieve a number of key milestones in clinical R&D projects. Our R&D team worked closely with clinical principal investigators (PIs), demonstrating our potent clinical development capability. The NDA for OT-1001 (ZERVIATE®, 0.24% cetirizine eye drops) has been accepted by the CDE and included in the priority review and approval process, and is expected to be approved for commercialization in the near future. We have completed the enrollment of patients for the global multi-center phase III clinical trial for OT-101 (0.01% atropine sulfate eye drop) and the real-world study for OT-502 (dexamethasone implant) has been completed. We have completed the enrollment of patients for the phase II clinical trial for OT-202 (tyrosine kinase inhibitor), an in-house developed class I new drug for the treatment of dry eye. The clinical projects were launched in 26 new experimental centers, and a total of more than 700 patients were enrolled during the Reporting Period. Five of our products are in phase III clinical trial, comprehensively covering front- and back-of-the-eye diseases and with a complete product layout and balanced portfolio thoughtfully designed to encompass various stages of development. We continue to be one of the ophthalmic pharmaceutical companies with the largest number of ophthalmic drugs in phase III clinical trials in China, infusing the company's future development with momentum.

Research and Development Progress of Our Key Drug Candidates

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

In June 2023, we completed the enrollment of 678 patients for the global phase III randomized, double-blind, placebo-controlled, parallel-group and multi-center clinical trial of our key product OT-101, which is a self-developed new drug.

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

- **OT-1001 (ZERVIATE®, 0.24% cetirizine eye drop)**

In April 2023, the NDA for OT-1001 for the treatment of allergic conjunctivitis was accepted by the NMPA and included in the priority review and approval process.

We expect OT-1001 to be approved for commercialization in the near future.

- **OT-702 (afibercept biosimilar)**

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

We expect to complete the phase III clinical trial of OT-702 and submit NDA this year.

Management Discussion and Analysis

- **OT-502 (DEXYCU®, dexamethasone implant)**

In August 2023, OT-502, we completed the enrollment of 263 patients for the real-world study of OT-502, a new drug for the treatment of postoperative inflammation, in Boao Lecheng International Medical Tourism Pilot Zone (博鰲樂城國際醫療旅遊先行區) in Hainan Province.

In November 2023, we completed the enrollment of a total of 300 patients for the phase III clinical trial of OT-502.

We expect to submit the NDA for OT-502 this year.

- **OT-202 (tyrosine kinase inhibitor)**

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

In November 2023, we completed the enrollment of a total of 213 patients for the phase II clinical trial of OT-202. In March 2024, the phase II clinical trial of OT-202 successfully completed the unblinding with all related data collected, which marked that OT-202 has achieved the primary clinical endpoint of the phase II clinical trial, demonstrating positive results in safety and efficacy.

We expect to commence the phase III clinical trial this year.

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

On December 20, 2023, OT-703, an innovative drug for the treatment of DME, was approved for commercialization in Hong Kong, formally commencing commercialization in the Chinese market.

We expect to continue to advance the phase III clinical trial and real-world study in mainland China this year.

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

Commercialization Performance

During the Reporting Period, we actively expanded the coverage of hospitals, accelerated the admission of products into hospitals, deeply explored the commercial potential of products with strong vitality, such as Emadine® and Xalatan®, and thereby achieved rapid growth in our revenue. We recorded a total revenue of RMB246.4 million, representing a year-on-year increase of 55.0%. We achieved a coverage of 10,120 hospitals nationwide, 1,558 of which are Grade III hospitals. With the number of commercial team members exceeding 230, we have completed the coverage of the national business network.

In December 2023, Youshiying® (fluocinolone intravitreal implant), a new drug of the Company for the treatment of uveitis, has been included in the updated NRDL issued by the China National Healthcare Security Administration (中國國家醫療保障局) for the treatment of chronic NIU-PS. The updated NRDL has officially taken effect on January 1, 2024. Since the admission of Youshiying® into the updated NRDL, the payment pressure of patients has been relieved significantly, the demand for the drug is booming, and Youshiying® is highly recommended by experts and scholars in uveitis. As of the date of this annual report, the year-to-date number of injections of Youshiying® in hospitals has exceeded that of last year, and is expected to continue to increase rapidly.

Manufacturing Performance

During the Reporting Period, we mainly focused on pilot scale production and validation batch production of our products at our Suzhou manufacture site and maintained the ongoing production of products transferred from other manufacture sites.

Future Development and Outlook

As a pharmaceutical manufacturer established merely five years ago, Ocumension has basically completed the building of a closed-loop mechanism for its business operations and initially gained a self-driven impetus. Currently, the Company has 12 marketed products, including its Core Product Youshiying®, and a wealth of self-developed medicine pipelines at different R&D stages which provide momentum for its future development. Looking forward to 2024, Ocumension expects to continue its development and make breakthroughs in the following aspects:

- (i) the Company targets to accelerate the increase of the commercialization of existing products (especially the Core Product, Youshiying®) for levelling up the Company's overall revenue;
- (ii) the Company targets to further improve its financial position based on increasing revenue and controlling costs to lay a foundation for the Company to achieve profitability in a sooner manner;
- (iii) in respect of R&D, the NDA of OT-1001 is expected to be approved this year. At the same time, the Company will steadily carry forward the R&D of its in-house developed products such as the clinical trial process of OT-101 and OT-202 to achieve phased objectives; and
- (iv) the Company targets to expand overseas cooperation to facilitate the overseas promotion of its products thus benefiting patients in need around the world.

Looking forward to 2024, based on the philosophy of "*Virtus et Lumen*", we will continue our commitment to foster our unique business strengths enabling Ocumension to maintain continuous rapid development, benefit patients at large and create value for Shareholders in today's complex and tough business environment.

Management Discussion and Analysis

FINANCIAL REVIEW

Overview

The revenue of our Group increased by 55.0% from RMB159.0 million for the year ended December 31, 2022 to RMB246.4 million for the year ended December 31, 2023, primarily led by a significant increase in the revenue generated from the sales of our ophthalmic products and the pharmaceutical products promotion services.

We recorded a total comprehensive income of RMB27.5 million for the year ended December 31, 2023, while we recorded a total comprehensive expense of RMB580.0 million for the year ended December 31, 2022. Such total comprehensive income recorded was primarily attributable to (i) a further narrowed loss for the year, primarily led by a significant increase in our revenue and gross profits, and (ii) an increase in the fair market value of our strategic investments in EyePoint and Alimera.

As of December 31, 2023, we had approximately RMB1,053.8 million in bank balances and cash.

For the Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Revenue	246,367	158,957
Cost of sales	(102,002)	(56,041)
Gross profit	144,365	102,916
Other income	23,203	35,654
Other expenses	(4,641)	(128)
Other gains and losses	5,430	19,901
Impairment losses under expected credit loss model, net of reversal	(349)	(683)
Selling and marketing expenses	(226,253)	(183,039)
R&D expenses	(123,768)	(184,309)
Administrative expenses	(196,142)	(190,748)
Share of results of an associate	–	–
Finance costs	(1,325)	(1,793)
Loss before tax	(379,480)	(402,229)
Income tax expense	(307)	(414)
Loss for the year	(379,787)	(402,643)
Non-IFRS measure:		
Adjusted net loss for the year	(243,237)	(180,672)

Revenue

The revenue of our Group increased by 55.0% from RMB159.0 million for the year ended December 31, 2022 to RMB246.4 million for the year ended December 31, 2023. The following table sets forth the components of our revenue for the years indicated:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Sales of ophthalmic products	204,695	108,833
Pharmaceutical products promotion services	38,347	22,655
Sales-based royalty income	3,054	27,469
Contract development and manufacturing services	271	–
Total Revenue	246,367	158,957

The increase in our revenue was primarily attributable to (i) a significant increase of 88.1% in the sales of ophthalmic pharmaceutical products from RMB108.8 million for the year ended December 31, 2022 to RMB204.7 million for the year ended December 31, 2023; and (ii) an increase in the revenue generated from the provision of pharmaceutical products promotion services from RMB22.7 million for the year ended December 31, 2022 to RMB38.3 million for the year ended December 31, 2023. The revenue generated from the sales-based royalty income decreased from RMB27.5 million for the year ended December 31, 2022 to RMB3.1 million for the year ended December 31, 2023 because the relevant revenue was recorded as revenue from sales of ophthalmic products instead of revenue from sales-based royalty income during the Reporting Period. Such change in revenue recognition was due to the change of business model of Emadine® during the Reporting Period.

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

Cost of Sales

Our cost of sales consists of cost incurred for the purchase of goods and amortization of license rights. The cost of sales of our Group increased by 82.0% from RMB56.0 million for the year ended December 31, 2022 to RMB102.0 million for the year ended December 31, 2023. The increase was mainly due to (i) the increased cost in relation to our sales of ophthalmic products and amortization of license rights, which was generally in line with our revenue growth; and (ii) the change of business model of Xalatan® and Xalacom® from providing promotion services to direct sales during the Reporting Period.

Management Discussion and Analysis

Gross Profit

The gross profit of our Group increased by 40.3% from RMB103.0 million for the year ended December 31, 2022 to RMB144.4 million for the year ended December 31, 2023. The increase in the gross profit was largely in line with the growth of our revenue but slightly trailed behind, primarily due to the increase in cost of sale which was caused by the change of business model of Xalatan® and Xalacom® from providing promotion services to direct sales during the Reporting Period.

Other Income

Our other income consists of bank interest income arising from our bank deposit and government grant income primarily. Other income of our Group decreased from RMB35.7 million for the year ended December 31, 2022 to approximately RMB23.2 million for the year ended December 31, 2023, primarily due to the decrease in bank interest income and government grant income.

Other Gains and Losses

Our other gains and losses decreased from RMB19.9 million for the year ended December 31, 2022 to RMB5.4 million for the year ended December 31, 2023, primarily due to a decrease of RMB21.3 million in the net foreign exchange gain because the Company retained fewer assets denominated in USD and the appreciation of the USD against RMB narrowed during the Reporting Period as compared to last year, partially offset by a reversal of impairment loss of RMB3.2 million on long-lived assets. The reversal was caused by the recoverable amount exceeding the carrying amount of the long-lived assets on the date of transferring the product right of AZEP® upon change of business model.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of (i) salary and benefits expenses for our commercialization team; (ii) share-based payments for our commercialization team; and (iii) marketing and promotion expenses. For the year ended December 31, 2023, our selling and marketing expenses were RMB226.3 million, representing an increase of 23.6% from RMB183.0 million for the year ended December 31, 2022, primarily due to (i) the expansion of our commercialization team; and (ii) the increasing marketing and promotion activities for our products during the Reporting Period; partially offset by a decrease in share-based payments for sales and marketing staff during the Reporting Period as compared to last year.

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

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Salaries and benefits	91,133	77,292
Share-based payments	52,257	66,307
Marketing and promotion	56,803	24,728
Others	26,060	14,712
Total selling and marketing expenses	226,253	183,039

R&D Expenses

During the Reporting Period, we recorded R&D expenses of RMB123.8 million, representing a decrease of 32.8% from RMB184.3 million for the year ended December 31, 2022, which was primarily due to (i) a decrease in share-based payments for R&D staff during the Reporting Period as compared to last year; and (ii) a decrease in third-party contracting costs.

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

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Third-party contracting costs	43,493	52,328
Staff costs	62,656	118,238
Depreciation and amortization	9,002	3,534
Others	8,617	10,209
Total R&D expenses	123,768	184,309

Administrative Expenses

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

For the year ended December 31, 2023, we recorded administrative expenses of RMB196.1 million, representing a slight increase from RMB190.7 million for the year ended December 31, 2022, which is primarily due to a growth in rental and related expenses for our new offices and an increase in the depreciation of property for administrative use and other right-of-use assets, partially offset by a decrease in share-based payments for relevant staff during the Reporting Period.

Income Tax Expenses

Our income tax expense mainly represents the profit tax in relation to the revenue incurred in markets outside the PRC. We recorded income tax expense of RMB0.3 million for the year ended December 31, 2023 (2022: RMB0.4 million).

Loss for the Year

As a result of the above factors, for the year ended December 31, 2023, our loss was RMB379.8 million, representing a decrease of 5.7% from RMB402.6 million for year ended December 31, 2022, mainly attributable to an increase of RMB41.4 million in gross profits and a decrease of RMB60.5 million in R&D expenses, as compared to last year, which was partially offset by the decreases in other income and other gains of RMB27.0 million in aggregate, and an increase of RMB43.2 million in selling and marketing expenses, as compared to last year.

Management Discussion and Analysis

Non-IFRS Measure

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

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

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Loss for the year	(379,787)	(402,643)
<i>Add:</i>		
Impairment loss (reversed) recognized on long-lived assets	(3,179)	3,179
Share-based payments	139,729	218,792
Non-IFRS adjusted net loss for the year	(243,237)	(180,672)

Selected Data from Consolidated Statement of Financial Position

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Total current assets	1,205,634	1,455,160
Total non-current assets	2,065,365	1,588,514
Total assets	3,270,999	3,043,674
Total current liabilities	315,284	247,653
Total non-current liabilities	35,747	47,382
Total liabilities	351,031	295,035
Net assets	2,919,968	2,748,639

Trade Receivables

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

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

The increase in our trade receivables as of December 31, 2023 is generally in line with the growth of our revenue.

Trade Payables

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

Working Capital and Source of Capital

Our primary uses of cash related to (i) expenses and costs for our daily operation and sales and marketing activities; (ii) R&D expenses in relation to the clinical trials for our drugs and/or drug candidates; and (iii) final payments in relation to the construction project and production equipment at our Suzhou manufacture site, as well as operational costs and fees incurred for the on-site trial production. During the Reporting Period, we primarily funded our working capital needs through equity financing and cash generated from (i) the sales of Youshiyi[®], Ou Qin[®], brimonidine tartrate eye drop, Emadine[®] and Kangwenjuan[®] and (ii) the pharmaceutical products promotion services in relation to Xalatan[®] and Xalacom[®]. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2023, our cash and cash equivalents amounted to RMB842.8 million (December 31, 2022: RMB1,170.0 million). Currently, we follow a set of funding and treasury policies to manage our capital resources and mitigate potential risks involved.

Borrowings

As of December 31, 2023, we recorded a short-term loan of RMB120.0 million (December 31, 2022: nil). In December 2023, we entered into short-term loan agreements with two banks, obtaining loans of RMB70.0 million and RMB50.0 million, respectively, at fixed interest rate of 3.0% and 3.1%, respectively. As of December 31, 2023, we have drawn down a total of RMB120.0 million, which will be repayable within one year.

Capital Commitment

As of December 31, 2023, we have capital commitment of RMB6.4 million for the contracts in relation to the acquisition of property, plant and equipment (December 31, 2022: RMB49.0 million).

Contingent Liabilities

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

Pledge of Assets

As of December 31, 2023, we pledged RMB4.3 million deposits to a bank to secure the letter of credit granted to our Group (December 31, 2022: RMB26.0 million).

Management Discussion and Analysis

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and term deposits with initial term of over three months, divided by total equity and multiplied by 100%. As of December 31, 2023, we were in a net cash position and thus, gearing ratio is not applicable.

Material Investments, Acquisitions and Disposals

We acquired 3,010,722 shares of EyePoint in January 2021 and became a shareholder of EyePoint since then. During the period from May 30, 2023 (New York time) to December 6, 2023 (New York time), we disposed of a total of 1,000,001 EyePoint Shares on the open market at an aggregate consideration of approximately US\$19,499,000 (equivalent to approximately HK\$152,482,000) (exclusive of transaction costs), which was determined based on the market price of the EyePoint Shares at the time of the relevant transactions and has been fully settled in cash. From January 11, 2024 (New York time) and up to January 17, 2024 (New York time), we further disposed of a total of 1,910,500 EyePoint Shares by way of block trade, at an aggregate consideration of approximately US\$37,159,000 (equivalent to approximately HK\$290,583,000) (exclusive of transaction costs), which was determined with reference to the market price of EyePoint Shares on January 11, 2024 (New York time) based on arm's length negotiations between the parties and has been fully settled in cash. For details of the aforesaid disposals, please refer to the Company's announcement dated January 17, 2024. Upon completion of the aforesaid series of disposals, we directly hold 100,221 EyePoint Shares, representing approximately 0.21% of the total issued and outstanding EyePoint Shares based on publicly available information as of the date of the aforesaid announcement.

As of December 31, 2023, the carrying amount of our investment in EyePoint as equity instruments at FVTOCI was approximately RMB329.1 million (December 31, 2022: RMB73.4 million). Accordingly, the fair value of such investment compared to our total assets as of December 31, 2023 was approximately 10.1%. For the year ended December 31, 2023, we have not received any dividend from such investment.

Save as disclosed above, the Company did not have any other material investments, acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2023.

Future Plans for Material Investments or Capital Assets

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

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

Foreign Exchange

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

Employees and Remuneration

As of December 31, 2023, we had a total of 444 employees (December 31, 2022: 398). For the year ended December 31, 2023, the total remuneration cost incurred, including the share-based payments, was RMB314.6 million (2022: RMB382.1 million). The following table sets forth a breakdown of our employees by function as of December 31, 2023:

Function	Number	Percentage of total employees
Commercial	232	52.3%
R&D	58	13.1%
Manufacturing	119	26.8%
Management and administrative	35	7.9%
Total	444	100%

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

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

We have adopted the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme to provide incentives for our employees.

Profiles of Directors and Senior Management

DIRECTORS

Executive Directors

- **Mr. Ye LIU**, aged 52, joined our Group as CEO on August 1, 2018. He has been our executive Director since November 23, 2018. Mr. Liu is responsible for overall strategic planning, business direction and daily management of the Company.

Mr. Liu has over 23 years of experience in the pharmaceutical industry. Prior to joining our Group, he served as the chairman and general manager in Santen Pharmaceutical (China) Co., Ltd. (參天製藥(中國)有限公司) from October 2014 to July 2018. From February 2009 to September 2014, Mr. Liu served as the head of pharmaceutical affair division and later became the general manager of Eisai (China) Inc. (衛材(中國)藥業有限公司), responsible for the management of pharmaceutical affairs and development, and the overall corporate operation, respectively. Mr. Liu has been serving as a director of EyePoint since January 2021.

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

- **Dr. Zhaopeng HU**, aged 51, joined our Group on September 3, 2018 as the vice president of registration affairs. He has been our executive Director since April 24, 2020, and our chief development officer since June 1, 2020. Dr. Hu is primarily responsible for participating in strategic planning and management of CMC and registration affairs.

Dr. Hu has around 23 years of experience in pharmaceutical industry. From July 2006 to August 2018, he held positions including plant technique and registration group manager, registration and pharmaceutical department director, clinical development department director and internal audit department director in Santen Pharmaceutical (China) Co., Ltd., mainly responsible for clinical development compliance and other drug-related regulations and compliance.

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

Non-executive Directors

- **Dr. Lian Yong CHEN**, aged 61, has been the Chairman of the Board and a Director since May 23, 2018. He was appointed as a non-executive Director on May 23, 2018, re-designated as an executive Director on April 28, 2020 and re-designated as a non-executive Director on July 20, 2021.

Dr. Chen has over 27 years of experience in the life sciences industry. He is currently the founding managing partner and CEO of 6 Dimensions Capital. He has been the founder and managing partner at Suzhou Frontline II since 2012.

