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

Zhaoke Ophthalmology Limited
兆科眼科有限公司

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

(Stock Code: 6622)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

The Board and the Directors of the Company are pleased to announce the consolidated annual results of the Group for the year ended December 31, 2021, together with the comparative figures for the year ended December 31, 2020 as follows. These consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee per above.

In this announcement, "Zhaoke Ophthalmology", "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

BUSINESS HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2021

- ***CsA Ophthalmic Gel:*** We have completed China's largest DED trial for our proprietary CsA Ophthalmic Gel, which resulted in a positive outcome demonstrating significant improvements for patients.

- ***ZKY001:*** We have enrolled the first patient of the investigator initiated trial ("**IIT**") for NK disease in October 2021 and completed the treatment for the last patient in our Phase II clinical trial for the initial indication of CED in early 2022.

- ***NVK002:*** We established a clear path for the Phase III clinical trials for the treatment of myopia with the CDE, which will be one of the most comprehensive and robust Phase III clinical trials for low dose atropine use in the world.

- ***Commercialization:*** We are aggressively laying the foundation for a go-to-market model inclusive of digital, social, and e-commerce channels in conjunction with the traditional commercialization model and key partnerships.

- ***Partnerships:*** We signed multiple partnerships with leading institutions in China and abroad, paving the way for attractive opportunities in areas such as R&D, clinical research, product distribution and evaluation of our pipeline products for potential development in North America.

- ***Team Strengthening:*** We made a number of strategic hires, including the appointment of Dr. Albert Tsai as chief medical officer, Ms. Yang Lei as general counsel and Dr. Xie Zhijun as head of pre-clinical R&D.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2021

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Other income and gain, net	**34,542**	62,975
R&D expenses	**(220,058)**	(81,779)
General and administrative expenses	**(162,080)**	(35,002)
Selling and distribution expenses	**(16,736)**	(1,542)
Interest expenses	**(1,949)**	(1,655)
Changes in the carrying amount of preferred shares liability	**(1,763,499)**	(669,978)
Loss for the year	**(2,129,780)**	(726,981)
Total comprehensive income for the year	**(2,180,971)**	(670,861)

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(2,129,780)**	(726,981)
Less:		
Income from licensing agreement	**–**	(64,246)
Add:		
Changes in the carrying amount of preferred shares liability	**1,763,499**	669,978
Listing expenses	**28,112**	10,558
Equity-settled share-based payment expenses	**109,858**	14,998
Non-HKFRS adjusted loss for the year[(1)]	**(228,311)**	(95,693)

Note:

(1) NON-HKFRS MEASURES

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

CORPORATE PROFILE

Overview

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

China has the largest number of eye disease patients in the word, and there is still significant unmet demand from a rapidly increasing patient base. We are well positioned to capture the opportunity of a rapidly growing ophthalmology drug market, which is expected to reach US$11.1 billion in 2027, driven by market demand and new public policies in the healthcare sector.

Zhaoke Ophthalmology has benefited from the support of the innovation and development in the pharmaceutical and biotechnology industry, especially the ophthalmology industry, by the Chinese government during the past few years. In 2021, the National Eye Health Plan was announced to be included as part of the "Fourteenth Five-Year Plan for National Economic and Social Development of the PRC and the Outline of Vision Goals for 2035 (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要)", which clearly states the importance of the establishment of health service systems for the country.

Zhaoke Ophthalmology's drug portfolio is one of the largest and most comprehensive in the ophthalmic drug industry, with 25 innovative and generic treatments covering the five major eye diseases across both the front and back of the eye. Through our ambitious growth strategy, including partnering with domestic and international pharmaceutical companies, our goal is to become a leader in China, and internationally.

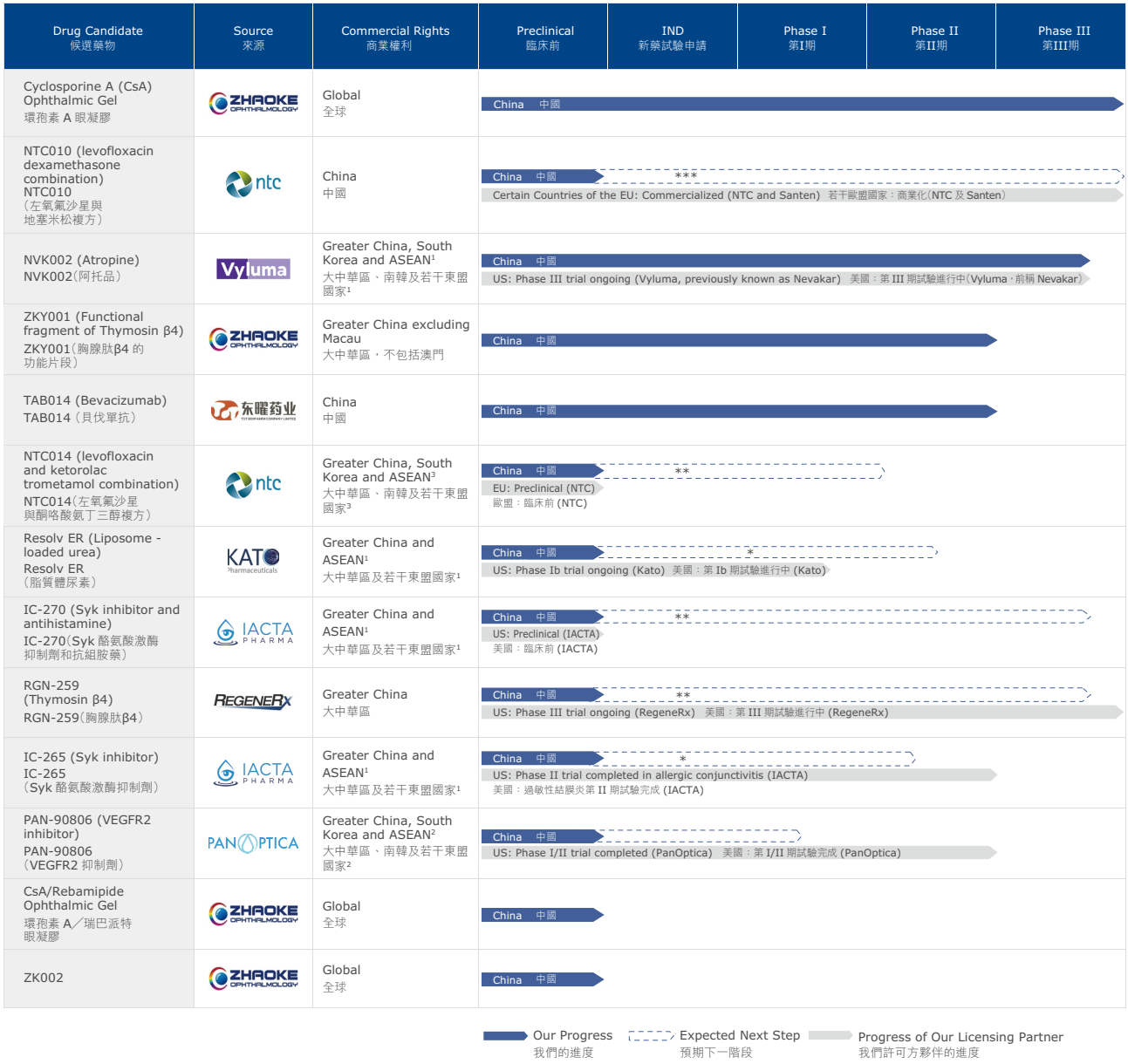
Zhaoke Ophthalmology has built a robust commercialization strategy, in anticipation of the launch of our first product this year. We are implementing an innovative commercialization model developed across our online channels, including our WeChat account and partnerships with various online medical platforms and digital and social eco-systems, as well as traditional offline channels, through our experienced sales teams and partnerships with hospitals.

