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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Board and the Directors of our Company are pleased to announce the unaudited consolidated interim results of our Group for the six months ended June 30, 2024, together with the comparative figures for the corresponding period in 2023 as follows. The interim financial report has been reviewed by the Audit Committee and our auditors, KPMG.

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

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**49,769**	11,304
Cost of sales	**(6,929)**	(1,150)
Gross profit	**42,840**	10,154
Other income	**44,514**	39,523
Other net loss	**(8,843)**	(8,287)
R&D expenses	**(89,797)**	(205,346)
General and administrative expenses	**(31,303)**	(42,570)
Selling and distribution expenses	**(28,399)**	(23,075)
Finance costs	**(4,814)**	(3,637)
Income tax	**–**	(540)
Loss for the period	**(75,802)**	(233,778)
Total comprehensive income for the period	**(15,351)**	(135,031)
Non-HKFRS adjusted loss for the period[(1)]	**(75,689)**	(218,178)

Note:

(1) NON-HKFRS MEASURES

Non-HKFRS adjusted loss for the period is defined as loss for the period adjusted by adding back equity-settled share-based payment expenses. The following table reconciles our non-HKFRS adjusted loss for the period with our loss for the period.

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(75,802)**	(233,778)
Add:		
Equity-settled share-based payment expenses	**113**	15,600
Non-HKFRS adjusted loss for the period	**(75,689)**	(218,178)

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

We have made considerable progress in developing a portfolio of innovative assets demonstrating potential in a number of key markets globally. We also have an impressive portfolio of generic assets that are starting to generate revenue. Together, our innovative and generic assets target major diseases affecting both the front and back of the eye. The global ophthalmic healthcare market holds is showing enormous promise, and whilst Greater China remains our primary geographic focus, we have started strategically expanding our footprint into other selected markets.

Our primary focus is on delivering high-quality ophthalmic drugs to address the unmet needs of patients and ophthalmologists. We are also committed to fostering innovation in our commercialization model. Throughout all our activities, we acknowledge our social responsibilities and work to increase public awareness of eye diseases, their detection and treatment solutions.

At Zhaoke Ophthalmology, our overarching goals are to reduce the suffering caused by preventable eye diseases, to improve the quality of lives for ophthalmic patients, and to make a significant contribution to the visual health of millions of patients worldwide.

BUSINESS HIGHLIGHTS

- **The revenue growth recorded during the Reporting Period demonstrates the momentum that is building behind the Company's robust commercialization progress:** During the first half of the year, we increased total revenue to approximately RMB49.8 million, compared to approximately RMB11.3 million for the first six months of 2023. Of this, RMB15.6 million came from sale of the Company's ophthalmic drugs including Bimatoprost Timolol eye drop (晶贝莹®, a drug addressing glaucoma) and Eyprotor (a treatment for corneal ulcers), as well as the 堡得视® series of eye patches (one for mild dry eye disease and another for pseudomyopia). Licensing income of RMB34.1 million was received from the milestone payment pursuant to a product license agreement dated October 2, 2020 with respect to adapalene/clindamycin hydrochloride compound gel and the income from exclusive distribution rights with respect to BRIMOCHOL PF.

- **Our ANDA for NVK002, our low-dose atropine eye drop for myopia progression control in children and adolescents, made encouraging regulatory progress:** We have filed an ANDA to the CDE earlier this year and are currently in the process of preparing certain materials the CDE required us to supplement. Zhaoke Ophthalmology continues to be well positioned to be second to market and fulfil the huge demand for this treatment. In addition, our two-year Phase III clinical trial for NVK002 ("**China CHAMP**") completed the last-patient-last-visit on August 5, 2024, which marks the end of patient visits for the two-year dosing period.

- **Our IND application for CsA Ophthalmic Gel, our self-developed innovative drug for moderate to severe dry eye disease, has been approved by the NMPA:** We designed an additional Phase III clinical trial for CsA Ophthalmic Gel based on the requirements of the CDE, and obtained IND approval in July 2024. We are conducting further data mining and post-hoc analysis of the previously completed Phase III clinical trial (COSMO Study). We plan to file an application for a pre-NDA discussion with the CDE regarding the post-hoc analysis data, and we will re-file an NDA submission in the near future.

- **We obtained IND approval for our innovative asset for presbyopia, BRIMOCHOL PF and CARBACHOL PF, and have commenced Phase II clinical trial:** In January 2024, we received regulatory approval to begin clinical trials in China. We have already started the Phase II clinical trial and Phase I is ready to begin.

- **We made significant regulatory progress with our generic portfolio, submitting an ANDA for Epinastine HCl and receiving requests for supplemental materials for five glaucoma drugs:** In February, we submitted an ANDA for Epinastine HCl, our epinastine eye drop for the treatment of allergic conjunctivitis. In addition, following the ANDA submissions for five of our generic drugs addressing glaucoma: Bimatoprost, Travoprost, Travoprost Timolol, Latanoprost and Latanoprost Timolol, we have received the requests for supplemental materials from the CDE, and we will submit the supplementary documents accordingly.