Dr. Chen has been a non-executive director of Cutia Therapeutics (科笛集團), a company whose shares are listed on the Stock Exchange (stock code: 2487), since August 23, 2019. He has been a director of 111, Inc. (111 集團), a company whose shares are listed on NASDAQ (ticker symbol: YI), since May 2019. From January 2015 to March 16, 2022, he served as a non-executive director of Hua Medicine (華領醫藥), a company whose shares are listed on the Stock Exchange (stock code: 2552). From October 29, 2018 to July 9, 2021, he served as a non-executive director at CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616). From December 2014 to May 24, 2021, he served as a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 603718). From May 2008 to March 2014, Dr. Chen served as a partner at FIL Capital Management (Hong Kong) Limited in Asia.

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

- **Dr. Wei LI**, aged 52, has been a Director since April 13, 2018. He was appointed as a non-executive Director on April 13, 2018, re-designated as an executive Director on April 28, 2020 and re-designated as a non-executive Director on July 20, 2021.

Dr. Li has over 23 years of experience in the biotech industry. He is a founding partner of Creacion Ventures L.P. He has served as the managing partner of 6 Dimensions Capital since October 2017 and is a founding partner and the managing partner at WuXi Healthcare Ventures since July 2015. He has been a non-executive director of CStone Pharmaceuticals since December 2015 and was appointed as the chairman on May 31, 2022 subsequently.

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

Profiles of Directors and Senior Management

- **Mr. Yanling CAO**, aged 40, has been a non-executive Director since June 18, 2019.

Mr. Cao has over 14 years of experience in private equity investment and management. He served as an investment professional of General Atlantic LLC, a company primarily engaged in private equity and venture capital investment, and was responsible for private equity and venture capital investment from December 2007 to January 2011. He is one of the founding members of Boyu Capital Group Management Ltd. since March 2011 and is currently serving as a partner, mainly responsible for investments in the healthcare industry. Mr. Cao served as a director of CStone Pharmaceuticals from April 2016 to March 2017 and a non-executive director from May 2019 to January 2023. From October 2016 to March 2021, Mr. Cao served as a non-executive director of Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 6078). From April 2019 to March 2021, he served as a director of Gan & Lee Pharmaceuticals Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 603087). He served as a non-executive director of Antengene Corporation Limited (德琪醫藥有限公司), a company whose shares are listed on the Stock Exchange (stock code: 6996) from February 2019 to December 2021. From May 2020 to December 2021, he also served as an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (藥明巨諾(開曼)有限公司), a company whose shares are listed on the Stock Exchange (stock code: 2126). He has been a non-executive director of Wuxi Biologics (Cayman) Inc. (藥明生物技術有限公司), a company whose shares are listed on the Stock Exchange (stock code: 2269), since May 2016, and a non-executive director of Viela Bio, Inc., a company whose shares were listed on NASDAQ (ticker symbol: VIE) until March 2021, since February 2018.

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

- **Ms. Yumeng WANG**, aged 33, has been a non-executive Director since March 19, 2021.

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

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

Independent Non-executive Directors

- **Mr. Ting Yuk Anthony WU**, aged 69, has been an independent non-executive Director of the Company since June 23, 2020.

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

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

Mr. Wu has directorships in certain Hong Kong listed companies. He is the chairman and non-executive director of Clarity Medical Group Holding Limited (清晰醫療集團控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1406), the chairman and an independent non-executive director of Venus Medtech (Hangzhou) Inc. (杭州啓明醫療器械股份有限公司), a company whose shares are listed on the Stock Exchange (stock code: 2500), an independent non-executive director of Power Assets Holdings Limited (電能實業有限公司), a company whose shares are listed on the Stock Exchange (stock code: 0006), China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司) Limited, a company whose shares are listed on the Stock Exchange (stock code: 0966), China Resources Medical Holdings Company Limited (華潤醫療控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1515), CStone Pharmaceuticals (基石藥業), a company whose shares are listed on the Stock Exchange (stock code: 2616), 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) and Hui Xian Real Estate Investment Trust (匯賢產業信託), a collective investment scheme authorized by the SFC under section 104 of the SFO and regulated by the provisions of Appendix C of the Code on Real Estate Investment Trusts whose units are listed on the Stock Exchange (stock code: 87001).

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

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

Profiles of Directors and Senior Management

- **Mr. Yiran HUANG**, aged 69, has been an independent non-executive Director of the Company since June 23, 2020.

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

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

- **Mr. Zhenyu ZHANG**, aged 48, has more than 22 years of experience in legal and corporate compliance practice. He currently serves as the vice president responsible for legal, compliance and governmental affairs of Greater China region for The a2 Milk Company Limited, a public company dual listed on the New Zealand's Exchange (stock code: ATM) and the Australian Securities Exchange (stock code: A2M), respectively. From October 2012 to February 2019, Mr. Zhang served as the vice president responsible for legal, compliance and governmental affairs, and the general counsel as well as the chief compliance officer of APAC region for Thermo Fisher Scientific Inc., a company whose securities are listed on the New York Stock Exchange (ticker symbol: TMO). From March 2011 to October 2012, he served as the senior legal counsel of merger and acquisition of APAC region for United Technologies Corporation. From April 2008 to March 2011, Mr. Zhang served as a legal counsel and the chief compliance officer of Great China region for Sandoz AG, a company incorporated in Switzerland and a global research-based pharmaceutical and nutrition group. Prior to serving at Sandoz AG, Mr. Zhang has consecutively acted as an in-house legal counsel for TOM Group Limited, Sony Music Entertainment China Ltd. and Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司). Mr. Zhang has been an independent non-executive director of Shanghai XNG Holdings Limited (上海小南國控股有限公司) (formerly known as TANSI Global Food Group Co., Ltd (國際天食集團有限公司), a company whose shares are listed on the Stock Exchange (stock code: 3666), since May 2019.

Mr. Zhang obtained a bachelor's degree in law from East China University of Political Science and Law (華東政法大學) in 1998 and was awarded with a diploma in Beijing International MBA from Peking University in 2010.

SENIOR MANAGEMENT

- **Mr. Ye LIU**, aged 52, has been our CEO since August 1, 2018. For further details, please see “—Directors – Executive Directors” in this section.
- **Dr. Zhaopeng HU**, aged 51, has been our chief development officer since June 1, 2020. For further details, please see “—Directors – Executive Directors” in this section.
- **Mr. Qinglei ZUO**, aged 40, has been our chief commercial officer since January 1, 2021, responsible for product commercialization.

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

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

- **Mr. Tim RUAN**, aged 38, has been our chief financial officer since January 12, 2023, responsible for financial management and investor relations of the Group.

Mr. Ruan has extensive experience of financial management. Prior to joining our Group, he served as an executive director of the investment banking division of Goldman Sachs (Asia) L.L.C. from November 2020 to January 2023, primarily responsible for affairs in debt and equity capital markets and M&A. From January 2018 to November 2020, he served as a vice president of the investment banking division of Morgan Stanley Asia Limited. From February 2016 to January 2018, he acted as an associate within the investment banking division of Nomura International (Hong Kong) Limited. From September 2013 to January 2016, he served as associate at Sullivan & Cromwell LLP.

Mr. Ruan graduated from The Hong Kong University of Science and Technology in November 2021 with a master’s degree of science, majoring in biotechnology. He graduated from The University of New South Wales in December 2009 with bachelor’s degree of laws and bachelor’s degree of commerce majoring in finance.

Profiles of Directors and Senior Management

- **Ms. Hongying LIU**, aged 46, has been our chief manufacturing officer and head of manufacture since January 2023, responsible for construction and operation of our Suzhou manufacture site, as well as the production of drugs locally manufactured and Good Manufacturing Practice (GMP) management of our Group. Ms. Liu has extensive experience in pharmaceutical products production and quality management. Ms. Liu successively served as our production director, head of manufacture, and vice president of manufacturing from August 2019 to January 2023. Prior to joining our Group, Ms. Liu served as a drug GMP inspector of CDE Shanghai Branch (上海藥品審評審查中心) from March 2017 to August 2019, responsible for GMP inspection for drugs. From July 2000 to March 2017, she successively served as a Quality Assurance (QA) inspector, workshop officer, deputy general manager of production, chairwoman of labour union and general manager of a subsidiary within Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601607) and the Stock Exchange (stock code: 2607).

Ms. Liu graduated from Shenyang Pharmaceutical University (瀋陽藥科大學) in July 2000 with a bachelor's degree in engineering, majoring in pharmacy.

- **Dr. Yang SHEN**, aged 41, has been our chief medical officer since January 2024, responsible for leading the clinical development of our Group. Dr. Shen served as our vice president of clinical R&D from May 2023 to December 2023, vice president of regulatory affairs from October 2022 to May 2023, and medical director from April 2019 to October 2022. Prior to joining our group, Dr. Shen served as a medical information section manager of Santen Pharmaceutical (China) Co., Ltd. (參天製藥(中國)有限公司) from September 2015 to March 2019. From August 2013 to September 2015, she served as an associate manager of medical information in Roche China.

Dr. Shen obtained her bachelor's degree in pharmacy from the Medical School of Zhengzhou University (鄭州大學醫學院) in June 2005 and her doctorate of pharmacology from China Pharmaceutical University (中國藥科大學) in June 2010, respectively. She also served as a post-doctoral fellow at the Chinese Academy of Sciences (中國科學院) from July 2010 to July 2012.

- **Dr. Donghong CHEN**, aged 53, was appointed as our chief medical officer on October 28, 2019, responsible for leading clinical development. Dr. Chen resigned from our Company in June 2023.

Dr. Chen has around 33 years of experience in ophthalmology. From March 2016 to October 2019, she served as head of clinical development and medical affairs in Alcon Hong Kong Ltd., primarily responsible for clinical development and medical affairs in Hong Kong and South Korea. From March 2015 to April 2016, she served as deputy general manager of R&D department in Vanway Pharmaceutical Holdings Ltd (宏威製藥集團有限公司), responsible for strategy planning of the department. From February 2013 to December 2014, she served as APAC medical director and clinical advisor in STAAR Surgical Company, a company whose shares are listed on NASDAQ (ticker symbol: STAA), responsible for leading company's clinical and medical activities in APAC. From November 2010 to January 2013, she served as a senior scientist in GlaxoSmithKline (China) R&D Company Limited (葛蘭素史克(上海)醫藥研發有限公司), primarily responsible for clinical research and studies in ophthalmology.

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

JOINT COMPANY SECRETARIES

- **Mr. Tim RUAN**, aged 38, was appointed as the one of authorized representatives and one of the joint company secretaries of the Company on September 30, 2023. For further details of his biography, please see “ –Senior Management” in this section.
- **Ms. Tingchan CHEN**, aged 29, was appointed as the secretary of the Board and one of the joint company secretaries of the Company on September 30, 2023. She joined the Company on July 1, 2021.

Ms. Chen has several years of experience in corporate governance and company secretarial practice. Prior to joining our Group, Ms. Chen served as the senior manager of capital markets and investor relations at Shanghai Fosun High Technology (Group) Co. Ltd. (上海復星高科技(集團)有限公司), a subsidiary of Fosun International Limited (復星國際有限公司), a company whose shares are listed on the Stock Exchange (stock code: 656), from September 2020 to June 2021. From April 2017 to September 2020, she served as the supervisor of the secretariat to the board at Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600332) and the Stock Exchange (stock code: 874).

Ms. Chen obtained her bachelor’s degree in business administration from The Chinese University of Hong Kong in November 2016 and her master’s degree in corporate governance from Hong Kong Metropolitan University in March 2023. She has been an associate member of The Hong Kong Chartered Governance Institute since July 2023.

CHANGES TO DIRECTORS’ INFORMATION

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

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. During the year ended December 31, 2023, the Board believes that the Company has fully complied with the code provisions of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfill its role as a responsible corporate citizen.

Our vision is to provide a world-class pharmaceutical total solution to address significant unmet ophthalmic medical needs in China. Our mission is to provide Chinese ophthalmic patients with excellent and comprehensive treatment solutions through continuous scientific research and innovation. We take on such vision and mission with courage and assume responsibilities to bring light to patients and ophthalmic industries. Therefore, the Company's slogan was officially designated as "*Virtus et Lumen*" ("Courage and Light" in Chinese) in July 2020. To achieve our vision, the Company has been carrying on our in-width and in-depth expansion of product line, constructing a leading manufacture base for ophthalmic drugs in China and building up a competitive commercial team. Meanwhile, the Company are always insisted on creating a clean working atmosphere and are committed to compliance culture construction. All new joiners are required to complete onboarding training related to the Company's regulations within one month upon getting on board so that they could better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their compliance awareness.

The Board always ensures that the objectives, values and strategies set are consistent with the corporate culture, while all directors take the lead to act and are committed to promoting the corporate culture. For details of the Company's achievements during the Reporting Period, please see "Management Discussion and Analysis" on pages 8 to 19 of this annual report. The Board believes that the Company's existing business model is in line with the Company's objective and long-term strategy of becoming the world's leading ophthalmic pharmaceutical enterprise.

THE BOARD

(1) Responsibilities

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

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

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

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

(3) Board Composition

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

Executive Directors

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

Non-executive Directors

Dr. Lian Yong CHEN (*Chairman of the Board*)
Dr. Wei LI
Mr. Yanling CAO
Ms. Yumeng WANG

Independent Non-executive Directors

Mr. Ting Yuk Anthony WU
Mr. Yiran HUANG
Mr. Zhenyu ZHANG

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

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

Corporate Governance Report

(4) Board Diversity Policy

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

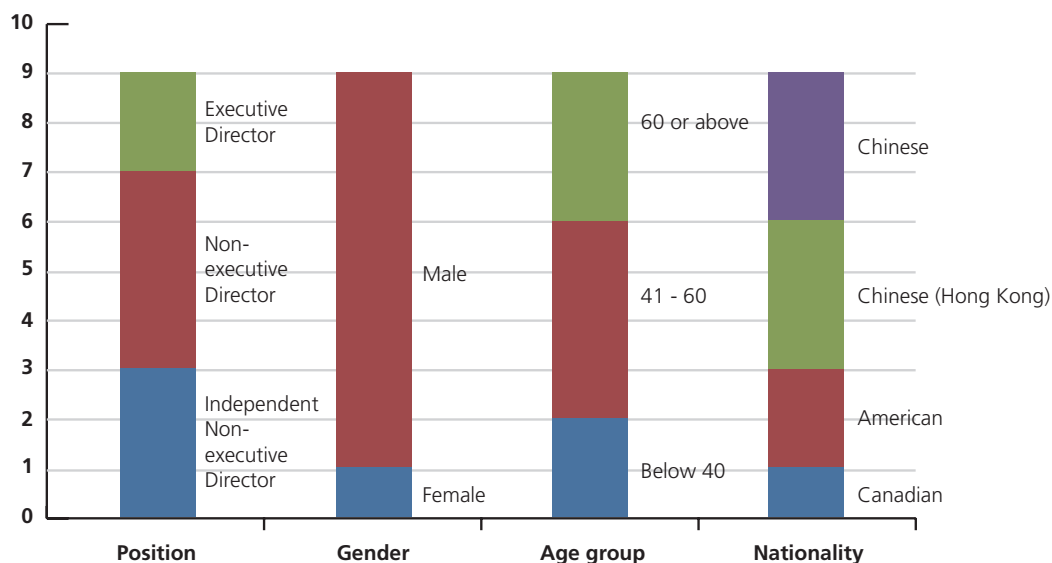
The Company has adopted the board diversity policy (the “**Board Diversity Policy**”) in accordance with the CG Code which sets out the objective and approach to achieve and maintain diversity of the Board and all levels of the employees in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, ethnicity, language, cultural and educational background, industry and professional experience. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of pharmaceutical and medical industry, business management, investment, finance, legal profession, auditing and accounting. They obtained degrees in various majors including pharmaceuticals, chemistry, economics and law. Furthermore, the Board has a wide range of age, ranging from 33 years old to 69 years old.

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

As of the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on pages 20 to 24 of this annual report.

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

The Board targets to maintain at least the current level of female representation.



(5) Measurable Objectives

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

The Company also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and the management levels. At the Board level, Ms. Yumeng WANG was appointed as a non-executive Director on the board meeting dated March 19, 2021, and was elected by the Shareholders at the annual general meeting held on June 29, 2021 and therefore the Company has achieved the objective of keeping at least one female Director. At present, the Board considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any other measurable objectives. At the management level, the Chief Medical Officer, Chief Manufacture Officer and the joint company secretary of the Company are female. The Board has also assessed the Group's diversity profile annually of all levels of employees and apply the diversity policy to attract, retain and motivate employees from the widest possible pool of available talent. As of December 31, 2023, the Group had 444 full-time employees, of whom the number of female employees accounted for approximately 47.5% and the Group has achieved the objective of maintaining a relatively balanced gender ratio. Based on the Board's review, there was no mitigating factor or circumstance which makes achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

(6) Board Independence

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising one third of the independent non-executive Directors and the members of the Audit Committee are all independent non-executive Directors exceed the independence requirements under the Listing Rules. The Remuneration Committee and Audit Committee are all chaired by independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

Corporate Governance Report

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

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

(8) Induction and Continuous Professional Development

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant pursuant to code provision C.1.4 of the CG Code. The joint company secretaries update and provide written materials on the latest developments of applicable laws, corporate governance issues, rules and regulations to the Directors from time to time.

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

During the year ended December 31, 2023, all Directors, namely Dr. Lian Yong CHEN, Mr. Ye LIU, Dr. Zhaopeng HU, Dr. Wei LI, Mr. Yanling CAO, Ms. Yumeng WANG, Mr. Ting Yuk Anthony WU, Mr. Yiran HUANG and Mr. Zhenyu ZHANG, had participated in appropriate continuous professional development activities by ways of attending trainings and/or reading materials relating to the latest development of Listing Rules and other regulatory requirements relevant to the Group, general business or directors' duties and responsibilities, etc. All Directors are encouraged to attend relevant training courses at the Company's expense.

(9) Chairman and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. As of the date of this annual report, Dr. Lian Yong CHEN ("**Dr. Chen**") acted as the chairman of the Board and Mr. Ye LIU acted as the chief executive officer of the Company. Dr. Chen responsibilities are more focused on strategic management and planning, while Mr. Liu's responsibilities are more focused on business direction and daily management. Their respective responsibilities and division of labor have been set out in writing. The chairman of the Board and the chief executive officer of the Company do not have any relationships (including financial, business, family or other material or connected relationship).

Under the code provision C.2.7 of the CG Code, the Chairman should at least annually hold meeting with the independent non-executive Directors without the presence of other Directors. During the year under review, Dr. Chen the chairman of the Board, has hold the meeting with the independent non-executive Directors without the presence of other Directors.

Dr. Chen is also responsible for the duties as specified in code provisions C.2.2 to C.2.9 of the CG Code.

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

(10) Appointment and Re-Election of Directors

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

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

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

Mr. Zhenyu ZHANG, being an independent non-executive Director has entered into a service agreement with the Company on April 8, 2022. The initial term of his service agreement shall commence from the date of appointment and continue for a period of three years subject to retirement by rotation and re-election as and when required under the Articles of Association or vacation from office pursuant to any applicable laws from time to time.