We have a number of potential blockbuster innovative drug candidates in the pipeline, which we believe have the potential to be best-in-class or first-in-class, and which may contribute significantly to our future revenue. In addition, we are expecting to commercialize several generic drugs, including Bimatoprost Timolol from as early as 2022, leading to near-term revenue.

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

The following chart summarizes our product portfolio, including the status of each of our drug candidates as of the date of this announcement.

Our Innovative Drugs



* May not require a Phase I clinical trial prior to initiating a Phase II clinical trial.

** May not require a Phase I and/or Phase II clinical trials prior to initiating a Phase III clinical trial.

*** May not require clinical trials prior to NDA submission.

(1) Including Brunei, Myanmar (Burma), Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam

(2) Including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand and Vietnam

(3) Including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand, Vietnam and Sri Lanka

Our Generic Drugs

Drug Candidate 候選藥物	Indication 適應症	Reference Drug 參照藥	MOA 作用機制
Bimatoprost 貝美前列素	Glaucoma 青光眼	Lumigan	PGA monotherapy PGA單一療法
Bimatoprost Timolol 貝美素噻嗎洛爾	Glaucoma 青光眼	Ganfort	PGA and β blocking agent combotherapy PGA及β受體拮抗劑聯合療法
Latanoprost 拉坦前列素	Glaucoma 青光眼	Xalatan	PGA monotherapy PGA單一療法
Latanoprost Timolol 拉坦噻嗎	Glaucoma 青光眼	Xalacom	PGA and β blocking agent combotherapy PGA及β受體拮抗劑聯合療法
Travoprost 曲伏前列素	Glaucoma 青光眼	Travatan	PGA monotherapy PGA單一療法
Travoprost Timolol 曲伏噻嗎	Glaucoma 青光眼	DuoTrav	PGA and β blocking agent combotherapy PGA及β受體拮抗劑聯合療法
Levobetaxolol HCl 鹽酸左倍他洛爾	Glaucoma 青光眼	Betaxon	Monotherapy β blocker 單一療法的β受體拮抗劑
Epinastine HCl 鹽酸依匹斯汀	Allergic conjunctivitis 過敏性結膜炎	Elestat	Dual-acting antihistamine and mast cell stabilizers 雙效抗組胺藥及肥大細胞穩定劑
Natamycin 納他黴素	Fungal eye infections 眼部真菌感染	Natacyn	Antifungal 抗真菌
Proparacaine HCl 鹽酸丙美卡因	Surface anesthesia 表面麻醉	Alcaine	Block nerve conduction in the corneal tissue 阻礙角膜組織中的神經傳導
Povidone Iodine 聚維酮碘	Periocular and ocular surface disinfection 眼周及眼表消毒	Betadine	Microbicidal/Antimicrobial action by iodine 碘的殺菌／抗菌作用
Fluorescein Sodium 熒光素鈉	Diagnostic for certain eye injuries 眼表損傷診斷	Minims fluorescein sodium	Fluorescent dye 熒光染色

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Pipeline Strategy

Zhaoke Ophthalmology is strategically focused on treatments that cover the vast majority of ophthalmic diseases, with 25 drug candidates, including 13 innovative and 12 generic drugs, that cover the five major eye diseases across both the front and back of the eye. The five major ophthalmic indications in terms of market potential in China are DED, myopia, wAMD, DME, and glaucoma.

We have strategically selected multiple drug candidates to address these diseases, as we believe it the best way to treat multiple and complicated underlying causes of these diseases. This approach is an efficient way to build value as it allows us to accelerate clinical studies and facilitate the drug approval process.

Innovative drugs

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

CsA Ophthalmic Gel for DED (self-developed)

Overview

CsA Ophthalmic Gel is an innovative drug being developed by Zhaoke Ophthalmology for the treatment of DED. It is a single daily dose hydrogel which eliminates daytime administration and the associated discomfort and inconvenience, and aims to dramatically improve patients' treatment compliance and quality of life. It is a proprietary hydrogel with patent(s) registered in China and internationally. This novel formulation enhances the pharmacokinetic profiles of CsA on the ocular surface allowing similar efficacy to that of the Cyclosporine A products currently available for DED. However, unlike the current treatment, CsA Ophthalmic Gel's unique formulation stays on the eye for longer, requiring only once-a-day dosing compared with traditional twice-a-day dosing, hence reducing the treatment duration.

Updates during the Reporting Period

On July 12, 2021, the last patient completed treatment for the Phase III clinical trial of CsA Ophthalmic Gel. The Phase III clinical trial was the largest DED trial conducted in China with 644 patients across 41 centres. The patient recruitment was finished ahead of schedule. The full results were announced in October at the 7th National Dry Eye Conference in Shanghai, where it was revealed that the Phase III clinical trial of CsA Ophthalmic Gel had met its primary endpoint in inferior fluorescein corneal staining score ("**ICSS**").

Analysis of the results showed that the patient group who received CsA Ophthalmic Gel demonstrated statistically significant improvements, when compared to the patient group receiving the placebo treatment. At the end of the treatment, 73.7% of CsA Ophthalmic Gel-treated patients showed a one point or greater improvement in ICSS versus 53.2% of patients on vehicle ($p<0.0001$). The mean change from baseline in Eye Dryness Score ("**EDS**") on day 84 was 29.2mm ($p<0.001$) or 44.3% improvement in EDS over baseline.

Zhaoke Ophthalmology plans to submit the NDA to the NMPA in short order in 2022. Due to the treatment's potential to benefit millions of people globally, the Company is also exploring opportunities outside of China, planning to submit a pre-IND filing to the FDA to explore the clinical pathway for CsA Ophthalmic Gel in the U.S.

Zhaoke Ophthalmology continues to target commercialization of CsA Ophthalmic Gel as early as 2023.

NVK002 (Atropine) for Myopia (partnered with Nevakar)

Overview

Low concentration atropine is the only medication to date that is consistently effective in myopia progression control amongst children and adolescents. Zhaoke Ophthalmology's innovative treatment, NVK002, is potentially the world's first approved ophthalmic solution to control or slow myopia progression in children and adolescents. This treatment has a proprietary formulation that successfully addresses the instability of low-concentration atropine and is preservative-free with an expected shelf life of over 24 months. The clinical development of NVK002 involves two different concentrations of preservative-free atropine (0.01% and 0.02%) to determine the efficacy, safety and tolerability in children and adolescents with myopia, offering a choice for doctors and patients.