- **We strengthened our sales network to cover over 1,200 hospitals and eye institutions and made solid progress in hospital listing:** Following the launch of our glaucoma drug, Bimatoprost Timolol eye drop (晶贝莹®), and the acquisition of Eyprotor in 2023, we have been proactively expanding our offline and online sales channels. Our commercialization team now covers over 1,200 hospitals and eye institutions across 30 provinces in China.

- **We enhanced our global expansion strategy, signing partnerships with leading firms in multiple overseas markets:** In January 2024, we announced that Zhaoke Ophthalmology entered into a distribution and supply agreement with Kwangdong Pharmaceutical Co., Ltd. (KDP) for the commercialization of BRIMOCHOL PF in South Korea. In March 2024, we partnered with Pharmaniaga Logistics Sdn. Bhd. and TRB Chemedica (Thailand) Ltd., for the distribution of Bimatoprost Timolol eye drop (晶贝莹®) and EyeGiene® reusable eyemasks in Malaysia and Thailand, respectively.

BUSINESS OVERVIEW

Pipeline Strategy

Zhaoke Ophthalmology has established a comprehensive portfolio of innovative and generic drugs addressing six major eye diseases across both the front and back of the eye. These major ophthalmic indications are dry eye disease (DED), myopia, presbyopia, wet age-related macular degeneration (wAMD)/diabetic macular edema (DME), glaucoma and corneal epithelial defect (CED). In some areas, we have chosen multiple drug candidates to address these diseases, as we believe this would be the most effective way to treat their complex underlying causes.

Innovative Drugs

Our Company has a number of strategically important, innovative drugs that we expect to progress through the pipeline during the next few years.

NVK002 (Atropine) for myopia (partnered with Vyluma)

Overview

Low concentration atropine has been widely studied and demonstrated to be effective in myopia progression control among children and adolescents. Zhaoke Ophthalmology's NVK002 is currently positioned as a pioneering, clinically proven pharmaceutical product for treating the progression of myopia in China.

- This treatment utilizes a proprietary formulation that addresses the instability of low-concentration atropine. It has patent protection in both the US and China, and is preservative-free with an expected shelf life of over 24 months.

- Zhaoke Ophthalmology has successfully concluded two Phase III clinical trials for NVK002: a one-year clinical trial Mini-CHAMP (the "**Mini-CHAMP**"), and a two-year clinical trial China CHAMP.

- The Mini-CHAMP trial involved 16 centers and 526 patients, and was led by Principal Investigators Professor Qu Xiao Mei, from the Eye and ENT Hospital of Fudan University, and Professor Yang Xiao, from the Zhongshan Ophthalmic Center of Sun Yat-Sen University. The China CHAMP trial involved 18 centers and 777 patients, and was led by Professor Wang Ning Li from Beijing Tongren Hospital as the Principal Investigator.

Updates during and subsequent to the Reporting Period

- Following the completion of the Mini-CHAMP Phase III clinical trial and the announcement of positive topline results in October 2023, we submitted an ANDA submission in early 2024. We are currently in the process of preparing certain materials the CDE required us to supplement.

- On August 5, 2024, we completed the last-patient-last-visit for the China CHAMP Phase III clinical trial, which concludes patient visits for the two-year dosing period.

- Zhaoke Ophthalmology's NVK002 remains well-positioned as the second low-dose atropine product to market, and thereby to significantly improve the quality of life for millions of children and adolescents in China suffering from myopia.

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. As such, it aims to dramatically improve patient treatment compliance and quality of life.

- The proprietary hydrogel formulation is protected by patent approval in China and internationally. This novel formulation enhances the pharmacokinetic profiles of CsA on the ocular surface, achieving efficacy similar to currently available Cyclosporine A products for DED. However, unlike current treatments, CsA Ophthalmic Gel's unique formulation stays on the eye for longer, requiring only once-a-day dosing, compared with twice-a-day dosing for traditional CsA drugs.

- In our Phase III clinical trial ("**COSMO**"), the treatment showed faster onset of action by demonstrating efficacy at around the two-week time period. By contrast, other CsA drugs often take around seven to eight weeks to display an onset of action.

Updates during and subsequent to the Reporting Period

- In July 2024, Zhaoke Ophthalmology obtained regulatory approval for an IND application for an additional Phase III clinical trial of CsA Ophthalmic Gel.

- We are conducting further data mining and post-hoc analysis of the previously completed COSMO study. We plan to file an application for a pre-NDA discussion with the CDE regarding the post-hoc analysis data, and will re-file an NDA submission in the near future.

- Simultaneously, we are exploring overseas opportunities for CsA Ophthalmic Gel. We are continuing to have productive conversations with the FDA regarding a potential IND filing by the end of 2024, and are actively examining regulatory pathways for adjacent Asian markets.