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

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

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

Corporate Governance Report

(11) Board Meetings and Committee Meetings

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

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

During the year ended December 31, 2023, five Board meetings, two Audit Committee meetings, one Remuneration Committee meeting and one Nomination Committee meeting were held.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the year ended December 31, 2023 is set out in the following table below:

Name of Director	Number of meeting(s) attended/number of meeting(s) held during the year ended December 31, 2023				
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors:					
Mr. Ye LIU	5/5	N/A	N/A	N/A	1/1
Dr. Zhaopeng HU	5/5	N/A	N/A	N/A	1/1
Non-executive Directors:					
Dr. Lian Yong CHEN	5/5	N/A	N/A	1/1	1/1
Dr. Wei LI	5/5	N/A	N/A	N/A	1/1
Mr. Yanling CAO	5/5	N/A	N/A	N/A	1/1
Ms. Yumeng WANG	5/5	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Ting Yuk Anthony WU	5/5	2/2	1/1	N/A	1/1
Mr. Yiran HUANG	5/5	2/2	1/1	1/1	1/1
Mr. Zhenyu ZHANG	5/5	2/2	1/1	1/1	1/1

(12) Model Code for Securities Transactions

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors and relevant employees. All Directors and relevant employees have confirmed, following specific inquiry by the Company, that they have complied with the Model Code during the year ended December 31, 2023.

(13) Delegation by the Board

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

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

(14) Corporate Governance Function

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

- (a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Group;
- (c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Group; and
- (e) to review the Group's compliance with the CG Code from time to time adopted by the Group and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

BOARD COMMITTEES

(1) Nomination Committee

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

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

One Nomination Committee meeting was held during the year ended December 31, 2023. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

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

Nomination Policy

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

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

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

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

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

(2) Remuneration Committee

We established a Remuneration Committee on June 23, 2020 with its written terms of reference in compliance with the Listing Rules. As of the date of this annual report, the Remuneration Committee currently comprises three members and all are independent non-executive Directors, namely Mr. Zhenyu ZHANG, Mr. Ting Yuk Anthony WU and Mr. Yiran HUANG. Mr. Zhenyu ZHANG is the chairman of the Remuneration Committee. The Remuneration Committee confirms that sufficient resources are available to perform its duties.

The primary duties of the Remuneration Committee are to determine a policy and structure for the Directors' and senior management's remunerations, establish a formal and transparent procedure for formulating related remuneration policies, evaluate the performance of Directors and senior management, approve the terms of Directors' service contracts and review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, and recommend the remuneration packages for all Directors and senior management. The written terms of reference of the Remuneration Committee are available on the respective website of the Stock Exchange and the Company.

The Remuneration Committee reviewed and approved management's compensation proposals in response to the Company's overall operating performance indicators and the respective annual performance goals of senior management approved by the Board of Directors to be effective, and has adopted the second model described in code provision E.1.2(c) under the CG Code (i.e. making recommendations to the Board on the remuneration packages of individual executive Directors and senior management), and made recommendations to the Board on the remuneration of non-executive Directors. The Remuneration Committee has consulted the chairman and/or chief executive about their remuneration proposals for other executive Directors. The Remuneration Committee should have access to independent professional advice if necessary. The Remuneration Committee has considered the remuneration paid by similar companies, the time commitment and responsibilities required and the conditions of employment of other positions within the Group, and ensured that no Director or any of his/her associates is involved in deciding his or her own remuneration.

The Remuneration Committee reviews and approves the compensations payable to executive Directors and senior management for loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive; reviews and approves compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate. During the Reporting Period, there was no compensation arising from the above matters.

Corporate Governance Report

During the year ended December 31, 2023, one Remuneration Committee meeting was held. The following is a summary of work performed by the Remuneration and Assessment Committee during the Reporting Period:

- reviewed and made recommendations to the Board on the remuneration package of the Directors and senior management;
- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management; and
- reviewed and made recommendations to the Board on the details of the vesting of options and awards.

The Board granted options and awards to the executive Directors under the 2021 Share Award Scheme and 2021 Share Option Scheme as part of the Company's remuneration policy, the purpose of which is to closely align the interests and benefits of the Company, the Board and the management of the Group in order to maximize the motivation of the executive Directors and senior management. Such grants aim to provide sufficient incentive to retain and motivate our executive Directors to participate in the formulation of strategy and long-term development of the Company and to recognize their contribution to the growth of the Company. Retaining executive Directors is highly beneficial for the Group's development and expansion, and can avoid potential disruption to the operation of the Group resulting from the lack of continuity of leadership.

The vesting of the options and awards granted to the executive Directors was in accordance with the proportion of achievement of the performance targets as set out in the Company's circular dated November 4, 2022. Partial achievement of the performance targets will result in proportionate vesting, and the unvested award shares shall lapse and become return shares. In addition, in the event of any occurrence of misconduct or breach of employment contract, or any other conduct which as the Board or its delegates determines in good faith would justify the termination of the employment contract, any unvested outstanding options or awards shall not be vested and shall be immediately forfeited, and for options and awards already transferred to the grantee, the Company may require such grantee to return the equivalent value of the shares underlying the options or awards. The Board and the Remuneration Committee has reviewed and confirmed that the performance targets of the executive directors in 2023 have been fully achieved and therefore, their options and awards will be fully vested according to the proportion agreed in the offer letters.

Details of the Directors' remuneration for the year ended December 31, 2023 are set out in Note 11 to the consolidated financial statements.

Remuneration by band of the senior management (including two Directors) of the Group for the year ended December 31, 2023 is set out below:

Remuneration band (HK\$)	Number of senior management
0-10,000,000	4
80,000,000-90,000,000	1

Note: The remunerations above also include share-based payments in the consolidated statement of profit or loss and other comprehensive income, details of which are set out in Note 30 to the Consolidated Financial Statements in this annual report.

(3) Audit Committee

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

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

Two Audit Committee meetings were held during the year ended December 31, 2023. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual and interim results and reports, the Group's financial and accounting policies and practices and the scope of audit and appointment of auditors;
- reviewed the risk management, internal control and compliance systems and the effectiveness of internal audit function and discussed with the management and internal audit on their findings;

Corporate Governance Report

- discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company; and
- performed corporate governance related duties such as reporting to the Board on the matters in the CG Code.

The Audit Committee also met Deloitte Touche Tohmatsu, the external auditors of the Company twice for the year ended December 31, 2023. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2023 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

Pursuant to the compliance manual of Ocumension, the Company has established a compliance window for all the employees of the Company to submit their compliance inquiries and compliance reports. During the Reporting Period, the Company set up an external reporting channel and policies, allowing stakeholders (such as suppliers, customers, etc.) to report any inappropriate matters that may be related to the Company secretly and anonymously. This reporting channel regularly reviews and reports the reported matters to the Audit Committee. The Company reviewed and enhanced its internal control system regularly by revising and improving its internal control matrix and internal control manual once a year. The Company's existing system, operating procedures and control measures were adjusted in accordance with the needs of the Company's business management and external regulatory requirements. The Company carried out an internal control assessment at least once a year to ensure that each of its departments has properly complied with its internal control system as well as any recommendation for rectification on any defects in its internal control identified when its self-assessment could be provided after internal communication and determination.

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

The Group has set out in writing the prohibition of bribery, fraud and corruption in the compliance manual. The legal department (as the relevant functional department) will review, supervise the behaviors of all employees, investigate violations and make recommendations on discipline. We have established a compliance committee led by the Group's CEO, which is responsible for directing, supervising and coordinating the compliance management work of the Group, and strengthening the compliance awareness of all employees through training and examinations in daily work.

Our Company review risk management and internal control systems once a year. Our Group's internal control and risk management reports for the year ended December 31, 2023 were submitted to the Audit Committee and the Board of Directors for review in March 2024. The Board has reviewed and believes that the risk management and internal control systems of the Group for the year ended December 31, 2023 are complete, and are fully and effectively operated in all material controls, including financial, operational and compliance controls, which are sufficient to protect the interests of all stakeholders of the Group. The Board of Directors also confirmed that the resources, staff qualifications and experience, training programs and budget of the issuer's accounting, internal audit, financial reporting functions, as well as those relating to the ESG performance and reporting are adequate.

Corporate Governance Report

AUDITOR'S REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the year ended December 31, 2023, and details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended December 31, 2023 are set out in the table below:

Services rendered for the Company	Total Fees paid and payable RMB'000
Audit services:	
Annual audit services	2,770
Non-audit services:	
Tax advisory services	180
Review of interim results	880
Total	3,830

JOINT COMPANY SECRETARIES

In compliance with Rule 3.29 of the Listing Rules, Mr. Tim RUAN and Ms. Tingchan CHEN both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the Reporting Period. All members of the Board can have access to the joint company secretaries' advice and services.

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

GENERAL MEETING

During the year ended December 31, 2023, one general meetings were held.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and established a range of communication channels between the Company, its Shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters; and (vi) convening investor meeting and/or analyst briefings, which led by our executive Directors and investor relations team with existing and potential investors.

Having considered the multiple channels of communication and shareholders engagement in the general meetings held during the year, the Board is satisfied that the shareholders communication policy has been properly implemented during 2023 and is effective.

SHAREHOLDERS' RIGHTS

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

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

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

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

(2) Procedures for putting forward proposals at general meeting

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

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

Corporate Governance Report

(3) Inquiries to the Board

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

Address: 56F, One Museum Place, 669 Xin Zha Road, Jing'an District, Shanghai, the PRC

Email: ir@ocumension.com

DIVIDEND POLICY

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

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

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

CONSTITUTIONAL DOCUMENTS

With effect from January 1, 2022, the Stock Exchange has amended the Listing Rules to enable issuers to adopt a uniform set of core standards for the shareholder protection for issuers (the “**Core Shareholder Protection Standards**”). The Board therefore proposed to amend the then existing memorandum and articles of association of the Company and to adopt the sixth amended and restated memorandum and articles of association (the “**New M&A**”) in order to (i) bring the memorandum and articles of association of the Company in alignment with the amendments made to the applicable laws of the Cayman Islands and the Listing Rules, in particular the Listing Rules regarding the Core Shareholder Protection Standards; and (ii) incorporate certain consequential and housekeeping amendments. The New M&A was subject to the approval of the Shareholders by way of a special resolution at the annual general meeting of the Company held on June 16, 2023 (the “**2023 AGM**”). The special resolution on the proposed amendments was duly passed at the 2023 AGM and the New M&A took effect on the date of the 2023 AGM. For details of the New M&A, please refer to the announcement of the Company dated March 30, 2023, the circular of the Company dated April 26, 2023, and the announcement of poll results of the 2023 AGM of the Company dated June 16, 2023. The latest version of the New M&A is available on the websites of the Stock Exchange and the Company.

Report of Directors

The Board of the Company is pleased to present this Report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2023.

BOARD OF DIRECTORS

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

The Directors during the year ended December 31, 2023 and up to the date of this annual report were:

Executive Directors

Mr. Ye LIU (*Chief Executive Officer*)

Dr. Zhaopeng HU

Non-executive Directors

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

Dr. Wei LI

Mr. Yanling CAO

Ms. Yumeng WANG

Independent Non-executive Directors

Mr. Ting Yuk Anthony WU

Mr. Yiran HUANG

Mr. Zhenyu ZHANG

GENERAL INFORMATION

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

PRINCIPAL ACTIVITIES

We are a China-based ophthalmic pharmaceutical platform company dedicated to identifying, developing and commercializing first – or best-in-class ophthalmic therapies. Our vision is to provide a world-class pharmaceutical total solution to address significant unmet ophthalmic medical needs in China.

BUSINESS REVIEW

A review of the business of the Group during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business is set out in "Management Discussion and Analysis" on pages 8 to 19 of this annual report. These discussions form part of this Report of Directors. Events affecting the Company that have occurred since the end of the financial year is set out in "Events After Reporting Period" in this Report of Directors on page 71 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Based on our environmental policies and goals set, the Company spares no efforts to minimize the relative environmental impact through resources management and emissions management. On top of that, the Group also pays attention to the performance of suppliers in terms of environmental protection and social responsibility with a closed-loop management mechanism established.

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

Report of Directors

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEES AND REMUNERATION POLICIES

A review of the employees and remuneration policies of the Group for the Reporting Period are set out in "Management Discussion and Analysis" on page 19 of this annual report.

RETIREMENT BENEFITS SCHEME

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

The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. During the Reporting Period, there were no forfeited contributions under the Group's retirement benefits scheme, and there were no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

Details of the pension contributions of the Company are set out in Note 32 to the Consolidated Financial Statements in this annual report.

MAJOR SUPPLIERS

For the year ended December 31, 2023, the Group's suppliers primarily consisted of (i) licensors from which we obtained intellectual property rights in respect of our in-licensed drug candidates; (ii) contract research organizations (CROs), who provide third-party contracting services for R&D; and (iii) suppliers of other materials for R&D activities, machines and equipment. The Group selects its suppliers by considering their product quality, industry reputation and compliance with relevant regulations and industry standards.

For the year ended December 31, 2023, purchases from the Group's five largest suppliers in the aggregate amounted to RMB131.3 million (2022: RMB176.7 million), accounted for 27.1% (2022: 30.9%) of the Group's total purchases for the same year. Purchases from the Group's largest supplier for the year ended December 31, 2023 amounted to RMB37.4 million (2022: RMB71.9 million), accounting for approximately 7.7% (2022: 12.6%) of the Group's total purchase amount for the same year.

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

During the year ended December 31, 2023, the Group did not experience any significant disputes with its suppliers.

MAJOR CUSTOMERS

During the Reporting Period, the Group continued the commercialization of its ophthalmic products. For the year ended December 31, 2023, sales from the Group's five largest customers in the aggregate amounted to RMB223.6 million (2022: RMB117.1 million), accounted for 90.8% (2022: 73.7%) of the Group's total sales for the same year. Sales from the Group's largest customer for the year ended December 31, 2023 amounted to RMB140.7 million (2022: RMB35.8 million), accounting for approximately 57.1% (2022: 22.5%) of the Group's total sales amount for the same year.

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

During the year ended December 31, 2023, the Group did not experience any significant disputes with its customers.

KEY RELATIONSHIP WITH STAKEHOLDERS

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

Relationship with Our Employees

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

Relationship with Our Shareholders

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company during the Reporting Period are set out in "Profiles of Directors and Senior Management" on pages 20 to 26 of this annual report.

Report of Directors

SERVICE CONTRACTS OF THE DIRECTORS

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

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

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

Mr. Zhenyu ZHANG, the independent non-executive Director, has entered into an appointment letter with the Company, with an initial term of three years from April 8, 2022, which is subject to retirement by rotation and re-election at the annual general meeting pursuant to the Articles of Association, or vacation from office pursuant to any applicable laws from time to time.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting of the Company after appointment and any new Director appointed as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following annual general meeting after appointment. The Directors, being Mr. Ye LIU, Ms. Yumeng WANG and Mr. Ting Yuk Anthony WU being eligible, have been re-elected as an executive Director, a non-executive Director and an independent non-executive Director, respectively, at the annual general meeting held on June 16, 2023.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance, whether for the provision of services or otherwise, to the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2023.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2023.

DIRECTORS INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors and the controlling Shareholders was interested in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended December 31, 2023.

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered or existed during the year ended December 31, 2023.

Report of Directors

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details on related party transactions for the year ended December 31, 2023 are set out in Note 34 to the consolidated financial statements.

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

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

As of December 31, 2023, the interests and short positions of the Directors or chief executive of our Company in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares or underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding interest ⁽³⁾
Mr. Ye LIU	Beneficial owner	76,112,990 ⁽¹⁾	11.02%
Dr. Zhaopeng HU	Beneficial owner	4,204,658 ⁽²⁾	0.61%

Notes:

- (1) Including (i) a total of 24,860,855 Shares directly held by him; (ii) 21,425,710 options that have been granted yet unexercised under the ESOP; (iii) RSUs representing 11,150,050 Shares upon vesting that have been granted yet unsettled under the RSU Scheme; (iv) 10,828,000 options that have been granted yet unexercised under the 2021 Share Option Scheme; and (v) 7,848,375 awards that have been granted yet unvested under the 2021 Share Award Scheme.
- (2) Including (i) a total of 3,639,773 Shares directly held by him (ii) RSUs representing 67,685 Shares upon vesting that have been granted yet unsettled under the RSU Scheme; (iii) 287,000 options that have been granted yet unexercised under the 2021 Share Option Scheme; and (iv) 210,200 awards that have been granted yet unvested under the 2021 Share Award Scheme.
- (3) The calculation is based on the total number of 690,903,850 Shares in issue as of December 31, 2023.

Save as disclosed above, as of December 31, 2023, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of December 31, 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Interests in the Shares or underlying Shares of the Company

Name of Shareholders	Nature of interest	Total number of Shares/ underlying Shares	Approximate percentage in shareholding ⁽⁷⁾
6 Dimensions Capital (Note 1)	Beneficial interest	119,890,000	17.35%
6 Dimensions Affiliates (Note 1)	Beneficial interest	6,310,000	0.91%
6 Dimensions Capital GP, LLC (Note 1)	Interest in controlled corporation	126,200,000	18.27%
Suzhou Frontline II (Note 2)	Beneficial interest	88,340,000	12.79%
Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) (Note 2)	Interest in controlled corporation	88,340,000	12.79%
Suzhou 6 Dimensions (Note 2)	Beneficial interest	37,860,000	5.48%
Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) (Note 2)	Interest in controlled corporation	37,860,000	5.48%
Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) (Note 2)	Interest in controlled corporation	126,200,000	18.27%
Ziqing CHEN (陳梓卿) (Note 2)	Interest in controlled corporation	126,200,000	18.27%
Summer Iris Limited (Note 3)	Beneficial interest	78,214,230	11.32%
Boyu Capital Fund IV, L.P. (Note 3)	Interest in controlled corporation	78,214,230	11.32%
Boyu Capital General Partner IV, Ltd. (Note 3)	Interest in controlled corporation	78,214,230	11.32%
Boyu Capital Group Holdings Ltd. (Note 3) (Note 4)	Interest in controlled corporation	82,979,730	12.01%
TLS Beta Pte. Ltd. (Note 5)	Beneficial interest	49,209,400	7.12%
Temasek Life Sciences Private Limited (Note 5)	Interest in controlled corporation	49,209,400	7.12%
Fullerton Management Pte Ltd (Note 5)	Interest in controlled corporation	49,209,400	7.12%
Temasek Holdings (Private) Limited (Note 5) (Note 6)	Interest in controlled corporation	54,486,400	7.89%

Report of Directors

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. (蘇州繡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. (蘇州繡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 4,765,500 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 49,209,400 Shares held by TLS Beta Pte. Ltd.
- (6) For the purpose of the SFO, Temasek Holdings (Private) Limited is deemed to have an interest in the 5,277,000 Shares held by Aranda Investments Pte. Ltd., which in turn is ultimately controlled by Temasek Holdings (Private) Limited.
- (7) The calculation is based on the total number of 690,903,850 Shares in issue as of December 31, 2023.

Save as disclosed above, as of December 31, 2023, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE SCHEMES

During the year ended December 31, 2023 and up to the date of this annual report, we have four share schemes in effect which were required to be disclosed under the requirements of Chapter 17 of the Listing Rules.

ESOP

The ESOP was adopted by the Company on May 23, 2018 and amended from time to time. Subject to the terms of the ESOP, the Board may at its discretion specify any conditions which must be satisfied before the option(s) under the ESOP may be exercised. Further details of the ESOP are set out in the Prospectus and Note 30(a) to the consolidated financial statements.

Principal Terms of the ESOP

Below is a summary of the terms of the ESOP:

Purpose

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.

Participants

Any employee, officer, Director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is an eligible employee by reason of their contribution to the Group is entitled to be offered and granted options.

Maximum number of Shares available for issue

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, representing approximately 8.67% of the total issued Shares of the Company as of the date of this annual report, being 695,614,850 Shares.

Maximum entitlement of each participant

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

Option period

An option may be exercised in accordance with the offer letter and the rules under the ESOP at any time during the option period as specified by the Board in relation to each such option in its terms of grant.