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

Updates during the Reporting Period

In September 2021, Zhaoke Ophthalmology received approval from the CDE to initiate two concurrent Phase III clinical trials, including a two-year Phase III clinical trial ("**China CHAMP**") and a one-year Phase III bridging trial ("**Mini-CHAMP**") in China. The latter will be combined with global data from Vyluma Inc.'s Phase III clinical trial in the U.S. and Europe, making the Phase III clinical trial for NVK002 one of the most comprehensive and robust Phase III clinical trials for low dose atropine use in the world.

The main objective of the China CHAMP and Mini-CHAMP is to evaluate the efficacy and safety of NVK002 in myopia progression control of children and adolescents from 3 to 17 years old. The China CHAMP trial will involve 19 centers and enroll 770 patients, led by Professor Wang Ning Li from Beijing Tongren Hospital as the Principal Investigator. The Mini-CHAMP trial will involve 18 centers and enroll 526 patients, led by Professor Qu Xiao Mei from Eye and ENT Hospital of Fudan University as the Principal Investigator. The first patient of China CHAMP was enrolled on March 16, 2022.

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

ZKY001

Overview

ZKY001 is a seven-amino acid peptide derived from the functional fragment of Thymosin β 4 that binds actin, a type of protein that plays a central role in cell structure and movement. Zhaoke Ophthalmology is currently focusing on developing a novel eye drop formulation targeting CED.

ZKY001 has broad applications in corneal wound healing and can potentially be used in multiple corneal repair indications. In addition to CED, Zhaoke Ophthalmology is currently exploring three additional indications for ZKY001, including transepithelial photorefractive keratectomy ("**TPRK**") (surgical treatment for myopia), pterygium (a growth in the cornea or in the conjunctiva) and neurotrophic keratitis ("**NK**") (a rare degenerative corneal disease).

Updates during the Reporting Period

On October 16, 2021, the first patient was enrolled for the IIT of ZKY001 for NK disease. The IIT trial plans to enrol a total of 40 patients by the second quarter of 2022.

The last patient completed his/her treatment in the Phase II clinical trial of ZKY001 for CED in February 2022. The main objective of the CED trial is to evaluate the efficacy and safety of ZKY001 in the treatment of CED and to assess the optimal dosage of ZKY001. The Phase II clinical trial for CED has enrolled 105 patients and is a multi-center, randomized, doublemasked, placebo-controlled study.

On March 16, 2022, the first patient was enrolled for the Phase II clinical trial for pterygium disease.

The Company is also expecting the first patient enrolment for Phase II clinical trial for TPRK shortly.

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

Overview

TAB014 is the first clinical-stage bevacizumab-based antibody indicated for wAMD in China. Bevacizumab is a clinically validated anti-VEGF drug. Globally, bevacizumab is approved for oncology treatment through intravenous infusion. However, there has been increasing offlabel use of bevacizumab via intravitreal injection for treatment of wAMD. Zhaoke Ophthalmology has obtained an exclusive license from TOT BIOPHARM to commercialize TAB014 for neovascularization-related eye diseases in China.

The Company is expecting the first patient enrollment for Phase III clinical trial of TAB014 in short order in 2022.

On March 9, 2022, the Group entered into a supplemental agreement with TOT BIOPHARM, pursuant to which Zhaoke Guangzhou will have full control and responsibility in the execution of clinical trials and the ultimate decision-making power in the development and commercialization of TAB014 in China, Hong Kong and Macau. Zhaoke Guangzhou is also entitled to develop TAB014 for other ophthalmic indications in addition to wAMD or novel formulations for ophthalmic indications. TOT BIOPHARM will continue to be responsible for manufacturing of TAB014 for clinical trial and commercial purposes.

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

Overview

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

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

Zhaoke Ophthalmology is currently focused on optimizing the formulation of PAN-90806. Subject to regulatory approvals and completion of animal study, the Company plans to commence human trial in the near future.

NTC010

Overview

NTC010 is a fixed dose combination of antibiotics and steroids to prevent infection and inflammation for patients undergoing cataract surgery. The drug belongs to a new generation of antibiotics, which increases efficiency and covers a wider range of bacteria. The drug also shortens the duration of the treatment by half, from 14 to seven days, making it beneficial to patients' overall health and helping to prevent antibiotic overuse. The drug has already been approved in seven countries in Europe.

Updates during the Reporting Period

NTC010 was approved by the Hainan Provincial Medical Products Administration on July 27, 2021, as an urgently needed drug for use by patients in Hainan Province under The System Integration Innovation Reform Plan of Boao Lecheng International Medical Tourism Pilot Zone of Hainan Free Trade Port. The Company plans to submit an NDA to the NMPA in 2022.

Generic drugs

Our Company has several key generic drugs in the pipeline.

Bimatoprost Timolol

Overview

According to CIC, Bimatoprost Timolol is a potential first-to-market generic bimatoprost timolol in China targeting glaucoma. This drug is used for more advanced stages of the disease, with increased pressure in the eye. Zhaoke Ophthalmology submitted an ANDA to the NMPA in October 2020.

Updates during the Reporting Period

Zhaoke Ophthalmology is currently focusing on delivering its first product in 2022, which is expected to be Bimatoprost Timolol.

The Company passed the on-site GMP inspection of Bimatoprost Timolol at its state-of-the-art manufacturing facility in Nansha, Guangzhou in May 2021. This certification ensures that the product will be consistently produced and controlled according to stringent quality standards. This also marks an important step in the overall ANDA review process, which is expected to be completed within 2022.

Bimatoprost

Overview

Bimatoprost is a generic drug used in the treatment of glaucoma. Zhaoke Ophthalmology submitted an ANDA to the NMPA in August 2019. According to CIC, this will potentially be the first preservative-free generic drug commercialized in China, which will help improve patients' comfort during treatment and lower the risk of patient allergies.

After the completion of on-site GMP inspection carried out in 2021, we expected the ANDA review process will be completed in near future.

Levobetaxolol HCl

Overview

Levobetaxolol HCl is a generic eye drop used in the treatment of glaucoma to lower pressure in the eye.

Updates during the Reporting Period

On September 2, 2021, Levobetaxolol HCl eye drops for the treatment of intraocular pressure ("**IOP**") in patients with primary open-angle glaucoma or ocular hypertension has met its primary endpoint in decreasing IOP in eight weeks compared to the baseline.

Analysis of the results show that the patient group who received Levobetaxolol HCl eye drops demonstrated statistically significant ($P<0.01$) superior efficacy after eight weeks of treatment, when compared to the patient group receiving the comparator treatment, Betaxolol HCl (BETOPTIC®S).

Epinastine HCl

Overview

Epinastine HCl is a generic drug targeting allergic conjunctivitis with antihistamine and mast cell stabilization properties. It is the first-line therapy for allergic conjunctivitis in China, especially for acute patients and is therefore expected to be commercialized at a lower price than the currently available treatment, giving it a potential significant market advantage. Zhaoke Ophthalmology submitted an ANDA to the NMPA in June 2020.

Updates during the Reporting Period

Zhaoke Ophthalmology has passed the on-site GMP inspection for the manufacturing facility for Epinastine HCl in May 2021, which ensures that this product will be consistently produced and controlled according to stringent quality standards. This also marks an important step in the overall ANDA review process.

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

Manufacturing and Commercialization

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

The cutting-edge manufacturing facility is ready for production, as we anticipate the launch of our first generic product in 2022. We currently have three manufacturing lines, with the ability to expand capacity. In anticipation of the commercialization of our drug candidates, we have increased investment in our manufacturing facility to augment its capacity and reach commercial scale. The production capacity for single dose drugs has already increased ten times.

During the Reporting Period, Zhaoke Ophthalmology has focused on developing its innovative commercialization strategy, in anticipation of the launch of its first drug candidate(s) in 2022. We recognize the rapidly shifting dynamics of the industry and understand that the traditional way of selling drugs can be complemented by new channels as China becomes increasingly dependent on digital, social and e-commerce. We are confident in the strength of our innovative go-to-market model which relies not only on traditional channels, through our experienced sales teams and partnerships with hospitals, but also on online channels, through our WeChat account, partnerships with online medical platforms, and some unique approaches which we are actively exploring.

A new platform that we have created is Zhaoke Boshi. We recognized the need in China for a content driven platform that showcases the cutting-edge research in ophthalmology globally and allows the leading KOLs to share their insights and best practices and facilitates discussions in the ophthalmology community. Zhaoke Boshi was soft launched in September 2021, and its follower base has grown to over 3,000 as of the date of this announcement. This was achieved because of consistently high quality of content.

We have expanded our team of sales and marketing professionals with decades of experience to lead our commercialization strategy. Our goal is to continue to increase our commercialization team to 200–300 members in the next five years.

Research and Development

We believe that R&D is key to driving our competitive strategy. In 2022 we will be concentrating on the advancement of key clinical programs to enhance and expand our drug pipeline.

Zhaoke Ophthalmology has a R&D team with a time-tested, proven track record and a full suite of capabilities covering discovery, pre-clinical research and execution of clinical trials. Our R&D activities are led by an international management team with decades of industry experience at global biotechnology and pharmaceutical companies.

During the Reporting Period we made a number of strategic hires. Dr. Albert Tsai Jr. joined the company as chief medical officer and is primarily responsible for leading the group to advance its assets through the clinical development process as well as supporting the post approval media affairs for the Group's commercial products. Dr. Tsai will also provide strategic direction for therapeutic indication development and contribute to the overall corporate strategy and culture of innovation and excellence.

In addition, Dr. Xie Zhijun joined Zhaoke Ophthalmology in 2021 as the head of pre-clinical R&D, responsible for the evaluation and screening of R&D projects, the development, verification and transfer of formulation technology and analytical methods, the customization of Application Programming Interfaces and supplier selection, as well as project management and technical solution optimization, focusing on project optimization and breakthrough. With over 25 years of relevant industry experience, Dr. Xie has a keen sense of biomedical development and elevates the Company's technical level with his professional knowledge and innovation.

During the year of 2021 we significantly increased the size of our R&D team, which now stands at approximately 80 professionals.

We upgraded both our chemistry, manufacturing and control ("**CMC**") and pharmacology laboratories, with a total area of 1,800m^2 in our Nansha facility.

The CMC laboratory aims to develop formulation for innovative and generic drugs and transfer technology from overseas licensors to China. The pharmacology laboratory will be utilized to test the efficacy, safety and mechanisms of action of innovative products, and to identify novel drug targets for the treatment of ophthalmic diseases. On March 3, 2022, our pharmacology laboratory received the laboratory animal license from the Department of Science and Technology of Guangdong Province.

These new facilities possess environmental quality self-inspection equipment and capabilities and undertake regular inspections. We follow strict medical waste disposal guidelines in operating and maintaining these facilities. All medical waste will be treated by a third-party environmental protection service provider.

For the year ended December 31, 2021, our R&D expenses reached approximately RMB220.1 million, representing an increase of approximately 169.1% from approximately RMB81.8 million for the year ended December 31, 2020.

During the Reporting Period, COVID-19 had some impact on our operations. Some of our clinical trials were temporarily delayed, as access to patients was limited, while at an operational level, we had to implement alternative work arrangements in our various locations from time to time in response to local lockdown restrictions. We maintained close communication with our suppliers and global business partners to ensure our close collaboration continued and to continue to advance as much as possible our R&D progress. COVID-19 did not have any material adverse impact on our liquidity and working capital sufficiency of the Group during the Reporting Period.

Partnerships

Zhaoke Ophthalmology has established multiple licensing partnerships with leading companies in China, the United States and Europe, and will continue to build its global footprint.

In the first quarter of 2021, we established a partnership with NTC, and obtained an exclusive license and distribution right to sell NTC010, an innovative eye drop for preventing and treating cataract surgery-related inflammation and infection already approved in certain European Union countries, in China. NTC is a pharmaceutical company headquartered in Milan, Italy, which engages in the research, development, registration and commercialization of drugs, medical devices and food supplements in ophthalmology and other therapeutic areas.

Zhaoke Ophthalmology also developed a partnership with the Singapore Eye Research Institute ("**SERI**") to leverage SERI's research and devlopment capabilities in preclinical models and clinical trials, as well as regular scientific and industry exchanges.

In December 2021, Zhaoke Ophthalmology announced a partnership with Tianjing HappyLife Technology Limited, an affiliate of Yidu Tech Inc. that provides life sciences solutions. The objective of the partnership is to accelerate the development of innovative clinical research programs for the Chinese ophthalmic market and deliver better medical care and support to eye disease patients in China.

Another strategic collaboration was announced in February 2022 with the world-leading private research institute, Johns Hopkins University's Wilmer Eye Institute ("**Wilmer**"). Zhaoke Ophthalmology signed a corporate gift agreement with Wilmer to support translational research and academic exchanges. We expect to develop a long term partnership with Wilmer for the early stage cutting edge ophthalmic R&D.

Finally, Zhaoke Ophthalmology has signed strategic partnership agreements with three pharmaceutical companies, including Sinopharm Group Distribution Co.,Ltd. (國藥控股分銷中心有限公司), Shanghai Pharmaceuticals Co., Ltd. (上藥控股有限公司), and China Resources Pharmaceutical Commercial Group Limited (華潤醫藥商業集團有限公司) on March 8, 2022. The partnerships will focus on distribution, as well as collaboration opportunities in areas such as clinical R&D.

The Company will continue to explore new partnership and collaboration opportunities with world-leading domestic and overseas pharmaceutical firms and research institutions to develop centers of excellence, which will further support and accelerate the R&D of ophthalmic drugs and will enhance our unique go-to-market commercialization strategies.

Environment, Social and Governance (ESG)

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

During the Reporting Period, we clearly defined the ESG responsibilities of the Board and the senior management and have established a sustainability steering committee to assist the Board in its management and supervision of the progress and results of relevant initiatives. The Company has also established policies on the environment, employment system, occupational health and safety, training and development, supply chain management, product responsibility, anti-corruption and community investment.

Zhaoke Ophthalmology is committed to transparency and compliance, and disclosing our ESG performance every year in our ESG report. In July 2021, we published our first ESG report to enhance our stakeholders' understanding of our current strategy regarding our socially responsible practices.