Vesting period

Unless otherwise approved by the Board and set forth in an offer letter, the vesting schedule shall be a 60-month vesting schedule consisting of a cliff vesting of twenty percent (20%) after twelve (12) months from the vesting commencement date and, thereafter, quarterly vesting of equal instalments over the remaining sixteen (16) quarters. In case of a listing, the vesting schedule of the unvested option shall be accelerated by 50%.

Subscription Price

The subscription price shall be approved by the Board and shall be set out in the offer letter. A grantee is not required to pay for the grant of any option.

Basis of determining the exercise price of options

No basis of determining the exercise price of options granted was specified in the terms of the ESOP.

Remaining life

The ESOP shall be valid and effective for a period of 10 years commencing on the adoption date, after which period no further options will be granted, but the provisions of the ESOP shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted. The Company shall not grant any options under the ESOP after the Listing. The remaining life of the ESOP is until May 23, 2028.

Report of Directors

Movements in the Options under the ESOP

Details of the options granted under the ESOP and their movements during the year ended December 31, 2023 are as follows:

Name of grantee	Date of grant	Vesting period	Exercise period	Exercise price (US\$ per Share)	Number of Shares underlying options outstanding as of January 1, 2023	Number of options exercised during the Reporting Period	Number of options canceled/ forfeited/lapsed during the Reporting Period	Number of Shares underlying options outstanding as of December 31, 2023
Directors								
Mr. Ye LIU	Between August 28, 2018 to January 22, 2020	(Note 1)	Until May 23, 2028	Between 0.001 to 0.188	21,643,710	218,000 ⁽²⁾	0	21,425,710
Other grantees in aggregate⁽⁶⁾	Between August 28, 2018 to January 22, 2020	(Note 3)	(Note 3)	Between 0.001 to 0.201	2,050,734	1,949,055 ⁽⁴⁾	73 ⁽⁵⁾	101,606
Total					23,694,444	2,167,055	73⁽⁵⁾	21,527,316

Notes:

- (1) All the options granted to Mr. Liu under the ESOP have been vested to him. The options vested to Mr. Liu are exercisable before May 23, 2028.
- (2) During the Reporting Period, Mr. Liu exercised 218,000 options under the ESOP for the subscription of 218,000 Shares, among which 500 Shares were subsequently sold. The closing price of the Shares immediately before the date on which the options were exercised by Mr. Liu during the Reporting Period was HK\$8.09 per Share.
- (3) The vesting schedule shall be a 60-month vesting schedule consisting of a cliff vesting of twenty percent (20%) after twelve (12) months from the vesting commencement date and, thereafter, quarterly vesting of equal instalments over the remaining sixteen (16) quarters. In case of a listing, the vesting schedule of the unvested option shall be accelerated by 50%. The options are exercisable until the later of (i) second anniversary of the Listing Date; or (ii) three months following the options are fully vested in accordance with the vesting schedule.
- (4) During the Reporting Period, 1,949,055 options under the ESOP had been exercised by other grantees for the subscription of 1,949,055 Shares. The weighted average closing price of such Shares immediately before the dates on which these options were exercised during the Reporting Period was HK\$8.24 per Share.
- (5) During the Reporting Period, 73 options had been forfeited and subsequently lapsed due to resignation of the relevant employees and nil option had been canceled. Since the Listing and as of December 31, 2023, a total of 633,844 options under the ESOP had been forfeited.
- (6) Other grantees are all employees of the Company (other than the Directors) who entered into valid employment contracts with the Company.

Save as disclosed above, no option had been granted or agreed to be granted, exercised, canceled or lapsed under the ESOP throughout the year ended December 31, 2023.

Details of the option pricing model and details of the significant assumptions and inputs used in the pricing model as well as the explanation of how these significant assumptions and inputs were determined are set out in Note 30(a) to the Consolidated Financial Statements in this annual report.

RSU Scheme

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

Principal Terms of the RSU Scheme

Below is a summary of the terms of the RSU Scheme:

Purpose

The purpose of the RSU Scheme is to recognize the contributions of the Directors, employees and any consultant or adviser of the Group and to incentivize them to further promote the development of the Group.

Participants

Any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is an eligible participant by reason of their contribution to the Group.

Maximum number of Shares available for issue

Pursuant to the RSU Scheme, an aggregate of 24,000,000 underlying Shares were issued to Coral Incentivization Limited, representing an aggregate of 3.45% of the total issued Shares the Company as of the date of this annual report. The maximum number of Shares in respect of which RSUs may be granted under the plan shall not exceed 24,000,000 Shares in the aggregate. As of the date of this annual report, 1,511,829 issued Shares are available for grant to the Directors, employees and any consultant or adviser of the Group under the RSU Scheme, representing approximately 0.22% of the issued Shares of the Company as of the same date, subject to the Scheme Mandate Limit as below.

On November 25, 2022, the Shareholders approved and confirmed the refreshment of the Scheme Mandate Limit to 53,424,000 Shares, being approximately 7.95% of the total Shares in issue as of such date of approval rounded down to nearest whole board lot of 500 Shares. Such Scheme Mandate Limit is applicable to all share schemes of the Company (including the RSU Scheme). As of the date of this annual report, under the Scheme Mandate Limit, 43,222,478 Shares are available for issue under all share schemes of the Company, representing approximately 6.21% of the total issued share capital of our Company as of the same date, being 695,614,850 Shares.

Maximum entitlement of each participant

Subject to the maximum number of Shares in respect of which RSUs may be granted under the plan as set out above, the RSU Scheme contains no provisions on the maximum entitlement of each participant.

Vesting period

Unless otherwise approved by the Board and set forth in an offer letter, the vesting schedule shall be a 60-month vesting schedule consisting of a cliff vesting of twenty percent (20%) after twelve (12) months from the vesting commencement date and, thereafter, quarterly vesting of equal instalments over the remaining sixteen (16) quarters. The vesting schedule for RSUs for the grantee shall be set forth in the offer letter to such grantee for such RSUs.

Subscription Price

The consideration payable by the grantee for RSUs shall be set forth in the offer letter to such grantee for such RSUs.

Basis of determining the purchase price of RSUs

At the time of grant of RSUs, the Board will determine the consideration, if any, to be paid by the Grantee upon delivery of each Share subject to the RSUs. The consideration to be paid (if any) by the grantee for each Share subject to an RSU shall be set forth in the offer letter for such RSUs and may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law. RSUs may be awarded for nil consideration if permitted under applicable law.

Report of Directors

Remaining life

The RSU Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, after which period no further RSUs will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and the RSUs shall be settled in accordance with the terms upon which the RSUs are granted. The remaining life of the RSU Scheme is until April 27, 2030.

Movements in the RSUs under the RSU Scheme

Details of the RSUs granted under the RSU Scheme and their movements during the year ended December 31, 2023 are as follows:

Category and name of grantee	Date of grant	Vesting period	Purchase price (US\$ per share)	Number of Shares underlying unvested RSUs as of January 1, 2023	Number of Shares underlying RSUs granted during the Reporting Period	Number of Shares underlying RSUs vested during the Reporting Period	Number of RSUs canceled/ forfeited during the Reporting Period	Number of Shares underlying unvested RSUs as of December 31, 2023
Directors								
Mr. Ye LIU	April 30, 2020	(Note 1)	0.188	11,150,050	0	0	0	11,150,050
Dr. Zhaopeng HU	April 30, 2020	(Note 1)	0.188	270,738	0	203,053 ⁽³⁾	0	67,685
External consultant of the Group	September 9, 2022	(Note 2)	0.188	300,000	0	0	0	300,000
Other grantees in aggregate⁽⁶⁾	April 30, 2020 and June 15, 2020	(Note 1)	Between 0.188 to 0.201	2,461,811	0	1,197,393 ⁽⁴⁾	499,745 ⁽⁵⁾	764,673
Total				14,182,599	0	1,400,446	499,745 ⁽⁵⁾	12,282,408

Notes:

- (1) The vesting schedule is a 60-month vesting schedule consisting of a cliff vesting of 20 percent after 12 months from the vesting commencement date and, thereafter, quarterly vesting of equal instalments over the remaining 16 quarters.
- (2) The vesting schedule is a 60-month vesting schedule consisting of a cliff vesting of 20 percent after 12 months from the vesting commencement date and, thereafter, quarterly vesting of equal instalments over the remaining 16 quarters, subject generally to the grantee continuing to be a consultant of the Group through each such date.
- (3) The weighted average closing price of the Shares immediately before the date on which the RSUs were vested to Dr. Hu during the Reporting Period was HK\$7.90 per Share.
- (4) The weighted average closing price of such Shares immediately before the dates the RSUs were vested to other grantees in aggregate during the Reporting Period was HK\$7.80 per Share.
- (5) During the Reporting Period, 499,745 RSUs under the RSU Scheme had been forfeited and subsequently lapsed due to resignation of the relevant employees and nil RSU had been canceled. The Company had granted RSUs representing 23,166,920 Shares upon vesting under the RSU Scheme, among which RSUs representing 1,178,494 Shares upon vesting have been forfeited as of December 31, 2023.
- (6) Other grantees are all employees of the Company (other than the Directors) who entered into valid employment contracts with the Company.

Save as disclosed above, no RSU has been granted under the RSU Scheme throughout the year ended December 31, 2023.

Details of the basis for fair value measurement and information on whether and how the features of the RSUs are incorporated into the measurement of fair value are set out in Note 30(b) to the Consolidated Financial Statements in this annual report.

2021 Share Option Scheme

The 2021 Share Option Scheme was adopted by the Company on August 31, 2021 and amended from time to time. Subject to the terms of the 2021 Share Option Scheme, the Board may at its discretion specify any conditions which must be satisfied before the option(s) under the 2021 Share Option Scheme may be exercised. Further details of the 2021 Share Option Scheme are set out in the circular of the Company dated August 11, 2021 and Note 30(c) to the consolidated financial statements in this annual report.

Principal Terms of the 2021 Share Option Scheme

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

Purpose

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

Participants

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

Maximum number of Shares available for issue

The aggregate number of Shares which may be issued upon exercise of all options under the 2021 Share Option Scheme shall not, in aggregate, exceed 63,120,538 Shares. The aggregate number of Shares which may be issued upon exercise of all options under the 2021 Share Option Scheme and any new share option scheme of the Company which may be adopted hereinafter, shall not, in aggregate, exceed 10% of the total number of Shares in issue as of the date of adoption of the 2021 Share Option Scheme or any new share option scheme (as the case may be). The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. As of the date of this annual report, 37,754,588 issued Shares are available for grant to the Directors, employees and any consultant or adviser of the Group under the 2021 Share Option Scheme, representing approximately 5.43% of the issued Shares of the Company as of the same date, subject to the Scheme Mandate Limit as below.

On November 25, 2022, the Shareholders approved and confirmed the refreshment of the Scheme Mandate Limit to 53,424,000 Shares, being approximately 7.95% of the total Shares in issue as of such date of approval rounded down to nearest whole board lot of 500 Shares. Such Scheme Mandate Limit is applicable to all share schemes of the Company (including the 2021 Share Option Scheme). As of the date of this annual report, under the Scheme Mandate Limit, 43,222,478 Shares are available for issue under all share schemes of the Company, representing approximately 6.21% of the total issued share capital of our Company as of the same date, being 695,614,850 Shares.

Report of Directors

Maximum entitlement of each participant

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

Option period

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

Vesting period

Subject to the rules of the 2021 Share Option Scheme, the Listing Rules and any applicable law and regulations, the Board and the committee of the Board or person(s) to which the Board has delegated its authority shall have the power from time to time to decide the vesting schedule of the option.

Subscription Price

The Board shall specify in the offer letter that no amount shall be payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid.

Basis of determining the exercise price of options

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

Remaining life

The 2021 Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on August 31, 2021, being the adoption date, after which period no further options shall be granted, but the provisions of the 2021 Share Option Scheme shall in all other respects remain in full force and effect and the grantees may exercise the options in accordance with the terms upon which the options are granted. The remaining life of the 2021 Share Option Scheme is until August 30, 2031.

Movements in Options under the 2021 Share Option Scheme

Details of the options granted under the 2021 Share Option Scheme and their movements during the year ended December 31, 2023 are as follows:

Name of grantee	Date of grant	Vesting period	Exercise period	Exercise price (HK\$ per share)	Number of Shares underlying outstanding options as of January 1, 2023	Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options canceled/ forfeited/lapsed during the Reporting Period	Number of Shares underlying outstanding options as of December 31, 2023
Directors									
Mr. Ye LIU	July 2, 2021 and September 9, 2022	(Note 1)	(Note 1)	HK\$27.43 and HK\$11.41	10,828,000	0	0	0	10,828,000
Dr. Zhaopeng HU	September 30, 2021 and September 9, 2022	(Note 2)	(Note 2)	HK\$19.07 and HK\$11.41	287,000	0	0	0	287,000
Other grantees in aggregate⁽⁴⁾	September 30, 2021 and September 9, 2022	(Note 3)	(Note 3)	HK\$19.07 and HK\$11.41	15,450,450	0	0	1,666,498 ⁽⁵⁾	13,783,952
Total					26,565,450	0	0	1,666,498 ⁽⁵⁾	24,898,952

Notes:

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

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

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

Report of Directors

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

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

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

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

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

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

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

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

- (4) Other grantees are all employees of the Company (other than the Directors) who entered into valid employment contracts with the Company.
- (5) During the Reporting Period, 1,666,498 options under the 2021 Share Option Scheme had been forfeited and subsequently lapsed due to resignation of the relevant employees and nil option had been canceled.

Save as disclosed above, no option had been granted or agreed to be granted, exercised, canceled or lapsed under the 2021 Share Option Scheme throughout the year ended December 31, 2023.

Details of the option pricing model and details of the significant assumptions and inputs used in the pricing model as well as the explanation of how these significant assumptions and inputs were determined are set out in Note 30(c) to the Consolidated Financial Statements in this annual report.

2021 Share Award Scheme

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

Principal Terms of the 2021 Share Award Scheme

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

Purpose

The purpose of the 2021 Share Award Scheme is to align the interests of eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

Participants

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

Maximum number of Shares available for issue

The Company shall not make any further awards which will result in the aggregate number of Shares underlying all grants made pursuant to the 2021 Share Award Scheme (excluding award Shares that have been forfeited in accordance with the 2021 Share Award Scheme) to exceed 5% of the total number of Shares in issue from time to time during the period of the 2021 Share Award Scheme. The number of Shares issuable under the Scheme for each financial year shall not exceed 3% of the total issued share capital of the Company. As of the date of this annual report, 2,541,640 issued Shares are available for grant to the Directors, employees and any consultant or adviser of the Group under the 2021 Share Award Scheme, representing approximately 0.37% of the issued Shares of the Company as of the same date, subject to the Scheme Mandate Limit as below.

On November 25, 2022, the Shareholders approved and confirmed the refreshment of the Scheme Mandate Limit to 53,424,000 Shares, being approximately 7.95% of the total Shares in issue as of such date of approval rounded down to nearest whole board lot of 500 Shares. Such Scheme Mandate Limit is applicable to all share schemes of the Company (including the 2021 Share Award Scheme). As of the date of this annual report, under the Scheme Mandate Limit, 43,222,478 Shares are available for issue under all share schemes of the Company, representing approximately 6.21% of the total issued share capital of our Company as of the same date, being 695,614,850 Shares.

Vesting period

The Board or the committee of the Board or person(s) to which the Board delegated its authority may from time to time while the 2021 Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested thereunder.

Report of Directors

Subscription Price and its basis

The consideration payable by the grantee for award Shares shall be determined by the Board and set forth in the award letter to such grantee for award Shares.

Remaining life

Unless terminated earlier by the Board in accordance with the Scheme Rules, the 2021 Share Award Scheme is valid and effective for a period of ten (10) years commencing on the Adoption Date (after which no further awards will be granted under the 2021 Share Award Scheme), and thereafter for so long as there are any non-vested award Shares granted hereunder prior to the expiration of the 2021 Share Award Scheme, in order to give effect to the vesting of such award Shares or otherwise as may be required in accordance with the provisions of the rules of the 2021 Share Award Scheme.

Movements in the awards under the 2021 Share Award Scheme

Details of the awards granted under the 2021 Share Award Scheme and their movements during the year ended December 31, 2023 are as follows:

Name of grantee	Date of grant	Vesting period	Purchase price (HK\$ per share)	Number of Shares underlying unvested awards as of January 1, 2023	Number of Share awards granted during the Reporting Period	Number of Shares underlying awards vested during the Reporting Period	Number of awards canceled/ forfeited/ lapsed during the Reporting Period	Number of Share awards underlying unvested awards as of December 31, 2023
Directors								
Mr. Ye LIU	July 2, 2021 and September 9, 2022	(Note 1)	0	12,178,875	0	4,330,500 ⁽⁴⁾	0	7,848,375
Dr. Zhaopeng HU	July 2, 2021 and September 9, 2022	(Note 2)	0	264,500	0	54,300 ⁽⁵⁾	0	210,200
Other grantees in aggregate⁽⁷⁾	September 30, 2021 and September 9, 2022	(Note 3)	0	14,730,072	0	2,453,535 ⁽⁶⁾	1,537,543 ⁽⁸⁾	10,738,994
Total				27,173,447	0	6,838,335	1,537,543 ⁽⁸⁾	18,797,569

Notes:

- (1) The 13,002,000 award Shares granted to Mr. Liu on July 2, 2021 shall vest in him as follows: (a) 25% of the awards shall vest on the first anniversary of the date of grant; (b) 25% of the awards shall vest in four equal installments during the period from the first anniversary of the date of grant to the second anniversary of the date of grant; (c) 25% of the awards shall vest in four equal installments during the period from the second anniversary of the date of grant to the third anniversary of the date of grant; and (d) 25% of the awards shall vest in four equal installments during the period from the third anniversary of the date of grant to the fourth anniversary of the date of grant.

The 4,320,000 award Shares granted to Mr. Liu on September 9, 2022 shall vest in him as follows: (a) 25% of the awards shall vest immediately on the date of grant; (b) 25% of the awards shall vest on the first anniversary of the date of grant, conditional upon the achievement of certain performance targets relating to the overall performance of the Company as set out in the grant letter entered into between Mr. Liu and the Company, including R&D and registration progress of drug candidates, marketing and sales of commercialized products, daily operation and management of the Group; (c) 25% of the awards shall vest on the second anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or Mr. Liu, which shall be determined by the Board in due course; and (d) 25% of the awards shall vest on the third anniversary of the date of grant, conditional upon the performance targets to be achieved by the Company and/or Mr. Liu, which shall be determined by the Board in due course.

- (2) The 150,000 award Shares granted to Dr. Hu on September 30, 2021 shall vest in him as follows: (a) 10% of the awards shall vest on the first anniversary of the date of grant; (b) 20% of the awards shall vest in four equal installments during the period from the first anniversary of the date of grant to the second anniversary of the date of grant; (c) 30% of the awards shall vest in four equal installments during the period from the second anniversary of the date of grant to the third anniversary of the date of grant; and (d) 40% of the awards shall vest in four equal installments during the period from the third anniversary of the date of grant to the fourth anniversary of the date of grant. The vesting of the awards is conditional upon the completion of the performance targets as set out in the grant letters entered into between the Dr. Hu and the Company.

The 137,000 award Shares granted to Dr. Hu on September 9, 2022 shall vest in him as follows: (a) 10% of the awards shall vest on the first anniversary of the date of grant; (b) 20% of the awards shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the first anniversary of the date of grant to the second anniversary of the date of grant; (c) 30% of the awards shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the second anniversary of the date of grant to the third anniversary of the date of grant; and (d) 40% of the awards shall vest in four equal installments (with each installment vesting at the end of each quarter) during the period from the third anniversary of the date of grant to the fourth anniversary of the date of grant. The vesting of the awards to be granted to Dr. Hu is conditional upon the achievement of the performance targets by Dr. Hu set out in his grant letter entered into between him and the Company, which include targets relating to R&D and registration progress of in – licensed and in-house developed drug candidates, CMC management and regulatory affairs management.