Future and Outlook

Looking forward, we see strong momentum in the ophthalmologic industry, driven by a growing market demand and public policies in China as indicated by the National Eye Health Plan included as part of the "Fourteenth Five-Year Plan for National Economic and Social Development of the PRC and the Outline of Vision Goals for 2035 (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要)". Regulators have highlighted the importance of facilitating the establishment of health service systems and strengthening the construction of ocular medical service systems as well as encouraging talent development, all of which will contribute to improving primary care services and physicians' capacities to diagnose eye diseases.

As part of this, the Chinese government has designated three geographic areas, including, among others, the Greater Bay Area ("**GBA**"), as future centers of excellence for healthcare. With a state-of-the-art manufacturing facility located in Nansha New District, Guangzhou, Guangdong Province, China, Zhaoke Ophthalmology is one of the publicly listed healthcare companies headquartered in the GBA, making it well positioned to spearhead the development of ophthalmic solution ecosystem in the region and capture this market opportunity.

Commercialization is our key focus for 2022, as we expect the commercialization of our first generic product for glaucoma, Bimatoprost Timolol. Our commercialization strategy is based on a hybrid model integrating both our offline and online channels, and will be extended beyond glaucoma and anticipate future product launch in other eye disease area.

Significant R&D milestones are expected for 2022, including for some of our core drug candidates. In terms of clinical trials advancements in the next 12 months, we expect the completion of the Phase II clinical trial for ZKY001 for additional indications, as well as completion of patient enrolment for the Phase III clinical trial for NVK002. We also expect the NDA submission for our CsA Ophthalmic Gel in short order in 2022.

We will continue to explore more strategic partnerships globally with leading institutions, to help realize the potential of the globalization of our assets, including CsA Ophthalmic Gel for potential R&D and commercialization in North America, and NVK002 for out-license to Southeast Asia and South Korea.

Overall, we strongly believe that we are well-positioned to capture the rapidly growing Chinese ophthalmology market and will continue to strive to become the leader in ophthalmology globally. Our mission remains to transform visual health, by developing best-in-class and first-in-class treatments for the five major eye diseases across the front and back of the eye. With a strong focus on R&D, our aim is to provide new treatment solutions and transform visual health in China.

FINANCIAL REVIEW

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Other income	**21,133**	68,462
Other net gain/(loss)	**13,409**	(5,487)
R&D expenses	**(220,058)**	(81,779)
General and administrative expenses	**(162,080)**	(35,002)
Selling and distribution expenses	**(16,736)**	(1,542)
Interest expenses	**(1,949)**	(1,655)
Changes in the carrying amount of preferred shares liability	**(1,763,499)**	(669,978)
Loss for the year	**(2,129,780)**	(726,981)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	**(51,191)**	56,120
Total comprehensive income for the year	**(2,180,971)**	(670,861)
Non-HKFRS Measures		
Adjusted loss for the year	**(228,311)**	(95,693)

Overview

For the year ended December 31, 2021, we recorded total loss of approximately RMB2,129.8 million, as compared with approximately RMB727.0 million for the year ended December 31, 2020, mainly due to the changes in the carrying amount of preferred shares liability in relation to the redemption amount and conversion features for the Series A Preferred Shares and Series B Preferred Shares, before they were converted into ordinary Shares on the Listing Date. Our R&D expenses for the year ended December 31, 2021 were approximately RMB220.1 million, representing an increase of approximately 169.1% from approximately RMB81.8 million for the year ended December 31, 2020, primarily due to the increased expenses incurred for clinical trials and R&D activities for our key products, including Phase III clinical trial for CsA Ophthalmic Gel and Levobetaxolol HCl, during the Reporting Period.

Other Income

The Group's other income primarily consists of bank interest income and government grants received from government authorities. For the year ended December 31, 2021, the Group's other income decreased to approximately RMB21.1 million, compared to approximately RMB68.5 million for the year ended December 31, 2020. The decrease was primarily attributable to the one-time income from licensing agreement of approximately RMB64.2 million received in 2020, which was net off with the effect of the increase of one-off government subsidies received from government authorities for our on-going R&D activities in 2021.

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Government grants	**16,090**	266
Bank interest income	**5,036**	2,582
Income from licensing agreement	**–**	64,246
Others	**7**	1,368
Total	**21,133**	68,462

Other Net Gain/(Loss)

For the year ended December 31, 2021, we recorded approximately RMB13.4 million of other net gain, compared to approximately RMB5.5 million of other net loss for the year ended December 31, 2020. Such net gain/(loss) primarily consists of net foreign exchange gain or loss in connection with fund transfers among bank accounts in difference currencies and bank balances that are denominated in U.S. dollars.

R&D Expenses

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

For the year ended December 31, 2021, our R&D expenses increased by approximately RMB138.3 million, or 169.1%, to approximately RMB220.1 million from approximately RMB81.8 million for the year ended December 31, 2020. The increase was mainly due to (i) the continuous advancement of our clinical trials and increased investments in the

ongoing R&D projects (i.e. completion of Phase III clinical trial for CsA Ophthalmic Gel and Levobetaxolol HCl during the Reporting Period); and (ii) increase in headcount and equity-settled share based-payment of R&D personnel.

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Clinical trial professional service fee	**113,207**	27,711
Staff costs	**29,992**	15,141
Depreciation and amortization	**23,928**	19,352
Equity-settled share-based payment	**21,972**	2,902
Cost of raw materials and consumables used	**10,362**	6,808
Utilities	**4,018**	2,804
Other[(1)]	**16,579**	7,061
Total	**220,058**	81,779

Note:

(1) Represent travel and accommodation expenses, repair and maintenance expenses and other miscellaneous expenses in relation to our R&D activities.

General and Administrative Expenses

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

For the year ended December 31, 2021, our general and administrative expenses were approximately RMB162.1 million, representing an increase of approximately RMB127.1 million from approximately RMB35.0 million for the year ended December 31, 2020, which is primarily attributable to (i) the increase in equity-settled share-based payment and staff costs as well as the increase in the number of administrative personnel and senior management to support our business growth; (ii) the listing expenses incurred in connection with the IPO; and (iii) the increase of professional service fee related to listing matters and additional regulatory compliance obligations.

The following table sets forth the components of our general and administrative expenses for the years indicated:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Equity-settled share-based payment	**81,532**	11,390
Listing expenses	**28,112**	10,558
Staff costs (include directors' fee)	**27,583**	7,844
Professional service fees	**14,961**	3,303
General operating expenses	**3,385**	916
Donation	**2,486**	–
Depreciation	**1,769**	474
Other[(1)]	**2,252**	517
Total	**162,080**	35,002

Note:

(1) Represent certain tax expenses, donations and other miscellaneous expenses.

Selling and Distribution Expenses

Our selling and marketing expenses mainly consist of salary and benefits expenses for our commercialization team. Our selling and distribution expenses increased from RMB1.5 million for the year ended December 31, 2020 to approximately RMB16.7 million for the year ended December 31, 2021, primarily attributable to an increase in headcount of our commercialization team and equity-settled share-based payment.