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

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

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

- (4) The weighted average closing price of the Shares immediately before the dates on which the awards were vested to Mr. Liu during the Reporting Period was HK\$8.51 per Share.
- (5) The weighted average closing price of the Shares immediately before the dates on which the awards were vested to Dr. Hu during the Reporting Period was HK\$8.18 per Share.
- (6) The weighted average closing price of the Shares immediately before the dates on which the awards were vested to other grantees during the Reporting Period was HK\$7.59 per Share.
- (7) Other grantees are all employees of the Company (other than the Directors) who entered into valid employment contracts.
- (8) During the Reporting Period, 1,537,543 awards under the 2021 Share Awards Scheme had been forfeited and subsequently lapsed due to resignation of the relevant employees and nil award had been canceled.

Save as disclosed above, no award has been granted or agreed to be granted, vested, canceled or lapsed under the 2021 Share Award Scheme throughout the year ended December 31, 2023.

Details of the basis for fair value measurement and information on whether and how the features of the awards are incorporated into the measurement of fair value are set out in Note 30(d) to the Consolidated Financial Statements in this annual report.

Report of Directors

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

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

	Scheme Mandate Limit		Service Provider Sublimit	
	Available for grant as of January 1, 2023	Available for grant as of December 31, 2023	Available for grant as of January 1, 2023	Available for grant as of December 31, 2023
Options	36,555,088	37,631,288 ⁽¹⁾	5,342,000 ⁽²⁾	5,342,000 ⁽²⁾
Awards	1,377,390	2,447,290 ⁽¹⁾	1,377,390 ⁽²⁾	2,447,290 ⁽²⁾
RSUs	1,511,829	1,511,829 ⁽¹⁾	1,511,829 ⁽²⁾	1,511,829 ⁽²⁾

Notes:

- (1) On November 25, 2022, the Shareholders approved and confirmed the refreshment of the Scheme Mandate Limit to 53,424,000 Shares, being approximately 7.95% of the total Shares in issue as of such date of approval rounded down to nearest whole board lot of 500 Shares. Such Scheme Mandate Limit is applicable to all share schemes of the Company. The number of options, awards and RSUs available for grant as of December 31, 2023 shall also be subject to such Scheme Mandate Limit, being 43,004,828 as of December 31, 2023. Such number does not take into account the numbers of options, awards and RSUs granted before the grant of options, awards and RSUs on September 9, 2022 and the refreshment of the Scheme Mandate Limit on November 25, 2022 while lapsed thereafter. Such numbers of lapsed options, awards and RSUs are not regarded as being eligible to be utilized for the purpose of calculating the Scheme Mandate Limit (and the Service Provider Sublimit).
- (2) On November 25, 2022, the Shareholders approved and confirmed the set of the Service Provider Sublimit as 5,342,000 Shares, being 0.795% of the total Shares in issue as of the date of approval rounded down to nearest whole board lot of 500 Shares. Such Service Provider Sublimit is applicable to all share schemes of the Company. The number of options and awards available for grant to the Service Providers as of December 31, 2023 shall be subject to such Service Provider Sublimit, being 5,342,000 as of December 31, 2023.

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

EQUITY-LINKED AGREEMENTS

Share Incentive Schemes

Details of the ESOP, the RSU Scheme, the 2021 Share Option Scheme and the 2021 Share Award Scheme are set out above in this section on pages 54 to 66 of this annual report.

Issue of Warrants under the Warrant Subscription Agreement

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

On August 13, 2021, in accordance with the terms and conditions of the warrant subscription agreement dated April 14, 2021, the Company issued 1,000,000 warrants at a nominal consideration of HK\$1.00 to Alimera, conferring it rights to subscribe for an aggregate of 1,000,000 warrant Shares at the subscription price of HK\$23.88 per Share during the period of 48 months commencing from the date of issue of the warrants. For further details of the warrants issue, please refer to the Company's announcements dated April 14, 2021 and August 13, 2021, respectively. There was no exercise of warrants during the Reporting Period.

Save as disclosed in this annual report, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Group, or existed during the year ended December 31, 2023.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2023.

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

During the Reporting Period, the Company repurchased a total of 239,000 ordinary shares of the Company for an aggregate consideration of HK\$1,610,239 on the Stock Exchange before expenses. The repurchased Shares have not yet been cancelled as of the date of this annual report. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

Month of purchase in 2023	Share repurchased No. of Shares purchased	Purchase consideration per Share		Aggregate consideration paid (HKD)
		Highest price paid (HKD)	Lowest price paid (HKD)	
December 2023	239,000	6.94	6.54	1,610,239
Total	239,000			1,610,239

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2023.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2023 and details of the Shares issued during the year ended December 31, 2023 are set out in Note 27 to the consolidated financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2023. (2022: nil)

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2023, we recorded a short-term loan of RMB120.0 million (December 31, 2022: nil). In December 2023, we entered into short-term loan agreements with two banks, obtaining loans of RMB70.0 million and RMB50.0 million, respectively, at fixed interest rate of 3.0% and 3.1%, respectively. As of December 31, 2023, we have drawn down a total of RMB120.0 million, which will be repayable within one year.

Report of Directors

CONVERTIBLE BONDS

As of the date of this annual report, the Company has not issued any convertible bonds. (December 31, 2022: nil)

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

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

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2023 (2022: nil).

PERMITTED INDEMNITY

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

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

DISTRIBUTABLE RESERVES

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

As of December 31, 2023, the Company did not have any distributable reserves.

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2023 are set out in the consolidated statement of changes in equity on page 80 and Note 39 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year ended December 31, 2023, the Group did not make any charitable donations (2022: nil).

PROPERTY, PLANT AND EQUIPMENT

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

USE OF PROCEEDS FROM LISTING AND PLACING

Use of Proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on July 10, 2020. The total net proceeds raised from the issue of new Shares by the Company in its Listing and the full exercise of over-allotment option (after deducting the underwriting fees and related Listing expenses) amounted to approximately HK\$1,646.41 million. The intended use of the net proceeds and the change in the intended use of the net proceeds were set out in the Prospectus and the announcement of the Company dated September 11, 2020, respectively. As of December 31, 2023, such net proceeds were utilized as follows in accordance with the intended uses:

Use of proceeds from Listing	Amount of net proceeds for planned applications (HK\$ million)	Percentage of total net proceed (%)	Unutilized net proceeds as of December 31, 2022 (HK\$ million)	Utilized net proceeds during the Reporting Period (HK\$ million)	Utilized net proceeds as of December 31, 2023 (HK\$ million)	Unutilized net proceeds as of December 31, 2023 (HK\$ million)	Expected time frame for unutilized amount
For the Core Product							
1. For funding the costs and expenses in connection with R&D personnel as well as the continuing R&D activities of OT-401	197.57	12.00%	112.35	6.13	91.35	106.22	by the end of 2025
2. For milestone payments of OT-401	49.39	3.00%	15.49	–	33.9	15.49	by the end of 2024
3. For the commercialization of OT-401	246.96	15.00%	144.18	94.23	197.01	49.95	by the end of 2024
For the other drug candidates, including OT-101, OT-301, OT-1001, OT-502, OT-202, OT-503 and OT-701							
1. For the continuing R&D activities of other drug candidates, including OT-101, OT-301, OT-1001, OT-502, OT-202, OT-503 and OT-701	562.42	34.16%	71.98	71.98	562.42	–	–
2. For milestone payments of our other in-licensed drug candidates	96.15	5.84%	22.47	–	73.68	22.47	by the end of 2024
3. For the further expansion of our sales and marketing team	164.64	10.00%	61.86	61.86	164.64	–	–
For the acquisition of 100% equity interest in Suzhou Xiayang as disclosed in our announcement dated September 11, 2020	164.64	10.00%	–	–	164.64	–	–
For our working capital and other general corporate purposes	164.64	10.00%	–	–	164.64	–	–
Total	1,646.41	100.00%	428.33	234.2	1,452.28	194.13	

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

As of December 31, 2023, all the unused net proceeds are held by the Company in short-term deposits with licensed banks or authorized financial institutions.

Report of Directors

Use of Proceeds from the Placing

In January 2021, an aggregate of 28,000,000 placing Shares have been successfully placed by Morgan Stanley & Co. International plc to not less than six Independent Third Party placees at the placing price of HK\$28.35 per Share. For details of the placing and subscription, please refer to the Company's announcements dated January 13, 2021 and January 22, 2021, respectively.

The net proceeds arising from the placing and subscription amounted approximately HK\$781.7 million, of which the intended uses were set out in the announcement of the Company dated January 22, 2021. The placing and subscription was undertaken to strengthen the Group's financial position and for the long term funding of its business, expansion and growth plan. As of December 31, 2023, the net proceeds from the placing and subscription were utilized as follows in accordance with the intended uses:

	Amount of net proceeds for planned applications <i>(HK\$ million)</i>	Percentage of total net proceeds <i>(%)</i>	Unutilized net proceeds as of December 31, 2022 <i>(HK\$ million)</i>	Utilized net proceeds during the Reporting Period <i>(HK\$ million)</i>	Utilized net proceeds as of December 31, 2023 <i>(HK\$ million)</i>	Unutilized proceeds as of December 31, 2023 <i>(HK\$ million)</i>	Expected time frame for unutilized amount
Use of proceeds from placing and subscription							
Expansion of the Company's commercial team in view of the proposed launch of its new therapies	234.51	30%	234.51	-	-	234.51	by the end of 2025
Funding of International multi-center clinical trials of the Company's therapies	273.60	35%	140.43	115.20	248.37	25.23	by the end of 2024
OT-702 (Eylea biosimilar)	99.66	12.75%	19.56	19.56	99.66	-	-
OT-301 (NCX-470)	50.03	6.40%	39.97	39.97	50.03	-	-
OT-101 (low-concentration atropine)	43.78	5.60%	19.23	19.23	43.78	-	-
OT-1001 (Zerviate)	30.10	3.85%	27.88	5.48	7.70	22.40	by the end of 2024
OT-202 (TKI)	50.03	6.40%	33.79	30.96	47.20	2.83	by the end of 2024
Building and development of new manufacturing facilities and equipment of Suzhou Xiaxiang and active pharmaceutical ingredients manufacturing facilities	195.43	25%	-	-	195.43	-	-
Other general corporate purposes	78.17	10%	44.83	44.83	78.17	-	-
Total	781.70	100%	419.77	160.03	521.97	259.74	

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

As of December 31, 2023, all the unused net subscription proceeds have been deposited into the bank account(s) maintained by our Group.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 37 to the consolidated financial statements.

EVENTS AFTER REPORTING PERIOD

From January 11, 2024 (New York time) and up to January 17, 2024 (New York time), the Group disposed 1,910,500 EyePoint Shares by way of block trade, at an aggregate consideration of approximately US\$37.2 million (equivalent to approximately HK\$290.6 million) (exclusive of transaction costs). For details of disposals of EyePoint Shares, please refer to the announcement and the disclosure in the section headed "Management Discussion and Analysis – Material Investments, Acquisitions and Disposal" in this annual report. Upon completion of such disposals, the Group hold 100,221 EyePoint Shares directly, representing approximately 0.21% of the total issued and outstanding EyePoint Shares based on publicly available information as of January 17, 2024.

Saved as disclosed herein, there was no event which has occurred after the year ended December 31, 2023 and up to the date of this annual report that would cause material impact on the Group.

AGM AND CLOSURE OF REGISTER OF MEMBERS

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

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 45 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

Report of Directors

AUDITORS

The Shares were listed on the Stock Exchange on July 10, 2020, and the Company has no change in auditors since the Listing Date. The consolidated financial statements for the year ended December 31, 2023 have been prepared by Deloitte Touche Tohmatsu, the auditor of the Company, who will retire at the conclusion of the AGM and being eligible, offer themselves for reappointment. A resolution for the re-appointment of by Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the AGM.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

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

By order of the Board

Ocumension Therapeutics

Dr. Lian Yong CHEN

Chairman and non-executive Director

Shanghai, the People's Republic of China, March 21, 2024



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

OPINION

We have audited the consolidated financial statements of Ocumension Therapeutics (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 78 to 148, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor’s Report

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Cut-off of research and development expenses</i>	
<p>The Group incurred significant research and development (“R&D”) expenses of RMB339 million (2022: RMB406 million) (before capitalisation) for the year ended December 31, 2023. In addition, R&D expenses of RMB72 million (2022: RMB111 million) were accrued as at December 31, 2023 as set out in note 24 to the consolidated financial statements. A large portion of these R&D expenses were service fees paid to outsourced service providers including contract research organisations (“CRO”) and clinical trial sites (collectively referred to as the “Outsourced Service Providers”).</p> <p>We identified the cut-off of R&D expenses as a key audit matter due to its significant amount and risk of not accruing R&D costs incurred for services provided by the Outsourced Service Providers in the appropriate reporting period.</p>	<p>Our procedures in relation to the cut-off of the R&D expenses included:</p> <ul style="list-style-type: none">• Obtaining an understanding of key controls of the management in assessing and recording of the accrual of the R&D expenses, with the Outsourced Service Providers;• For the service fees paid to CRO, reading the key terms set out in service agreements and evaluating the completion status with reference to the progress reported by relevant CRO’s representatives, on a sample basis, to determine whether the service fees were properly recorded according to the progress and/or relevant milestones achieved;• For the service fees paid to clinical trial centres, if any, testing the accrual of the R&D expenses, on a sample basis, with reference to the supporting clinical trial data and terms of services.

OTHER INFORMATION

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

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

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

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

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

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

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

Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 21, 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	246,367	158,957
Cost of sales		(102,002)	(56,041)
Gross profit		144,365	102,916
Other income	6	23,203	35,654
Other gains and losses	7	5,430	19,901
Impairment losses under expected credit loss ("ECL") model, net of reversal		(349)	(683)
Selling and marketing expenses		(226,253)	(183,039)
Research and development expenses		(123,768)	(184,309)
Administrative expenses		(196,142)	(190,748)
Other expenses		(4,641)	(128)
Finance costs	8	(1,325)	(1,793)
Loss before tax	9	(379,480)	(402,229)
Income tax expense	10	(307)	(414)
Loss for the year		(379,787)	(402,643)
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		407,254	(177,401)
		407,254	(177,401)
Total comprehensive income (expense) for the year		27,467	(580,044)
Loss per share			
– Basic and diluted (RMB)	13	(0.59)	(0.64)

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	31/12/2023 RMB'000	31/12/2022 RMB'000
Non-current assets			
Property, plant and equipment	14	444,365	414,478
Right-of-use assets	15	23,286	33,591
Intangible assets	16	1,140,181	919,050
Equity instruments at FVTOCI	17	364,148	95,000
Deposits and prepayments	18	93,385	108,472
Other asset – non-current	21	–	17,923
		2,065,365	1,588,514
Current assets			
Inventories	19	32,473	24,104
Trade and other receivables	18	110,961	106,238
Contract assets	20	8,399	6,473
Other asset – current	21	–	3,898
Bank balances and cash	23	1,053,801	1,314,447
		1,205,634	1,455,160
Current liabilities			
Trade and other payables	24	182,619	235,368
Income tax payables		339	–
Borrowings	25	120,000	–
Lease liabilities	26	12,326	12,285
		315,284	247,653
Net current assets		890,350	1,207,507
Total assets less current liabilities		2,955,715	2,796,021
Capital and reserves			
Share capital	27	48	48
Reserves		2,919,920	2,748,591
Total equity		2,919,968	2,748,639
Non-current liabilities			
Lease liabilities	26	5,657	17,292
Contract liabilities	28	30,090	30,090
		35,747	47,382

The consolidated financial statements on pages 78 to 148 were approved and authorised for issue by the board of directors on March 21, 2024 and signed on its behalf by:

Ye Liu
DIRECTOR

Zhaopeng Hu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Share capital RMB'000 (note 27)	Share premium RMB'000	Other reserves RMB'000 (note)	Treasury share RMB'000	FVTOCI revaluation reserve RMB'000	Share-based payment reserve RMB'000 (note 30)	Accumulated losses RMB'000	Total RMB'000
At January 1, 2022	46	7,355,472	(581,779)	(3)	(305)	379,291	(4,044,549)	3,108,173
Loss for the year	-	-	-	-	-	-	(402,643)	(402,643)
Other comprehensive expense for the year	-	-	-	-	(177,401)	-	-	(177,401)
Total comprehensive expense for the year	-	-	-	-	(177,401)	-	(402,643)	(580,044)
Exercise of share options granted	1	50,062	-	-	-	(41,878)	-	8,185
Exercise of the restricted share units ("RSUs")	-	33,212	-	1	-	(28,678)	-	4,535
Vest of share award	-	83,359	-	*	-	(83,359)	-	-
Purchase of shares via a trust (note 27)	-	(11,002)	-	*	-	-	-	(11,002)
Issuance of treasury shares hold in the trust (note 27)	1	-	-	(1)	-	-	-	-
Recognition of equity-settled share-based payments (note 30)	-	-	-	-	-	218,792	-	218,792
Forfeited equity-settled share-based payments	-	-	-	-	-	(478)	478	-
At December 31, 2022	48	7,511,103	(581,779)	(3)	(177,706)	443,690	(4,446,714)	2,748,639
Loss for the year	-	-	-	-	-	-	(379,787)	(379,787)
Other comprehensive income for the year	-	-	-	-	407,254	-	-	407,254
Total comprehensive income for the year	-	-	-	-	407,254	-	(379,787)	27,467
Disposal of investments in equity instruments at FVTOCI	-	-	-	-	(74,795)	-	74,795	-
Exercise of share options granted	*	14,969	-	-	-	(12,368)	-	2,601
Exercise of RSUs	-	12,331	-	*	-	(9,337)	-	2,994
Vest of share award	-	88,608	-	*	-	(88,608)	-	-
Purchase of shares (note 27)	-	(1,462)	-	*	-	-	-	(1,462)
Recognition of equity-settled share-based payments (note 30)	-	-	-	-	-	139,729	-	139,729
Forfeited equity-settled share-based payments	-	-	-	-	-	(30,128)	30,128	-
At December 31, 2023	48	7,625,549	(581,779)	(3)	154,753	442,978	(4,721,578)	2,919,968

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

* Represented the relevant amount less than RMB1,000.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Loss before tax	(379,480)	(402,229)
Adjustments for:		
Bank interest income	(21,920)	(28,221)
Depreciation of property, plant and equipment	25,748	8,444
Depreciation of right-of-use assets	11,150	13,359
Amortisation of intangible assets	20,638	18,655
Impairment loss, net of reversal		
– intangible assets	(3,179)	–
– other asset	–	3,179
– financial assets under ECL model	349	683
Financial costs	1,325	1,793
Share-based payments	139,729	218,792
Gain from changes in fair value of other financial assets	(1,155)	(1,253)
Loss from early termination of leases	–	597
Net unrealised foreign exchange gains	(4,170)	(21,135)
Others	(147)	(31)
Operating cash flow before movements in working capital	(211,112)	(187,367)
Increase in trade and other receivables	(5,716)	(26,797)
Increase in inventories	(13,004)	(19,111)
Increase in contract assets	(1,938)	(6,480)
Decrease (increase) in other asset	4,246	(25,000)
Increase in trade and other payables	49,565	34,422
Increase in contract liabilities	–	30,090
Cash used in operations	(177,959)	(200,243)
Income tax refunded (paid)	32	(414)
NET CASH USED IN OPERATING ACTIVITIES	(177,927)	(200,657)

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Interest received from banks		24,172	27,229
Proceeds from disposal of			
– equity instruments at FVTOCI		138,106	–
Placement of pledged bank deposits		(800)	(28,600)
Release of pledged bank deposits		22,500	22,600
Placement of term deposits		(621,139)	(1,854,059)
Release of term deposits		535,102	2,375,661
Payments for rental deposits		(576)	(819)
Refund of rental deposits		318	884
Receipt of asset-related government grants		4,194	–
Payment for property, plant and equipment		(80,911)	(115,812)
Payment of intangible assets		(280,956)	(194,191)
Redemption of other financial assets		151,155	181,243
Placement of other financial assets		(150,000)	(179,990)
Loan to employees		(1,600)	(5,000)
Redemption of loan to employees		647	–
Net change inflow on acquisition of assets	31	4	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(259,784)	229,146
FINANCING ACTIVITIES			
Proceeds from exercise of share options granted		2,601	8,185
Proceeds from exercise of RSUs		2,994	4,535
Payment on purchase of shares via a trust		(1,462)	(11,002)
Payment of lease liabilities		(12,439)	(9,147)
New bank loans raised		120,000	–
Repayment of borrowing	31	(1,810)	–
Interest paid		(1,224)	(1,793)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		108,660	(9,222)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(329,051)	19,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
		1,170,049	1,125,221
Effects of exchange rate changes		1,841	25,561
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23	842,839	1,170,049

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

1. GENERAL INFORMATION

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

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

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

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

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the Group’s annual period beginning on January 1, 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except for the amendments to IFRSs mentioned below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

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

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

In accordance with the transition provision:

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

The application of the amendments has had no material impact on the Group’s financial position and performance, except that the Group disclose the related deferred tax assets and deferred tax liabilities on a gross basis in note 10 but it has no impact on the accumulated losses at the earliest period presented.