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

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Staff costs	**7,632**	553
Equity-settled share-based payment	**6,354**	706
Marketing & Conference expenses	**1,604**	235
Depreciation	**288**	–
Other	**858**	48
Total	**16,736**	1,542

Finance Cost

Our finance costs primarily consist of (i) interest on lease liabilities related to our leases of office premises and manufacturing and R&D facilities and (ii) changes in the carrying amount of preferred shares liability, which represent changes in the carrying amount of financial liabilities recognized in relation to the redemption amount and conversion features for our Series A Preferred Shares and Series B Preferred Shares.

The following table sets forth the components of our finance costs for the years indicated:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Changes in the carrying amount of preferred shares liability	**1,763,499**	669,978
Interest on lease liabilities	**1,352**	1,458
Interest on bank loan	**597**	197
Total	**1,765,448**	671,633

Income Tax

We did not incur any income tax during the years ended December 31, 2020 and 2021.

BVI and Cayman Islands

We were incorporated in the BVI in January 2017 and redomiciled to the Cayman Islands in April 2020. Pursuant to the laws and regulations of the BVI, we were not subject to any income tax there before we were redomiciled to the Cayman Islands. We are an exempted company with limited liability under the Companies Act of Cayman Islands and accordingly are exempted from Cayman Islands income tax.

Hong Kong

We did not make any provision for Hong Kong profit tax, because our Hong Kong subsidiary, Zhaoke HK, did not have assessable profits in Hong Kong during the Reporting Period.

The PRC

We did not make any provision for the PRC income tax, which is at the rate of 25% pursuant to relevant PRC laws and regulations, because our PRC subsidiary, Zhaoke Guangzhou, did not have assessable profits in the PRC during the Reporting Period.

Loss for the Year

As a result of the above factors, for the year ended December 31, 2021, we recorded a loss of approximately RMB2,129.8 million, as compared to a loss of approximately RMB727.0 million for the year ended December 31, 2020.

Non-HKFRS Measure

To supplement the Group's consolidated financial statements, which are presented in accordance with the HKFRS, the Company also uses adjusted total loss for the year and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, the HKFRS. The Company believes that these adjusted measures provide useful information to its shareholders and potential investors in understanding and evaluating the Group's annual consolidated results of operations in the same manner as they help the Company's management.

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

The table below sets forth a reconciliation of the total comprehensive loss for the year to adjusted total comprehensive loss for the year during the years indicated:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(2,129,780)**	(726,981)
Less:		
Income from licensing agreement	**–**	(64,246)
Add:		
Changes in the carrying amount of preferred shares liability	**1,763,499**	669,978
Listing expenses	**28,112**	10,558
Equity-settled share-based payment expenses	**109,858**	14,998
Non-HKFRS adjusted loss for the year[(1)]	**(228,311)**	(95,693)

Note:

(1) NON-HKFRS MEASURES

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

Selected Data from Statement of Financial Position

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Total current assets	**2,208,894**	913,623
Total non-current assets	**396,513**	312,963
Total assets	**2,605,407**	1,226,586
Total current liabilities	**89,008**	53,666
Total non-current liabilities	**20,912**	1,918,888
Total liabilities	**109,920**	1,972,554
Current assets		
Other receivables and prepayments	**46,800**	18,146
Amount due from a related company	**–**	13,051
Pledged bank balances	**25,508**	11,083
Time deposits with original maturity over three months	**8,157**	806,247
Cash and cash equivalents	**2,128,429**	65,096
Total current assets	**2,208,894**	913,623
Current liabilities		
Other payables and accruals	**59,153**	38,731
Amounts due to related companies	**13,684**	186
Bank loans	**10,289**	10,000
Lease liabilities	**5,882**	4,749
Total current liabilities	**89,008**	53,666
Net current assets	**2,118,854**	859,957

Liquidity and Source of Funding and Borrowing

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

As at December 31, 2021, the current assets of the Group were approximately RMB2,208.9 million, including cash and cash equivalents of approximately RMB2,128.4 million, time deposits with an original maturity over three months of approximately RMB8.2 million, pledged bank balance of approximately RMB25.5 million and other current assets of approximately RMB46.8 million. As at December 31, 2021, the current liabilities of the Group were approximately RMB89.0 million, including other payables and accruals of approximately RMB59.2 million, amounts due to related companies of approximately RMB13.7 million, bank borrowings of approximately RMB10.3 million and other current liabilities of approximately RMB5.9 million.

Amounts due to related companies composed of rental payable and payable for CRO services and are unsecured, interest-free and repayable with a maximum credit terms of 30 days or on demand.

As of December 31, 2021, the Group had an unsecured bank loan of RMB10.3 million which was repayable within one year or on demand.

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

Pledge Bank Balance

Our pledged bank balance was approximately RMB25.5 million as of December 31, 2021 (2020: RMB11.1 million), representing bank balances we pledged with a bank required for the issue of a letter of credit for importing certain machines and equipment.

Key Financial Ratios

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

	As at December 31,	
	2021	2020
Current ratio[(1)]	**24.8**	17.0

Note:

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

Contingent Liabilities

As at December 31, 2021, the Group did not have any significant contingent liabilities.

Capital Commitment

The capital commitment of the Group as at December 31, 2021 was approximately RMB194.7 million, representing an increase of approximately RMB40.3 million as compared with that of approximately RMB154.4 million as at December 31, 2020, primarily attributable to progress made in the construction of manufacturing facilities and R&D activities.

Employees and Remuneration

As at December 31, 2021, the Group had a total of 238 employees. The following table sets forth the total number of employees by function as of December 31, 2021:

	Number of employees	**% of the total**
Management	6	2.5
R&D	77	32.4
Manufacturing	62	26.1
Quality control	42	17.6
Sales and marketing	27	11.3
Environmental, health and safety	1	0.4
Administrative	23	9.7
Total	238	100.0

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

The total remuneration cost incurred by the Group for the year ended December 31, 2021 was approximately RMB150.2 million, as compared to approximately RMB35.9 million for the year ended December 31, 2020. The increase was primarily attributable to (i) equity-settled share-based payment was increased of approximately RMB83.5 million for pre-IPO share option granted, (ii) Directors' fee and emoluments was increased of approximately RMB7.0 million; and (iii) an increase of approximately RMB23.7 million in employee salaries and benefits in line with the expansion in headcount.

Foreign Exchange Exposure

During the year ended December 31, 2021, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As at December 31, 2021, a significant amount of the Group's cash and cash equivalents was denominated in Hong Kong dollars. Except for certain cash and cash equivalents, prepayments on purchases of property, plant and equipment and other payables denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as at December 31, 2021. Our Group manages its foreign exchange risk by performing regular reviews of our net foreign exchange exposures and seeks to minimize these exposures whenever possible.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSE

For the year ended December 31, 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	3	**–**	–
Other income		**21,133**	68,462
Other net gain/(loss)		**13,409**	(5,487)
Research and development expenses	4(b)	**(220,058)**	(81,779)
General and administrative expenses		**(162,080)**	(35,002)
Selling and distribution expenses		**(16,736)**	(1,542)
Loss from operations		**(364,332)**	(55,348)
Interest expenses	4(a)	**(1,949)**	(1,655)
Changes in the carrying amount of preferred shares liability	4(a)	**(1,763,499)**	(669,978)
Loss before taxation	4	**(2,129,780)**	(726,981)
Income tax	5	**–**	–
Loss for the year		**(2,129,780)**	(726,981)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities with functional currencies other than Renminbi ("**RMB**")		**(51,191)**	56,120
Total comprehensive income for the year		**(2,180,971)**	(670,861)
Loss per share *(RMB)*	6		
Basic		**(5.16)**	(4.81)
Diluted		**(5.16)**	(4.81)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	December 31, 2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**184,318**	138,458
Intangible assets		**162,383**	138,691
Prepayments on purchases of property, plant and equipment		**49,812**	35,814
		396,513	312,963
Current assets			
Other receivables and prepayments	7	**46,800**	18,146
Amount due from a related company		**–**	13,051
Pledged bank balances		**25,508**	11,083
Time deposits with original maturity over three months		**8,157**	806,247
Cash and cash equivalents		**2,128,429**	65,096
		2,208,894	913,623
Current liabilities			
Other payables and accruals	8	**59,153**	38,731
Amounts due to related companies		**13,684**	186
Bank loans		**10,289**	10,000
Lease liabilities		**5,882**	4,749
		89,008	53,666
Net current assets		**2,118,854**	859,957
Total assets less current liabilities		**2,516,399**	1,172,920
Non-current liabilities			
Lease liabilities		**20,861**	22,778
Deferred income		**51**	94
Convertible redeemable preferred shares		**–**	1,896,016
		20,912	1,918,888
Net assets/(liabilities)		**2,495,487**	(745,968)
Capital and reserves			
Share capital		**–***	–*
Reserves		**2,495,487**	(745,968)
Total equity/(deficit)		**2,495,487**	(745,968)

* The balance represents amount less than RMB1,000.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Zhaoke Ophthalmology Limited (the "**Company**") was incorporated in the British Virgin Islands (the "**BVI**") on January 20, 2017. On April 29, 2020, the Company was redomiciled to the Cayman Islands with its registered office at Vistra (Cayman) Limited, Grand Pavilion, Hibiscus Way, 802 West Bay Road, George Town, Grand Cayman as an exempted company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Cayman Companies Act**").

The Company is an investment holding company. The Company and its subsidiaries (together, "**the Group**") are principally engaged in the development, manufacturing and marketing of ophthalmic drugs.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since April 29, 2021.

2. STATEMENT OF COMPLIANCE

The consolidated annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended December 31, 2021 but are extracted from those financial statements.

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The Group's consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are development, manufacturing and marketing of ophthalmic drugs. No revenue was derived from these activities during the current and prior years.

(b) Segment reporting

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

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

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

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loan	**597**	197
Interest on lease liabilities	**1,352**	1,458
	1,949	1,655
Changes in the carrying amount of preferred shares liability		
– Changes in present value of redemption amount	**58,208**	74,329
– Changes in fair value of conversion features	**1,705,291**	595,649
	1,763,499	669,978
	1,765,448	671,633

(b) Other items

	2021	2020
	RMB'000	*RMB'000*
Amortization of intangible assets	**2,106**	2,066
Depreciation charge		
– owned property, plant and equipment	**19,296**	14,208
– right-of-use assets	**4,429**	3,579
Auditors' remuneration		
– audit services	**2,572**	99
– other services	**120**	–
Research and development expenses	**220,058**	81,779
Loss on disposal of property, plant and equipment	**–**	9
Listing expenses	**28,112**	10,558

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act.

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

(b) Hong Kong income tax

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

(c) The PRC corporate income tax

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

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB2,129,780,000 (2020: RMB726,981,000) and the weighted average of 412,383,886 ordinary share (2020: 150,992,000 ordinary shares) in issue during the year after taking into account the effect of Capitalization issue, calculated as follows:

	2021	2020
	Number of shares	*Number of shares*
Issued ordinary shares at the beginning of the year	**377,480**	400,000
Share Repurchase	**–**	(22,520)
Effect of Capitalization issue	**150,614,520**	150,614,520
Effect of conversion of convertible redeemable preferred shares to ordinary shares upon IPO	**175,634,564**	–
Effect of shares issued upon IPO	**83,281,110**	–
Effect of shares issued related to equity settled share-based transactions	**2,476,212**	–
Weighted average number of ordinary shares at end of the year	**412,383,886**	150,992,000

(b) Diluted loss per share

Diluted loss per share is the same as basic loss per share for the years ended December 31, 2021 and 2020, as all of the potential ordinary shares are anti-dilutive.

7. OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
	RMB'000	*RMB'000*
Value added tax recoverable	**9,017**	7,477
Prepayments to suppliers	**32,232**	6,405
Deferred listing expenses	**–**	2,350
Prepaid listing expenses	**–**	1,441
Other receivables	**5,551**	473
	46,800	18,146

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

8. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	*RMB'000*
Payables for listing expenses	**–**	6,364
Payables for purchase of property, plant and equipment	**28,394**	12,684
Payroll payables	**12,795**	5,307
Accrued costs for research and development expenses	**6,830**	7,920
Payables for purchase of materials	**1,001**	810
Accrued office expenses and others	**4,604**	726
Other taxes payables	**5,529**	4,920
	59,153	38,731

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

9. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended December 31, 2021 (2020: Nil).

OTHER INFORMATION

Compliance with the Corporate Governance Code

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

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

The Company is committed to maintain a high standard of corporate governance (which is of critical importance to our development) to protect the interest of the Shareholders. Save as disclosed above, our Directors consider that the Company has complied with all applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules from the Listing Date until the date of this announcement.

Compliance with the Model Code for Securities Transactions

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

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

Use of Proceeds from the Global Offering

The Company's Shares were listed on the Stock Exchange on April 29, 2021 with a total of 123,567,500 offer Shares issued. The net proceeds from the Global Offering amounted to approximately HK$1,932.3 million, after deducting the underwriting fees, commissions and related listing expenses. As of December 31, 2021, such net proceeds were utilized as follows:

Use of proceeds from Listing	**Amount of net proceeds for planed applications** *(HK$ million)*	**Percentage of total net proceeds** *(%)*	**Utilized net proceeds as of December 31, 2021** *(HK$ million)*	**Unutilized net proceeds as of December 31, 2021** *(HK$ million)*	**Expected time frame for unutilized amount**
For the clinical development and commercialization of our two Core Product	618.34	32.00%	126.05	492.29	
1. Allocated to CsA Ophthalmic Gel	438.64	22.70%	106.88	331.76	By the end of 2025
2. Allocated to ZKY001	179.70	9.30%	19.17	160.53	By the end of 2025
The continuing R&D activities as well as commercialization of the other drug candidates in our pipeline	888.86	46.00%	107.68	781.18	
1. The continuing R&D activities of other key drug candidates	579.69	30.00%	20.55	559.14	By the end of 2025
2. The continuing R&D activities of other innovative and generic drug candidates	57.97	3.00%	57.97	–	–
3. The milestone payments of our other in-licensed drug candidate	96.62	5.00%	19.95	76.67	By the end of 2025

Use of proceeds from Listing	Amount of net proceeds for planed applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Utilized net proceeds as of December 31, 2021 *(HK$ million)*	Unutilized net proceeds as of December 31, 2021 *(HK$ million)*	Expected time frame for unutilized amount
4. The further expansion of our sales and marketing team in anticipation of new product launches in the coming year	154.58	8.00%	9.21	145.37	By the end of 2025
Carrying out the production line expansion of our advanced Nansha manufacturing facility in anticipation of our product launches in the coming years	135.27	7.00%	74.40	60.87	By the end of 2022
Our business development activities and the expansion of drug pipelines	96.62	5.00%	–	96.62	By the end of 2023
Working capital and other general corporate purposes	193.23	10.00%	45.58	147.84	By the end of 2022
	1,932.32		353.71	1,578.61	

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

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

Purchase, Sale or Redemption of the Listed Securities of the Company

The Shares of the Company were first listed on the Main Board of the Stock Exchange on April 29, 2021. As of December 31, 2021, the Company had a total of 541,946,928 Shares in issue.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the Listing Date to the end of the Reporting Period.