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (continued)

IFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after January 1, 2024.

³ Effective for annual periods beginning on or after January 1, 2025.

The directors of the Company anticipate that the application of all the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

3.2 Material accounting policy information

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each item of other comprehensive income (expense) are attributed to the owners of the Company.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Asset acquisitions

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

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in notes 5, 20 and 28.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Intangible assets

Internally-generated intangible assets-research and development expenditure

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Property, plant and equipment

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Impairment on property, plant and equipment and intangible assets

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

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount.

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of cash flows include:

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term deposits (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Share-based payment

Equity-settled share-based payment transactions

Share options/RSU/share awards granted to employees

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (expense) if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

(i) Amortized cost and interest income

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income (expense) and accumulated in "FVTOCI revaluation reserve"; and are not subject to impairment assessment.

Impairment of financial assets and other item subject to impairment assessment under IFRS 9

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

Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

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

Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

Derecognition of financial liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Derivative financial instruments

Warrants

Warrants issued as consideration for assets with parties other than employees are equity settled share-based payment transactions 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).

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation (continued)

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

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

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

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

- (a) the same taxable entity; or
- (b) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Foreign currencies

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

Critical judgement in applying accounting policies

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

Research and development expenses

The research and development expense incurred by the Group is mainly related to service fees paid to outsourced service providers including contract research organisations ("CRO") and clinical trial sites (collectively referred to as the "Outsourced Service Providers").

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

During the year ended December 31, 2023, the Group incurred significant research and development expenses of RMB339 million (2022: RMB406 million) (before capitalisation), out of which, development costs amounted to RMB215 million (2022: RMB222 million) have been capitalised and research and development expenses amounted to RMB124 million (2022: RMB184 million) are expensed when incurred.

Key source of estimation uncertainty

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

Impairment assessment of capitalised development costs

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

As at December 31, 2023, the carrying amounts of license rights and capitalised development costs not yet available for use is RMB791 million (2022: RMB584 million). Details of the assessment of impairment of intangible assets not yet available for use are disclosed in note 16.

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

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

	2023 RMB'000	2022 RMB'000
Timing of revenue recognition		
<i>At a point in time</i>		
Sales of ophthalmic products	204,695	108,833
Pharmaceutical products promotion services	38,347	22,655
Sales-based royalty income	3,054	27,469
Contract development and manufacturing ("CDMO") services	271	–
	246,367	158,957

(ii) Performance obligations for contracts with customers

Sales of ophthalmic products

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

Pharmaceutical products promotion services

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. REVENUE AND SEGMENT INFORMATION (continued)

(ii) Performance obligations for contracts with customers (continued)

Sales-based royalty income

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

CDMO services

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

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

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

Segment information

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

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

All revenue from external customers is attributed to the Group and RMB243,689,000 of revenue was derived from the PRC. All non-current assets of the Group are located in the PRC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

5. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

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

	2023 RMB'000	2022 RMB'000
Customer A (note ii)	140,655	35,792
Customer B (note i)	35,194	21,614
Customer C (note ii)	29,599	16,525

Notes:

- (i) Revenue on pharmaceutical product promotion services
- (ii) Revenue on sales of ophthalmic products

6. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Bank interest income	21,920	28,221
Government grant income (note)	458	6,955
Others	825	478
	23,203	35,654

Note:

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

7. OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Gain from changes in fair value of other financial assets	1,155	1,253
Impairment loss reversed (recognised) on long-lived assets	3,179	(3,179)
Net foreign exchange gain	1,096	22,424
Losses from early termination of leases	-	(597)
	5,430	19,901

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest expense on lease liabilities	1,143	1,793
Interest expenses on borrowing	182	–
	1,325	1,793

9. LOSS BEFORE TAX

	2023 RMB'000	2022 RMB'000
Loss before tax for the year has been arrived at after charging:		
Directors' emoluments (note 11)	78,915	154,943
Other Staff costs:		
– salaries and other benefits	125,695	105,897
– discretionary bonus (note)	26,045	40,234
– retirement benefit scheme contributions	13,977	8,912
– share-based payments	70,001	72,079
Total staff costs	314,633	382,065
Depreciation of property, plant and equipment	25,748	8,444
Depreciation of intangible assets	20,638	18,655
Depreciation of right-of-use assets	11,150	13,359
Cost of inventory recognised as an expense	82,804	35,351
Write-down of inventories	134	2
Auditor's remuneration:		
– audit-related service	2,770	2,810
– non-audit related service	1,060	1,240
	3,830	4,050

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

10. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Withholding tax	–	358
Current tax – Hong Kong	232	–
Current tax – the PRC	107	56
Over provision for prior years	(32)	–
	307	414

The withholding tax for the year ended December 31, 2022 represents the withholding tax at 20% relating to the sublicense income generated from Taiwan market included in contract liabilities.

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

Ocumension (Hong Kong) Limited (“Ocumension Hong Kong”) generated royalty income during the year ended December 31, 2023. Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

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

	2023 RMB'000	2022 RMB'000
Loss before tax	(379,480)	(402,229)
Tax charge at PRC EIT rated 25%	(94,870)	(100,557)
Tax effect of expense not deductible for tax purpose	46,315	39,473
Tax effect of income not taxable for tax purpose	(14,424)	–
Tax effect of tax losses not recognised	64,591	59,088
Utilization of tax loss not recognised	(580)	(489)
(Utilisation of) tax effect of deductible temporary differences not recognised	(323)	2,541
Effect of different tax rate of subsidiary operating in other jurisdiction	(370)	–
Over provision in respect of prior year	(32)	–
Tax charge for the year	307	56

At December 31, 2023, the Group has unrecognized deductible temporary differences of RMB40,543,000 (2022: RMB41,835,000). In the opinion of the directors of the Company, no deferred tax asset is recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

At December 31, 2023, the Group has unrecognized tax losses of approximately RMB829,106,000 (2022: RMB576,968,000). No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

10. INCOME TAX EXPENSE (continued)

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
2023	–	3,905
2024	46,268	46,268
2025	112,940	112,946
2026	176,122	177,499
2027	235,412	236,350
2028	258,364	–
	829,106	576,968

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Deferred tax assets	3,867	6,369
Deferred tax liabilities	(3,867)	(6,369)
	–	–

As at December 31, 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB15,466,000 (2022: RMB25,475,000) and RMB17,983,000 (2022: RMB29,577,000) respectively, in which the Group recognised the related deferred tax assets and deferred tax liabilities of RMB3,867,000 (2022: RMB6,369,000) and RMB3,867,000 (2022: RMB6,369,000) respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

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

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended December 31, 2023					
<i>Executive directors:</i>					
Mr. Ye Liu (Chief Executive Officer) (note i)	–	4,247	–	1,696	5,943
Dr. Zhaopeng Hu (note ii)	–	1,951	46	212	2,209
<i>Non-executive directors:</i>					
Dr. Lian Yong Chen (Chairman of the Board)	–	–	–	–	–
Dr. Wei Li	–	–	–	–	–
Mr. Yanling Cao	–	–	–	–	–
Ms. Yumeng Wang	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Mr. Ting Yuk Anthony Wu	720	–	–	–	720
Mr. Yiran Huang	180	–	–	–	180
Mr. Zhenyu Zhang	135	–	–	–	135
	1,035	6,198	46	1,908	9,187

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended December 31, 2022					
<i>Executive directors:</i>					
Mr. Ye Liu (Chief Executive Officer) (note i)	–	2,647	–	2,459	5,106
Dr. Zhaopeng Hu (note ii)	–	1,920	42	192	2,154
<i>Non-executive directors:</i>					
Dr. Lian Yong Chen (Chairman of the Board)	–	–	–	–	–
Dr. Wei Li	–	–	–	–	–
Mr. Yanling Cao	–	–	–	–	–
Ms. Yumeng Wang	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Mr. Ting Yuk Anthony Wu	647	–	–	–	647
Mr. Lianming He (note iii)	40	–	–	–	40
Mr. Yiran Huang	162	–	–	–	162
Mr. Zhenyu Zhang (note iv)	121	–	–	–	121
	970	4,567	42	2,651	8,230

Notes:

- i. Mr. Ye Liu was granted with share options, restricted ordinary shares, RSUs and share awards in respect of his service to the Group. During the year ended December 31, 2023, RMB67,899,000 (2022: RMB144,095,000) was recognised as share-based payments in the consolidated statement of profit or loss and other comprehensive income and not included in the tables above. Details are set out in note 30.
- ii. Dr. Zhaopeng Hu was granted with share options, restricted ordinary shares, RSUs and share awards in respect of his service to the Group. During the year ended December 31, 2023, RMB1,829,000 (2022: RMB2,618,000) was recognised as share-based payments in the consolidated statement of profit or loss and other comprehensive income and not included in the tables above. Details are set out in note 30.
- iii. Mr. Lianming He ceased to be the independent non-executive director on March 30, 2022.
- iv. Mr. Zhenyu Zhang were appointed as independent non-executive director of the Company on April 8, 2022.

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

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

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For the year ended December 31, 2023

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

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

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

During both years, no emoluments were paid by the Group to any of the directors or chief executive of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

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

Five highest paid employees

The five highest paid individuals of the Group during the year included two directors (2022: two directors) of the Company, details of whose remuneration are set out above. Details of the remunerations for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follow:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries and other benefits	4,165	5,328
Discretionary bonus (note)	430	1,088
Retirement benefit scheme contributions	182	125
Share-based payments	6,991	9,948
	11,768	16,489

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

The emoluments of these employees (excluding two directors (2022: two directors)) are within the following bands:

	2023 <i>No. of employees</i>	2022 <i>No. of employees</i>
Hong Kong Dollars ("HK\$") 3,500,001 to HK\$4,000,000	2	–
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$9,000,001 to HK\$9,500,000	–	1
	3	3

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For the year ended December 31, 2023

12. DIVIDENDS

No dividend was paid or declared during the year ended December 31, 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

13. LOSS PER SHARE

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

	2023	2022
Loss:		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share (RMB'000)	(379,787)	(402,643)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	649,185,242	632,531,914

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

The computation of diluted loss per share for the years ended December 31, 2023 and 2022 did not assume the exercise of share options and RSUs, the vesting of share awards and the exercise of warrants since their assumed exercise or vesting would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Plant and Buildings <i>RMB'000</i>	Construction in process <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
At January 1, 2022	3,612	10,101	–	336,977	350,690
Additions	5,940	14,894	–	55,677	76,511
Transfers	–	68,792	–	(68,792)	–
At December 31, 2022	9,552	93,787	–	323,862	427,201
Additions	–	1,017	–	54,618	55,635
Transfers	3,937	13,061	275,262	(292,260)	–
At December 31, 2023	13,489	107,865	275,262	86,220	482,836
DEPRECIATION					
At January 1, 2022	1,824	2,455	–	–	4,279
Provided for the year	1,534	6,910	–	–	8,444
At December 31, 2022	3,358	9,365	–	–	12,723
Provided for the year	2,447	13,631	9,670	–	25,748
At December 31, 2023	5,805	22,996	9,670	–	38,471
CARRYING VALUES					
At December 31, 2023	7,684	84,869	265,592	86,220	444,365
At December 31, 2022	6,194	84,422	–	323,862	414,478

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

Leasehold improvement	Over the shorter of the terms of the leases or 10%
Furniture, fixtures and equipment	10 – 33%
Plant and Buildings	5%

Construction in process mainly relates to the manufacture site in Suzhou. During the current year, the Group incurred RMB1,107,000 on equipment after deducting RMB4,194,000 of government grants and RMB54,618,000 on construction costs for the production facilities and leasehold improvements in Suzhou.

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For the year ended December 31, 2023

15. RIGHT-OF-USE ASSETS

	2023 RMB'000	2022 RMB'000
Carrying amount		
Vehicles	111	11
Properties	15,355	25,464
Leasehold lands	7,820	8,116
	23,286	33,591
Depreciation for the year		
Vehicles	94	131
Properties	10,760	12,880
Leasehold lands	296	348
	11,150	13,359
Expense relating to short-term and low-value assets leases	1,792	2,026
Total cash outflow for leases	15,374	12,966
Additions to right-of-use assets	845	31,627

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

As at December 31, 2023, lease liabilities of RMB17,983,000 are recognised with related right-of-use assets of RMB15,466,000 (2022: lease liabilities of RMB29,577,000 are recognised with related right-of-use assets of RMB25,475,000). The lease agreements do not impose any covenants other than the security interests in the leased assets are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

16. INTANGIBLE ASSETS

	Software license <i>RMB'000</i>	License rights and capitalised development costs <i>RMB'000</i>	Total <i>RMB'000</i>
COST			
At January 1, 2022	4,825	713,939	718,764
Additions	5,779	221,953	227,732
At December 31, 2022	10,604	935,892	946,496
Additions	4,324	215,084	219,408
Acquisition from Ocuarmor MedTech (“Ocuarmor”)	–	1,606	1,606
Transfer from other assets (note)	–	28,302	28,302
At December 31, 2023	14,928	1,180,884	1,195,812
AMORTISATION AND IMPAIRMENT			
At January 1, 2022	707	8,084	8,791
Charge for the year	1,637	17,018	18,655
At December 31, 2022	2,344	25,102	27,446
Charge for the year	1,935	18,703	20,638
Transfer from other assets (note)	–	10,726	10,726
Impairment reversed (note)	–	(3,179)	(3,179)
At December 31, 2023	4,279	51,352	55,631
CARRYING VALUES			
At December 31, 2023	10,649	1,129,532	1,140,181
At December 31, 2022	8,260	910,790	919,050

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For the year ended December 31, 2023

16. INTANGIBLE ASSETS (continued)

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

License rights	10 – 18 years
Software license	5 years

For the year ended December 31, 2023, the Group had addition of capitalised development costs of RMB215,084,000 (2022: RMB221,953,000), acquisition of computer software of RMB4,324,000 (2022: RMB5,779,000) and acquisition of a research and development pipeline in progress from Ocuarmor of RMB1,606,000 as disclosed in note 31.

Note: During the year ended December 31, 2023, with the Group's rights transfer in a series of arrangements with a third party, the Group reclassified other assets to intangible assets with net carrying value of RMB17,576,000. Details are set out in note 21. At the date of rights transfer, the Group assessed the recoverable value of such intangible asset, which exceeded the net carrying value of the intangible asset transferred from other asset, thus a reversal of RMB3,179,000 impairment is recognised in the year ended December 31, 2023.

Impairment assessment

As at December 31, 2023, the management determined that there is no impairment on the license rights and development costs not yet available for use with the carrying amount of RMB790,503,000 (2022: RMB584,178,000).

Intangible assets not yet ready for use are tested annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related. The appropriate cash-generating unit is at the product level. The annual impairment test was performed for each drug by the management team to estimate the value in use as the recoverable amount of the drug. The value in use is estimated using discounted cash flow approach. The management determined the recoverable amount of the intangible assets based on the following approach and key assumptions:

- cash inflows are generated for each drug based on the progress of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and up to the end of the exclusivity for the product. The estimated revenue of each drug is based on the management's estimate of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The management considers the length of forecast period is appropriate because it generally takes longer for the Company to generate positive cash flows, compared to companies in other industries, especially when the related products are under clinical trial. Hence, the management believes that a forecast period for the cash-generating unit longer than five years is justifiable and consistent with industry practice; and
- The discount rate used is pre-tax and reflects specific risks relating to the relevant products that would be considered by market participants; and

The range of certain key assumptions used for value in use calculation as of December 31, 2023 and 2022 are as follows:

	2023	2022
Pre-tax discount rate	18.6%~19.9%	18.1%-18.7%
Expected compound annual revenue growth rate	17.0%~39.1%	14.9%~40.7%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

16. INTANGIBLE ASSETS (continued)

Impairment assessment (continued)

In addition to the aforesaid key assumptions, when testing the intangible assets not yet ready for use, our management also took into the account (i) the expected market penetration rate, which was based on the expected selling conditions considering the features of marketing and technology development, and was reflected in the expected compound annual revenue growth rate; and (ii) the expected success rate of commercialization by reference to market prevailing practices in the pharmaceutical industry, development of technologies and related regulations from administrations.

The intangible assets' total recoverable amount above their aggregated carrying amount (headroom) as at December 31, 2023 and 2022 are as follows:

	2023 RMB'000	2022 RMB'000
Recoverable amount	7,018,411	6,816,798
Headroom	6,227,907	6,232,620

The management of the Group performed a sensitivity test on the key assumptions by increasing 1% of pre-tax discount rate or decreasing 2% of expected compound annual revenue growth rate, which are the key assumptions that determine the recoverable amount of each drug, with all other variables held constant. By increasing 1% of pre-tax discount rate, the headroom will decrease by RMB476,999,000 and RMB502,041,000 for the years ended December 31, 2023 and 2022, respectively. By decreasing 2% of expected compound annual revenue growth rate, the headroom will decrease by RMB933,853,000 and RMB1,006,114,000 for the years ended December 31, 2023 and 2022, respectively. The management believes that any reasonably possible change in any of the key assumptions would not cause the recoverable amounts to be lower than their carrying amounts.

17. EQUITY INSTRUMENTS AT FVTOCI

	2023 RMB'000	2022 RMB'000
Listed equity securities in the United States of America ("US")	364,148	95,000

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 recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

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17. EQUITY INSTRUMENTS AT FVTOCI (continued)

Included in listed equity investment above is the Group's investment in EyePoint with a carrying amount of RMB329,116,000 as at December 31, 2023 (December 31, 2022: RMB73,390,000). The Group has accounted for the investment in EyePoint as equity instrument at FVTOCI using quoted price of the investment as the Group has no significant influence on EyePoint.