Review of the Annual Results

The Audit Committee comprises one non-executive director and two independent non-executive Directors, namely, Mr. Wong Hin Wing, Ms. Cai Li and Dr. Tam Lai Fan Gloria. The chairman of the Audit Committee is Mr. Wong Hin Wing. The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2021 and has recommended for the Board's approval thereof.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2021. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

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

Scope of work of the Company's auditors

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditors on this announcement.

Final Dividend

The Board does not recommend any payment of a final dividend for the year ended December 31, 2021.

Closure of the Register of Members

The AGM is scheduled to be held on May 31, 2022. A notice convening the AGM will be published and dispatched to the Shareholders of the Company in the manner required by the Listing Rules in due course.

The register of members of the Company will be closed from May 26, 2022 to May 31, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 25, 2022.

Events After the Reporting Period

Save as disclosed in this announcement, there are no material subsequent events undertaken by the Group after December 31, 2021 and up to the date of this announcement.

Publication of Annual Results and Annual Report

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (zkoph.com). The annual report of the Company for the year ended December 31, 2021 containing all the information in accordance with the requirements under the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, management, employees, business partners and customers of the Group for their support and contribution to the Group.

"AGM"	the annual general meeting of the Company
"ANDA"	abbreviated new drug application, an application for a generic drug to an approved drug in China
"ASEAN"	the Association of Southeast Asian Nations
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"BVI"	the British Virgin Islands
"Capitalization Issue"	the subdivision of each share in the Company's issued and unissued share capital with par value of US$0.0001 each into 400 Shares of the corresponding class with US$0.00000025 each on April 1, 2021
"CDE"	the Center for Drug Evaluation of NMPA (國家藥品監督管理局藥品審評中心), a division of the NMPA mainly responsible for review and approval of IND and NDA
"CED"	Corneal Epithelial Defect
"CEO" or "Chief Executive"	chief executive officer
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual results announcement and for geographical reference only and except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region and Taiwan
"CIC"	China Insights Industry Consultancy Limited, a market research and consulting company and an independent third party of the Company
"Company", "our Company", "the Company", "we" or "Zhaoke Ophthalmology"	Zhaoke Ophthalmology Limited

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction"	has the meaning ascribed thereto under the Listing Rules
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for purposes of this results announcement, our Core Product refers to CsA Ophthalmic Gel and ZKY001
"CRO"	contract research organization, a company that provides support to pharmaceutical companies by providing a range of professional research services on a contract basis
"CsA"	a selective immuno-suppressant that inhibits calcineurin, an activator of T cells
"DED"	dry eye disease
"Director(s)"	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
"DME"	diabetic macular edema
"EMA"	European Medicines Agency
"EU"	the European Union
"FDA"	the United States Food and Drug Administration
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GMP"	good manufacturing practice
"Group", "our Group", "the Group", "we"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offering", "International Offering"	the offer for subscription of the Shares

"IACTA"	IACTA Pharmaceuticals, Inc., an ophthalmic pharmaceutical company incorporated under the laws of Delaware of the United States in 2016 and one of our licensing partners
"IND"	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials. Also known as clinical trial application, or CTA, in China
"Investment Committee"	the investment committee of the Board
"IPO"	the initial public offering of the Shares on the Stock Exchange
"KOLs"	key opinion leaders, who are professionals that influence their peers' medical practice, including but not limited to prescribing behavior
"Lee's Pharm"	Lee's Pharmaceutical Holdings Limited (李氏大藥廠控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 950)
"Listing Date"	April 29, 2021, being the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"MOA"	mechanism of action
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"NDA"	new drug application, an application through which the drug sponsor formally proposes that the relevant regulatory authority approves a new drug for sales and marketing
"Nevakar"	Nevakar, Inc., a pharmaceutical company incorporated under the laws of Delaware of the United States in 2015 and one of our licensing partners

"NMPA"	National Medical Products Administration, the institution that performs the functions of China Food and Drug Administration instead according to the Institutional Reform Plan of the State Council of the PRC
"NTC"	NTC S.r.l, a pharmaceutical company incorporated under the laws of Italy and one of our licensing partners
"PanOptica"	PanOptica, Inc., a biopharmaceutical company incorporated under the laws of Delaware of the United States in 2009 and one of our licensing partners
"Prospectus"	the prospectus issued by the Company dated April 16, 2021
"Reporting Period"	the year ended December 31, 2021
"RMB"	Renminbi, the lawful currency of the PRC
"R&D"	research and development
"Series A Preferred Shares"	the convertible series A preferred shares of our Company which were subsequently converted to ordinary Shares on the Listing Date
"Series B Preferred Shares"	the convertible series B preferred shares of our Company which were subsequently converted to ordinary Shares on the Listing Date
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of our Company of US$0.00000025 each
"Share Repurchase"	a repurchase of 22,520 shares on October 2, 2020 by the Company from Lee's Pharmaceutical International Limited, a Shareholder of the Company, as the settlement of the non-refundable up-front payment of US$10,000,000 (equivalents to RMB68,101,000) pursuant to a licensing agreement. The shares repurchases were cancelled on the same date
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"TOT BIOPHARM"	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司), formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司), a limited liability company established under the laws of Hong Kong in 2009 and one of our licensing partners, whose shares are listed on the Stock Exchange (stock code: 1875)
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"VEGF"	vascular endothelial growth factor, a signal protein produced by cells that stimulates the formation of blood vessels
"VEGFR2"	vascular endothelial growth factor receptor 2, a type of VEGF that is a primary responder to vascular endothelial growth factor signal, and thereby regulates endothelial migration and proliferation
"wAMD"	wet age-related macular degeneration
"Zhaoke Guangzhou"	Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Co., Ltd. (兆科(廣州)眼科藥物有限公司), a limited liability company established in the PRC on June 16, 2016 and an indirect wholly-owned subsidiary of our Company
"Zhaoke HK"	Zhaoke (Hong Kong) Ophthalmology Pharmaceutical Limited (兆科(香港)眼科藥物有限公司), a limited liability company incorporated in Hong Kong on July 24, 2017 and a wholly-owned subsidiary of our Company

By order of the Board
Zhaoke Ophthalmology Limited
Dr. Li Xiaoyi
Chairman and Executive Director

Hong Kong, March 23, 2022

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