During the year ended December 31, 2023, the Group disposed of a total of 1,000,001 EyePoint Shares on the open market at an aggregate consideration of approximately RMB138,106,000 (equivalent to approximately US\$19,499,000), which was determined based on the market price of the EyePoint Shares at the time of the relevant transactions and has been fully settled in cash and received by the Company. For details of disposal in EyePoint, please refer to the Company's announcement on January 17, 2024. The Disposals would allow the Group to strengthen its cash position and thus would be able to utilize the net proceeds as working capital for general corporate purposes. The company transferred RMB74,795,000 cumulative gain previously accumulated in the FVTOCI revaluation reserve to accumulated losses.

Included in listed equity investment above is the Group's investment in Alimera with a carrying amount of RMB35,032,000 as at December 31, 2023 (December 31, 2022: RMB21,610,000).

For the year ended December 31, 2023, the fair value gain on investment in equity instruments at FVTOCI were recognised in other comprehensive income amounted to approximately RMB407,254,000 (December 31, 2022: loss of RMB177,401,000), which consisted of the fair value gain on EyePoint of approximately RMB393,832,000 (2022: loss of RMB161,563,000) and fair value gain on Alimera of approximately RMB13,422,000 (2022: loss of RMB15,838,000).

Details of fair value measurement are set out in note 36.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

18. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	2023 RMB'000	2022 RMB'000
Trade receivables	89,348	59,851
Less: Allowance for credit loss	(1,013)	(676)
	88,335	59,175
Prepayments for		
– research and development expenses for projects (note a)	68,315	110,352
– acquisition of property, plant and equipment	6,971	11,462
– selling and marketing expenses	983	2,551
– inventories	4,635	–
Utility and rental deposits	4,897	5,433
Interest receivable	2,874	5,126
Value added tax recoverable	13,970	9,785
Others (note b)	13,366	10,826
	204,346	214,710
Analysis as:		
Current	110,961	106,238
Non-current (note c)	93,385	108,472
	204,346	214,710

Notes:

- a) The Company made prepayments for research and development expenses for projects 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 Intangible Assets as at the reporting period ended and classified as non-current assets.
- b) The amount mainly includes the receivable for government subsidy and loan to employees.
- c) The non-current portion mainly includes the prepayments for development costs, acquisition of property, plant and equipment, loan to employees and certain amount of value added tax recoverable expected to realize beyond twelve months at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

18. TRADE AND OTHER RECEIVABLES (continued)

As at January 1, 2022, trade receivables from contracts with customers amounted to RMB18,509,000.

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

	2023 RMB'000	2022 RMB'000
0-90 days	80,142	59,847
91-180 days	–	4
Over 180 days	9,206	–
	89,348	59,851

As at December 31, 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB9,206,000 (2022: RMB4,000) which are past due, out of which RMB9,206,000 (2022: nil) is past due over 90 days as at the reporting date. The Group maintains adequate credit policy to access the credit quality of the customers and closely monitored to minimise any credit risk associated with the trade debtors. The Group's customers have good repayment history during the current year, and strong financial capacity as they are the subsidiaries of large listed corporate in the PRC.

Details of impairment assessment of trade receivables and other receivables are set out in note 36.

19. INVENTORIES

	2023 RMB'000	2022 RMB'000
Finished goods	16,895	13,848
Raw materials and consumables	15,578	10,256
	32,473	24,104

20. CONTRACT ASSETS

	2023 RMB'000	2022 RMB'000
Pharmaceutical products promotion services – current	8,418	6,480
Less: Allowance for credit loss	(19)	(7)
	8,399	6,473

The contract assets primarily relate to the Group's right to consideration for pharmaceutical products promotion services rendered because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

21. OTHER ASSET

	2023 RMB'000	2022 RMB'000
Exclusive promotion right for hospital network	–	25,000
Less: impairment loss	–	(3,179)
	–	21,821
Analysis as:		
Current	–	3,898
Non-current	–	17,923
	–	21,821

On June 1, 2022, the Group signed the service agreement with a third party and obtained an exclusive promotion right for hospital network from a third party in the PRC for certain product of a customer at the consideration of RMB28,302,000 excluding value added tax (RMB30,000,000 including value added tax) ("Promotion Service Agreement"). Details refer to the Group's announcement on June 1, 2022.

On October 1, 2023, the Group entered into a supply and distribution agreement ("SDA") with the third party to distribute, market, sell and promote the above-mentioned product for the network including hospital and pharmacy and was granted a non-exclusive, non-transferable, royalty-free license to use the product intellectual property rights in the mainland of China and Hong Kong Special Administrative Region. In connection with the entering of the SDA, the product rights of the Promotion Service Agreement has been transferred to the SDA. On November 10, 2023, the Group and the third party agreed to terminate the Promotion Service Agreement accordingly.

At the date of the product's rights transfer, the Group reclassified other assets to intangible assets with net carrying value of RMB17,576,000. Details of the transfer are set out in note 16.

Impairment assessment

In view of the unsatisfactory financial performance of other asset during the year ended December 31, 2022, the management of the Group concluded there was indication for impairment and conducted impairment assessment on certain product with carrying amounts of RMB25,000,000.

The recoverable amounts of the product (cash-generating unit) have been determined based on its value in use. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 4.5 years, being the contract term for certain product, with a pre-tax discount rate is 11% as at December 31, 2022. Key assumption for the value in use calculated is determined based on the cash-generating units' past performance and management expectations for the market development. Based on the result of the assessment, management of the Group determined that the recoverable amount of the cash-generating unit is lower than the carrying amount. Based on the value in use calculation, an impairment of RMB3,179,000 has been recognised against the carrying amount of other asset.

If the discount rate was changed to 12%, while other parameters remain constant, the recoverable amount of the asset as at December 31, 2022 would be reduced to RMB21,374,000 and a further impairment of RMB447,000 would be recognised. If the budgeted sales covering 4.5-year period were reduced by 5%, while other parameters remain constant, the recoverable amount of the asset as at December 31, 2022 would be reduced to RMB20,748,000 and a further impairment of RMB1,073,000 would be recognised for the year ended December 31, 2022.

Notes to the Consolidated Financial Statements

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22. OTHER FINANCIAL ASSETS

The other financial assets measured at FVTPL of the Group are short term investments issued by banks with no predetermined or guaranteed return and are principal protected (the "Financial Products") for the years ended December 31, 2023 and 2022. The Financial Products are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including bonds, debentures and other financial assets. As of the years ended December 31, 2023 and 2022, all of the Financial Products have been redeemed.

23. BANK BALANCES AND CASH

	2023 RMB'000	2022 RMB'000
Cash at bank	547,139	904,261
Term deposits	506,662	410,186
	1,053,801	1,314,447
Analysed as:		
Cash and cash equivalents	842,839	1,170,049
Term deposits with maturity date between three months to one year (note a)	206,662	118,398
Pledged bank deposits (note b)	4,300	26,000
	1,053,801	1,314,447

Notes:

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

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

	2023	2022
Cash at bank	nil to 1.725%	nil to 2.0%
Term deposits	1.5% to 5.7%	1.7% to 5.2%

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24. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	25,192	21,703
Payables and accruals for		
– research and development expenses for projects (note a)	72,259	110,880
– legal and professional fee	3,257	2,548
– selling and marketing expenses	8,633	13,969
– construction payables (note b)	42,626	68,199
– government grants received on behalf of the employees	9,049	–
– others	5,398	2,984
Other tax payables	1,932	1,546
Payroll payables	14,273	13,539
	182,619	235,368

Notes:

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

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

	2023 RMB'000	2022 RMB'000
0 – 30 days	24,285	18,581
31 – 60 days	755	2,200
More than 60 days	152	922
	25,192	21,703

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25. BORROWINGS

	2023 RMB'000	2022 RMB'000
Guaranteed bank loans	120,000	–

In December 2023, subsidiaries of the Group entered into short-term loan agreement with two banks, which provided loans of RMB70,000,000 and RMB50,000,000. The fixed interest rates are 3.00% and 3.1%, respectively. The borrowings are guaranteed by the group entities. As at December 31, 2023, the Group has drawn down a total of RMB120,000,000 which will be repayable within one year.

26. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	12,326	12,285
Within a period of more than one year but not exceeding two years	5,657	11,835
Within a period of more than two years but not exceeding five years	–	5,457
	17,983	29,577
Less: Amount due for settlement with 12 months shown under current liabilities	(12,326)	(12,285)
Amount due for settlement after 12 months shown under non-current liabilities	5,657	17,292

The weighted average incremental borrowing rates applied to lease liabilities amounted to 4.3% and 4.7% during the years ended December 31, 2023 and 2022 respectively.

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27. SHARE CAPITAL

	Number of shares	Share capital USD'000
Ordinary shares		
Ordinary shares of US\$0.00001 each		
Authorized		
At January 1, 2022, December 31, 2022 and December 31, 2023	5,000,000,000	50

	Number of shares	Amount USD'000	Equivalent amount of ordinary shares RMB'000
Issued and fully paid			
At January 1, 2022	666,743,175	7	46
Exercise of share options granted	7,333,620	*	1
Issuance of treasury shares hold in the trust (note i)	14,660,000	*	1
Purchase of shares via a trust (note ii)	–	–	–
At December 31, 2022	688,736,795	7	48
Exercise of share options granted	2,167,055	*	*
Purchase of shares (note iii)	–	–	–
At December 31, 2023	690,903,850	7	48

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

Notes:

- (i) During the year ended December 31, 2022, the Company issued 14,660,000 shares on trust for the benefits of selected employees of the Company pursuant to the terms of the 2021 Share Award Scheme. Details are set out in note 30.
- (ii) The Company instructed Computershare to acquire its own shares through the Hong Kong Stock Exchange as follows. Those shares are held by Computershare for the purpose of satisfying part of the grant of share awards under the 2021 Share Award Scheme. Details are set out in note 30.

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

- (iii) During the year ended December 31, 2023, the Company purchased 239,000 shares from the open market.

	No. of ordinary shares	Price per share		Aggregate consideration paid RMB'000
		Highest HK\$	Lowest HK\$	
December 2023	239,000	6.94	6.54	1,462

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

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For the year ended December 31, 2023

28. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Advance for granting distribution right (note a)	28,302	28,302
Sublicense income (note b)	1,788	1,788
Non-current	30,090	30,090

Notes:

- a) During the year ended December 31, 2022, the Group granted an exclusion distribution right to a customer for certain product of the Group in the PRC for a period of five years at cash consideration of RMB28,302,000 excluding value added tax (RMB30,000,000 including value added tax). The Group agrees to supply the products after the product being approved for commercialization. The Group recognised the amount as non-current contract liabilities as the product is still under research and development as of December 31, 2023 and it takes more than one year to obtain the commercialization approval in the PRC.
- b) During the year ended December 31, 2022, the Group received upfront payment relating to sublicense of exclusive distribution right in Taiwan market for a product of the Group. The Group agrees to supply the products after the product being approved for commercialisation. The Group recognised the amount as non-current contract liabilities as the product is still under research and development in Taiwan as of December 31, 2023 and has not yet been approved for its commercialization.

29. WARRANTS

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

The warrants were granted on April 14, 2021, and the issuance was subsequently completed on August 13, 2021 with the expiry date on August 12, 2025. Such warrant reserve is included in other reserves until they are being exercised. For further details of the warrants issue, please refer to the Company's announcements dated April 14, 2021 and August 13, 2021, respectively. There was no exercise of warrants during the years ended December 31, 2023 and 2022.

Notes to the Consolidated Financial Statements

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30. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme of the Company

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

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

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 initial public offering of the Company ("IPO").

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

	Number of share options held by		Weighted average exercise price
	Directors of the Company	Employees	
At January 1, 2022	21,960,960	9,181,227	US\$0.18
Exercised	(317,250)	(7,016,370)	US\$0.16
Forfeited	–	(114,123)	US\$0.19
At December 31, 2022	21,643,710	2,050,734	US\$0.19
Exercised	(218,000)	(1,949,055)	US\$0.17
Forfeited	–	(73)	US\$0.19
At December 31, 2023	21,425,710	101,606	US\$0.19

During the year ended December 31, 2023, the weighted average exercise price of share options exercised is US\$0.001 (2022: US\$0.09) for the directors of the Company and US\$0.19 (2022:US\$0.17) for the employees respectively.

In respect of the share options exercised during the year ended December 31, 2023, the weighted average share price at the dates of exercise was HK\$8.18 (2022: HK\$10.9).

As at December 31, 2023, total of 21,527,316 share options were outstanding (2022: 23,694,444), with the weighted average exercise price of US\$0.19 (2022: US\$0.19). Among them total of 21,527,316 share options were exercisable (2022: 23,157,670), with the weighted average exercise price of US\$0.19 (2022: US\$0.19).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The Group recognised the total expense of RMB nil for the year ended December 31, 2023 (2022: RMB2,379,000) in relation to share options granted by the Company.

(b) Restricted share unit Scheme (“RSU Scheme”) of the Company

On April 28, 2020, the Company adopted a RSU Scheme, under which, at the maximum of 24,000,000 shares can be issued by the Company under the RSU Scheme. For all granted RSUs, 20% of the shares are to be vested on the first anniversary 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 years:

	Number of RSU held by			Weighted average exercise price
	Directors of the Company	Employees	Consultant	
At January 1, 2022	12,666,895	5,855,429	–	US\$0.19
Granted	–	–	300,000	US\$0.19
Exercised	(1,246,107)	(3,048,833)	–	US\$0.19
Forfeited	–	(344,785)	–	US\$0.19
At December 31, 2022	11,420,788	2,461,811	300,000	US\$0.19
Exercised	(203,053)	(1,197,393)	–	US\$0.19
Forfeited	–	(499,745)	–	US\$0.19
At December 31, 2023	11,217,735	764,673	300,000	US\$0.19

Notes to the Consolidated Financial Statements

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30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share unit Scheme (“RSU Scheme”) of the Company (continued)

In respect of the RSUs exercised during the year ended December 31, 2023, the weighted average share price at the dates of exercise was HK\$7.71 (2022: HK\$10.36).

During the year ended December 31, 2023, 1,400,446 (2022: 4,294,940) number of RSUs were exercised and settled by transferring treasury shares held in the trust to the directors and the employees. As at December 31, 2023, total of 11,917,262 (2022: 6,888,247) RSUs are vested but unexercised, whose weighted average exercise price is US\$0.19 (2022: US\$0.19).

Fair value of the RSU granted

The fair value of the RSUs granted in 2022 was determined by using the binominal option pricing model. Key assumptions are acquired to be determined by the directors of the Company with best estimate. The range of fair value of shares and corresponding inputs for the RSUs were as follows:

	September 9, 2022
Grant date fair value of shares (note)	HK\$10.52
Exercise price (note)	US\$0.188
Expected volatility	55.0%
Expected life	10 years
Risk-free rate	3.19%
Expected dividend yield	nil
Fair value at grant date	RMB2,489,000

Note: The grant date fair value of shares and exercise price has been adjusted after the share subdivision as defined in the 2021 Annual Report.

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 Hong Kong Government Bonds for the grants during the year ended December 31, 2022 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 behavioral considerations.

The variables and assumptions used in computing the fair value of the RSUs are based on the directors’ best estimate. The value of an RSUs varies with different variables of certain subjective assumptions.

The Group recognised the total expense of RMB2,110,000 for the year ended December 31, 2023 in relation to the RSUs granted by the Company (2022: RMB13,986,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

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

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

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

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

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For the year ended December 31, 2023

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses movements of the outstanding options granted under the 2021 Option Scheme for the years:

	Number of share options held by		
	Directors of the Company	Employees	Weighted average exercise price
At January 1, 2022	8,818,000	5,232,561	HK\$24.23
Granted	2,297,000	10,763,000	HK\$11.41
Forfeited	–	(545,111)	HK\$17.09
At December 31, 2022	11,115,000	15,450,450	HK\$18.07
Forfeited	–	(1,666,498)	HK\$14.06
At December 31, 2023	11,115,000	13,783,952	HK\$18.34

The fair value of the options granted was determined using the binominal option pricing model. The range of fair value of shares and corresponding inputs for the share options were as follows:

	September 9 2022 (note)
Grant date fair value of shares	HK\$10.52
Exercise price	HK\$11.41
Expected volatility	55.00%
Expected life	10.00 years
Risk-free rate	3.19%
Expected dividend yield	nil
Fair value at grant date	RMB69,242,000

Note: The share options granted to a director of the Company with the vesting commencement date of September 9, 2022 was proposed by the board of directors on September 9, 2022 and approved by the shareholders on November 25, 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The directors of the Company estimated the risk-free rate based on the yield of Hong Kong Government Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of RMB41,506,000 (2022: RMB57,952,000) for the year ended December 31, 2023 in relation to share options granted by the Company.

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

On July 2, 2021, the board resolved the adoption of the 2021 Share Awards Scheme to recognize the contributions of the eligible persons in order to incentivize them to remain with the Group, and to motivate them to strive for the future development and expansion of the Group. The 2021 Share Award Scheme is valid and effective for a period of ten (10) years. The maximum number of shares may be issued by the Company under the 2021 Share Award Scheme shall be 5% of the number of shares in issue from time to time during such period. Computershare was appointed by the Company as trustee for the administration of the 2021 Share Award Scheme. The trustee shall purchase the Company’s shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the participants in accordance to the rules of the 2021 Share Award Scheme. During the year ended December 31, 2022, 1,032,925 shares have been purchased by Computershare for the purpose of satisfying part of the grant of share awards under the 2021 Share Award Scheme.

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

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

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30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

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

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

	Number of share award held by	
	Directors of the Company	Employees
At January 1, 2022	13,152,000	5,232,561
Granted	4,457,000	10,763,000
Vested	(5,165,625)	(720,378)
Forfeited	–	(545,111)
At December 31, 2022	12,443,375	14,730,072
Vested	(4,384,800)	(2,453,535)
Forfeited	–	(1,537,543)
At December 31, 2023	8,058,575	10,738,994

In respect of the share awards vested during the year ended December 31 2023, the weighted average share price at the dates of vest was HK\$8.08 (2022: HK\$12.47).

The fair value of the share awards granted was determined by the market price of the Company at the grant date.

The total expenses recognised in the consolidated profit or loss and other comprehensive income for the share awards granted are approximately RMB96,113,000 (2022: RMB144,475,000) for the year ended December 31, 2023.

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31. ACQUISITION OF IN-PROGRESS RESEARCH AND DEVELOPMENT

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

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

Assets and liabilities recognised at the date of acquisition

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

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

* The relevant amount is less than RMB1,000.

32. RETIREMENT BENEFITS PLANS

The employees of the Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB14,023,000 (2022: RMB8,954,000) for the year ended December 31, 2023.

During the years ended December 31, 2023 and 2022, the Group contributions to the retirement benefit scheme are expensed as incurred and not reduced by contribution forfeited by those employees who leave the plan.

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For the year ended December 31, 2023

33. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Acquisition of property, plant and equipment	6,397	49,036

34. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

	2023 RMB'000	2022 RMB'000
Short term benefits	12,362	8,820
Discretionary bonus (note)	2,568	3,510
Post-employment benefits	199	105
Share-based payments	70,797	154,085
	85,926	166,520

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

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Equity instruments at FVTOCI	364,148	95,000
Amortized cost (including cash and cash equivalents)	1,156,007	1,390,691
Financial liabilities		
Amortized cost	277,365	220,283

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, other financial assets, equity instruments at FVTOCI, bank balances and cash, trade and other payables and borrowings. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk

Certain bank balances and cash, equity instruments at FVTOCI, trade and other receivables, trade and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Assets		
US\$	222,832	237,946
HK\$	304	28,142
Liabilities		
US\$	35,619	66,362
HK\$	20,953	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US\$ and HK\$, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US\$ and HK\$. For a 5% weakening of RMB against US\$ and HK\$, there would be an equal and opposite impact on loss for the year.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Impact on profit or loss		
US\$	(9,361)	(8,579)
HK\$	1,032	(1,407)

The directors of the Company considered the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities, borrowings, fixed-rate term deposit and bank deposits. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

(iii) Other price risk

The Group was exposed to other price risk arising from equity instruments at FVTOCI.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date for equity instruments at FVTOCI. If the equity value of the ordinary shares of investment had been changed based on the 5% higher/lower, the other comprehensive income of the Group for the year ended December 31, 2023 would increase or decrease by approximately RMB18,207,000 (2022: RMB4,750,000) as a result of the changes in fair value of equity instruments at FVTOCI.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, bank balances, other receivables and contract assets.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk gradings to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties.

36. FINANCIAL INSTRUMENTS (continued)**(b) Financial risk management objectives and policies** (continued)**Credit risk** (continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Trade receivables and contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Trade receivables arising from contracts with customers and contract assets

The Group has concentration of credit risk as 58% and 94% of the total trade receivables were due from the Group's largest customer and the five largest customers respectively (2022: 51% and 99% of the total trade receivables were due from the Group's largest customer and the five largest customers). In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customers, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group has performed impairment assessment under the ECL model on trade balances and contract assets individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

According to individual assessment of the management, since all of the trade receivables balances and contract assets are due from reputable pharmaceutical companies which have low risk of default and usually settled within credit period. The exposure to credit risk for the balance is assessed within lifetime ECL, in the opinion of the management, the impairment loss for the trade receivables from the customers and contract assets is amounting to RMB1,013,000 and RMB19,000 respectively as at the year ended December 31, 2023.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Other receivables

For the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the financial positions of the counterparties in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant.

Bank balances

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount RMB'000	2022 Gross carrying amount RMB'000
Financial assets at amortized cost						
Bank balances	23	A1-A3	N/A	12m ECL	1,053,801	1,314,447
Other receivables	18	N/A	N/A (note a)	12m ECL	13,871	17,069
Trade receivables from contracts with customers	18	N/A	N/A (note b)	Lifetime ECL	89,348	59,851
Other item						
Contract assets	20	N/A	N/A (note b)	Lifetime ECL	8,418	6,480

Notes:

- (a) For the purpose of internal credit risk management, the Group uses repayment history or other relevant information to assess whether credit risk has increased significantly. As at December 31, 2023 and 2022, the balances of other receivables and rental deposits are not past due and the internal credit rating of these balances are considered as low risk.
- (b) For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables and contract assets are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each year.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Bank balances (continued)

As at the year ended December 31, 2023, the Group provided RMB1,013,000 and RMB19,000 (2022: RMB676,000 and RMB7,000) impairment allowance for trade receivables and contract assets respectively, based on individual assessment.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL not credit- impaired RMB'000
At January 1, 2022	–
New financial assets originated	683
At December 31, 2022	683
Impairment losses reversed	(493)
New financial assets originated	842
At December 31, 2023	1,032

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity table

	Weighted average effective interest rate %	Within 1 year and on demand <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
At December 31, 2023						
Trade and other payables	N/A	166,414	–	–	166,414	166,414
Borrowings	3.06	123,476	–	–	123,476	120,000
Lease liabilities	4.3	12,890	5,733	–	18,623	17,983
		302,780	5,733	–	308,513	304,397
At December 31, 2022						
Trade and other payables	N/A	220,283	–	–	220,283	220,283
Lease liabilities	4.7	13,407	12,382	5,532	31,321	29,577
		233,690	12,382	5,532	251,604	249,860

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

- (i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Notes	Fair value as at		Fair value hierarchy	Valuation Techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
		2023 RMB'000	2022 RMB'000				
Other financial assets	22	-	-	Level 3	Discounted cash flow, which was estimated based on expected return, discounted at a rate that reflects the risk of underlying investments.	Expected return	N/A
Listed equity securities at FVTOCI	17	364,148	95,000	Level 1	Quoted bid prices in an active market	N/A	N/A

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

(ii) Reconciliation of Level 3 fair value measurements

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

	Other financial assets RMB'000
At January 1, 2022	–
Purchase of other financial assets	179,990
Redemption of other financial assets	(181,243)
Fair value changes	1,253
At December 31, 2022	–
Purchase of other financial assets	150,000
Redemption of other financial assets	(151,155)
Fair value changes	1,155
At December 31, 2023	–

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

37. PARTICULARS OF SUBSIDIARIES

As at December 31, 2023 and 2022 and the date of this annual report, the Group's subsidiaries are as follows:

Name of subsidiaries	Place/country and date of establishment/ incorporation/ operation	Issued and fully paid share capital/registered capital		Equity interest attributable to the Group as at December 31		Principal activities
		2023	2022	2023	2022	
				%	%	
Ocumention Hong Kong	Hong Kong March 7, 2018	Issued capital of US\$1 and paid-up capital of US\$1	Issued capital of US\$1 and paid-up capital of US\$1	100	100	Investment holding
Ocumention Shanghai* 歐康維視生物醫藥(上海)有限公司	the PRC March 25, 2018 (note ii)	Registered capital of RMB725,481,152 and paid-up capital of RMB378,871,818	Registered capital of RMB725,481,152 and paid-up capital of RMB378,871,818	100	100	Researching, developing and commercialising therapies for ophthalmic patients
Suzhou Ocumention Biotech Co., Ltd.* 蘇州歐康維視生物醫藥有限公司	the PRC February 11, 2020 (note i)	Registered capital of US\$206,581,400 and paid-up capital of US\$129,660,200	Registered capital of US\$186,581,400 and paid-up capital of US\$90,439,932	100	100	Researching, developing and commercialising therapies for ophthalmic patients
Ocumention (Zhejiang) Therapeutics Co., Ltd.* 歐康維視(浙江)醫藥有限公司	the PRC May 11, 2020 (note ii)	Registered capital of RMB191,603,000 and paid-up capital of RMB135,443,500	Registered capital of RMB191,603,000 and paid-up capital of RMB135,443,500	100	100	Researching, developing and commercialising therapies for ophthalmic patients
Suzhou Xiaxiang* 蘇州夏翔生物醫藥有限公司	the PRC October 18, 2019 (note ii)	Registered capital of RMB200,000,000 and paid-up capital of RMB35,000,000	Registered capital of RMB200,000,000 and paid-up capital of RMB35,000,000	100	100	Plant construction and trading of pharmaceutical products
Ocumention (Shanghai) Supply Chain Co., Ltd. 歐康維視(上海)供應鏈有限公司	the PRC October 9, 2020 (note i)	Registered capital of US\$2,000,000 and paid-up capital of US\$2,000,000	Registered capital of US\$2,000,000 and paid-up capital of US\$2,000,000	100	100	Trading of pharmaceutical products
Suzhou Ocumention Biotech Co., Ltd.* 蘇州中賢生物醫藥有限公司	the PRC January 20, 2022 (note i)	Registered capital of US\$31,500,000 and paid-up capital of US\$nil	Registered capital of US\$31,500,000 and paid-up capital of US\$nil	100	100	Trading of pharmaceutical products

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

37. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiaries	Place/country and date of establishment/ incorporation/ operation	Issued and fully paid share capital/registered capital		Equity interest attributable to the Group as at December 31		Principal activities
		2023	2022	2023 %	2022 %	
Ocuarmor MedTech	Cayman Islands November 19, 2021	Issued capital of US\$50,000 and paid-up capital of US\$nil	Issued capital of US\$50,000 and paid-up capital of US \$nil	100	–	Investment holding
Ocuarmor Medtech (HK) Limited	Hong Kong December 1, 2021	Issued capital of US\$1 and paid-up capital of US\$1	Issued capital of US\$1 and paid-up capital of US\$1	100	–	Investment holding
Ocuarmor Medtech (Zhejiang) Co., Ltd.* 浙江歐鹿醫療器械有限公司	the PRC January 5, 2022 (note iii)	Registered capital of RMB30,000,000 and paid-up capital of RMB nil	Registered capital of RMB30,000,000 and paid-up capital of RMB nil	100	–	Trading of pharmaceutical products

* English translated name of identification only.

Notes:

- (i) The subsidiary is a wholly foreign invested limited liability company incorporated in the PRC.
- (ii) The subsidiaries are domestic limited liability companies incorporated in the PRC.
- (iii) The subsidiary was acquired on June 16, 2023. Details are set out in note 16 and 31.

None of the subsidiaries had issued any debt securities at the end of the years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings <i>RMB'000</i>	Interest payable <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2022	–	–	11,212	11,212
Financing cash flows	–	–	(10,940)	(10,940)
Interest expenses	–	–	1,793	1,793
New leases entered and lease modification	–	–	31,627	31,627
Termination of leases	–	–	(4,115)	(4,115)
At December 31, 2022	–	–	29,577	29,577
Financing cash flows	118,190	(81)	(13,582)	104,527
Loan acquired from Ocuarmor	1,810	–	–	1,810
Interest expenses	–	182	1,143	1,325
New leases entered	–	–	257	257
Leases acquired from Ocuarmor	–	–	588	588
At December 31, 2023	120,000	101	17,983	138,084

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTE	2023 RMB'000	2022 RMB'000
Non-current assets			
Investments in subsidiaries		1,154,790	1,004,184
Intangible asset		242,000	206,826
Prepayments		56,537	59,782
Equity instruments at FVTOCI		364,148	95,000
Amounts due from subsidiaries		1,903,071	1,178,868
		3,720,546	2,544,660
Current assets			
Other receivable		2,514	5,513
Amounts due from subsidiaries		50,000	80,000
Bank balances and cash		406,355	966,117
		458,869	1,051,630
Current liability			
Trade and other payables		128,968	29,526
		128,968	29,526
Net Current assets		329,901	1,022,104
Total assets less current liability		4,050,447	3,566,764
Net Assets		4,050,447	3,566,764
Capital and reserves			
Share capital	27	48	48
Reserves		4,050,399	3,566,716
Total Equity		4,050,447	3,566,764

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(continued)

The movement of the reserves of the Company are as follows:

	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Treasury share <i>RMB'000</i>	FVTOCI revaluation reserve <i>RMB'000</i>	Share-based payment reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2022	7,355,472	(280,791)	(3)	(305)	379,291	(3,809,166)	3,644,498
Loss and total comprehensive expense for the year	-	-	-	(177,401)	-	(120,889)	(298,290)
Exercise of share options granted	50,062	-	-	-	(41,878)	-	8,184
Exercise of RSUs	33,212	-	1	-	(28,678)	-	4,535
Vest of share award	83,359	-	-	-	(83,359)	-	-
Purchase of shares via a trust (note 27)	(11,002)	-	*	-	-	-	(11,002)
Issuance of treasury shares hold in the trust (note 27)	-	-	(1)	-	-	-	(1)
Recognition of equity-settled Share-based payments (note 30)	-	-	-	-	218,792	-	218,792
Forfeited equity-settled share-based payments	-	-	-	-	(478)	478	-
At December 31, 2022	7,511,103	(280,791)	(3)	(177,706)	443,690	(3,929,577)	3,566,716
Loss and total comprehensive income (expense) for the year	-	-	-	407,254	-	(67,433)	339,821
Disposal of investments in equity instruments at FVTOCI	-	-	-	(74,795)	-	74,795	-
Exercise of share options granted	14,969	-	-	-	(12,368)	-	2,601
Exercise of RSUs	12,331	-	*	-	(9,337)	-	2,994
Vest of share award	88,608	-	*	-	(88,608)	-	-
Purchase of shares (note 27)	(1,462)	-	*	-	-	-	(1,462)
Issuance of treasury shares hold in the trust (note 27)	-	-	-	-	-	-	-
Recognition of equity-settled Share-based payments (note 30)	-	-	-	-	139,729	-	139,729
Forfeited equity-settled share-based payments	-	-	-	-	(30,128)	30,128	-
At December 31, 2023	7,625,549	(280,791)	(3)	154,753	442,978	(3,892,087)	4,050,399

* Represented the relevant amount less than RMB1,000.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

40. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2022, the Group entered into new lease agreements for the use of office for one to three years. At the dates of lease commencement, the Group recognised an aggregate amounts of RMB31,627,000 of right-of-use assets and RMB31,627,000 lease liabilities.

41. EVENTS AFTER THE REPORTING PERIOD

In January, 2024, the Group further disposed of a total of 1,910,500 EyePoint Shares by way of block trade, at an aggregate consideration of approximately RMB264,152,000 (equivalent to approximately US\$37,159,000), which was determined with reference to the market price of EyePoint Shares of certain agreed date and has been fully settled in cash and received by the Company. The company has transferred RMB143,197,000 cumulative gain previously accumulated in the FVTOCI revaluation reserve to accumulated losses.

Definitions and Acronyms

“2021 Share Award Scheme”	the share award scheme adopted by the Company in accordance with the scheme rules thereof on July 2, 2021, the details of which are set out in the circular of the Company dated August 11, 2021
“2021 Share Option Scheme”	the share option scheme adopted by the Board in accordance with the rules thereof on July 2, 2021 and approved by the Shareholders on the extraordinary general meeting of the Company held on August 31, 2021, the details of which are set out in the circular of the Company dated August 11, 2021
“6 Dimensions Affiliates”	6 Dimensions Affiliates Fund, L.P., a limited partnership established under the laws of Cayman Islands on October 25, 2017 and one of our controlling Shareholders
“6 Dimensions Capital”	6 Dimensions Capital, L.P., a limited partnership established under the laws of Cayman Islands on August 16, 2017 and one of our controlling Shareholders
“AGM”	the annual general meeting of the Company in 2024
“Alimera”	Alimera Sciences, Inc., a biopharmaceutical company organized and existing under the laws of the State of Delaware of the United States, whose shares of common stock are traded on the NASDAQ (ticker symbol: ALIM)
“AMD”	age-related macular degeneration, a disease that causes damage to the macula and leads to progressive loss of central vision
“APAC”	Asia-Pacific
“Articles of Association”	the articles of association of the Company conditionally adopted on June 23, 2020 and affective on the Listing Date, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“CDE”	the Center for Drug Evaluation of NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA mainly responsible for review and approval of IND and NDA

Definitions and Acronyms

“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or “the PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” and the “PRC” do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“chronic NIU-PS”	chronic non-infectious uveitis affecting the posterior segment of the eye
“CMC”	chemistry, manufacturing and controls which cover the various procedures used to assess the physical and chemical characteristics of drug products, and to ensure their quality and consistency during manufacturing. CMC data is essential in the submissions to regulatory authorities
“Company”	Ocumension Therapeutics (歐康維視生物), a company incorporated under the laws of the Cayman Islands with limited liability on February 27, 2018, the shares of which were listed on the Main Board of the Stock Exchange on July 10, 2020
“Core Product”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this annual report, our Core Product refers to OT-401 (YUTIQ®, fluocinolone intravitreal implant, trade name: Youshiying® (優施瑩®))
“CTA”	the clinical trial application
“Director(s)”	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
“DME”	diabetic macular edema
“ESOP”	the employee stock option plan adopted by our Company on May 23, 2018, as amended from time to time, the details of which are set out in the Prospectus
“EyePoint”	EyePoint Pharmaceuticals, Inc., a company whose shares of common stock are listed on the NASDAQ (ticker symbol: EYPT) and a biopharmaceutical company committed to developing and commercializing innovative ophthalmic products for the treatment of eye diseases
“EyePoint Share(s)”	share(s) of common stock of a par value of US\$0.001 per share of EyePoint
“FDA”	the United States Food and Drug Administration
“FVTOCI”	fair value through other comprehensive income

Definitions and Acronyms

“FVTPL”	fair value through profit or loss
“Greater China”	the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Group” or “Ocumention”	the Company and its subsidiaries
“Grade III hospitals”	a top-level hospital in China, as hospitals in China are divided into three classes by National Health Commission of the PRC (中華人民共和國國家衛生健康委員會), among which, Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huonland”	Beijing Huonland Pharmaceutical Co., Ltd. (北京匯恩蘭德製藥有限公司), a limited liability company established under the laws of the PRC on August 3, 2012 and one of our licensing partners. Huonland primarily engages in development, production and sales of ophthalmology products
“IFRS”	International Financial Reporting Standards
“IND”	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials. Also known as CTA in China
“Independent Third Party(ies)”	party or parties that, to the best of our Directors’ knowledge, information and belief, having made all reasonable inquiries, is or are not a connected person or connected persons of the Company
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	July 10, 2020, being the date on which dealings in our Shares first commenced on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

Definitions and Acronyms

“NASDAQ”	The Nasdaq Stock Market LLC
“NDA”	new drug application, an application through which the drug sponsor formally proposes that the relevant regulatory authority approve a new drug for sales and marketing
“Nicox”	Nicox S.A., a corporation incorporated under the laws of France on February 15, 1996, one of our licensing partners whose shares are listed on the Euronext exchange (ticker symbol: COX)
“NMPA”	National Medical Products Administration (國家藥品監督管理局), formerly the China Food and Drug Administration (國家食品藥品監督管理局), or CFDA
“Nomination Committee”	the nomination committee of the Board
“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
“NRDL”	National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance 《國家基本醫療保險、工傷保險和生育保險藥品目錄》
“Prospectus”	the prospectus issued by the Company dated June 29, 2020
“RMB”	Renminbi Yuan, the lawful currency of China
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	the one-year period from January 1, 2023 to December 31, 2023
“RSU(s)”	the restricted share unit
“RSU Scheme”	the restricted share unit scheme adopted by the Company on April 28, 2020, the details of which are set out in the Prospectus
“R&D”	research and development

Definitions and Acronyms

“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Scheme Mandate Limit”	being 53,424,000 Shares, which account for approximately 7.95% of the total Shares in issue as of November 25, 2022, the date of approval by the Shareholders rounded down to nearest whole board lot of 500 Shares and is applicable to all share schemes of the Company
“Service Provider(s)”	person(s) who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are material to the long-term growth of the Group as determined by the Remuneration Committee, including advisers, consultants, distributors, contractors, suppliers, agents, business partners, joint venture partners, promoters, service providers of any member of the Group, but excluding placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, or consultants providing professional services to the Group
“Service Provider Sublimit”	a sublimit under the Scheme Mandate Limit, being 5,342,000 Shares, which account for approximately 0.795% of the total Shares in issue as of the date of approval by the Shareholders rounded down to nearest whole board lot of 500 Shares and is applicable to all share schemes of the Company
“Share(s)”	ordinary shares in the share capital of our Company of US\$0.00001 each
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Suzhou 6 Dimensions”	Suzhou 6 Dimensions Venture Capital Partnership L.P. (蘇州通和毓承投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 4, 2017 and one of our controlling shareholders
“Suzhou Frontline II”	Suzhou Frontline BioVentures Venture Capital Fund II L.P. (蘇州通和二期創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on March 8, 2016 and one of our controlling shareholders
“Suzhou Xiaxiang”	Suzhou Xiaxiang Biomedicine Co., Ltd. (蘇州夏翔生物醫藥有限公司), a limited liability company established in the PRC on October 18, 2019

Definitions and Acronyms

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US\$"	United States dollars, the lawful currency of the United States
"wAMD"	wet age-related macular degeneration
"Written Guidelines"	the Guidelines for Securities Transactions by Directors adopted by the Company
"%"	per cent

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



OcuMension

欧康维视