BRIMOCHOL PF and CARBACHOL PF (partnered with Visus)

Overview

BRIMOCHOL PF and CARBACHOL PF are pupil-modulating eye drops designed to be once-daily, preservative-free therapeutics to correct the loss of near vision associated with presbyopia.

- BRIMOCHOL PF is a fixed-dose combination of carbachol (a cholinergic agent) and brimonidine tartrate (an alpha-2 agonist). CARBACHOL PF is a proprietary, preservative-free formulation of carbachol monotherapy. Both investigational therapies reduce pupil size, creating a "pinhole effect" where only centrally-focused light rays are able to enter the eye, thereby sharpening both near and intermediate images.

- Zhaoke Ophthalmology's licensing partner for BRIMOCHOL PF and CARBACHOL PF is Visus, a clinical-stage US pharmaceutical company focused on developing innovative ophthalmic therapies. Visus is conducting Phase III pivotal trials.

Updates during and subsequent to the Reporting Period

- On January 24, 2024, our IND applications for BRIMOCHOL PF and CARBACHOL PF were approved by the NMPA.

- We have started the Phase II clinical trial and the Phase I is ready to begin.

- On January 29, 2024, we announced a distribution and supply agreement with KDP, a leading Korean pharmaceutical company.

    - Under the agreement, KDP was granted exclusive distribution rights for BRIMOCHOL PF in South Korea to obtain, on behalf of Zhaoke, drug registrations, and to import, promote, distribute, market and sell the drug on an exclusive basis.

- In February 2024, we expanded our agreement with Visus to include new licensed territories. We now have exclusive rights to develop and commercialize BRIMOCHOL PF and CARBACHOL PF in Hong Kong SAR, Macau SAR, Chinese Taipei (Taiwan), Australia, New Zealand, Saudi Arabia, the United Arab Emirates, Qatar, Bahrain, Kuwait and Oman, in addition to mainland China, South Korea and the ASEAN countries.

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-Vascular endothelial growth factor (anti-VEGF) drug. Globally, bevacizumab is approved for oncology treatment through intravenous infusion. However, there has been increasing off-label usage of bevacizumab via intravitreal injection for the treatment of wAMD.

- The Phase III clinical trial of TAB014 is a randomized, double-blind, and non-inferiority study. The main objective of the study is to evaluate the change from baseline in best corrected visual acuity (BCVA) at week 52 in a TAB014-treated subject group compared with the Lucentis®-treated subject group.

- The study involves up to approximately 60 centres and a total of 488 patients and is led by Professor Chen Youxin from Peking Union Medical College Hospital as the Principal Investigator.

In September 2023, we completed patient recruitment for the Phase III clinical trial of TAB014, ahead of schedule. We expect to complete the Phase III trial of TAB014 by the end of 2024, followed by an NDA submission thereafter.

ZKY001 (self-developed)

Overview

ZKY001 is a seven-amino acid peptide derived from the functional fragment of Thymosin β4 that binds actin, a type of protein that plays a central role in cell structure and movement.

- ZKY001 has broad applications in the healing of corneal wounds and can potentially be used in multiple corneal repair indications.

- Zhaoke Ophthalmology has conducted Phase II clinical trials and an investigator-initiated trial of ZKY001 for multiple potential indications, including corneal epithelial defect (CED); transepithelial photorefractive keratectomy (TPRK); pterygium (a growth in the cornea or the conjunctiva); and neurotrophic keratitis (NK).

Following analysis of the results from our multiple clinical studies, our research and clinical teams chose to focus on TPRK, and specifically the treatment of corneal epithelial defects (CED) after eye surgery, as the indication for ZKY001. Once approved for this first indication, we believe ZKY001 will be rapidly adopted for other corneal repair applications.

Generic drugs

We have structured our drugs pipeline to strike a balance between innovative and generic drugs. With growing awareness of eye disease across Asia, the need for generic drugs to manage and treat ophthalmic conditions is increasing. The strength of both our innovative and generic portfolios positions us to provide total solutions to ophthalmologists and patients throughout the region.

- Bimatoprost Timolol eye drop (晶贝莹®) is a drug we researched, developed and manufactured by Zhaoke Ophthalmology for the treatment of glaucoma. The eye drop came to market in February 2023. Its launch signified not just the commencement of a new phase for Zhaoke Ophthalmology as a business entity, but also enhanced our brand awareness.

- We have filed ANDA submissions for five generic drugs addressing glaucoma: Bimatoprost, Travoprost, Travoprost Timolol, Latanoprost and Latanoprost Timolol; we have also filed an ANDA for Epinastine HCl, our epinastine eye drop targeting allergic conjunctivitis.

- We have received requests for supplemental materials from the CDE for the five glaucoma drugs, which we will submit accordingly.

- We anticipate obtaining approvals from the CDE sequentially for the five glaucoma drugs and Epinastine HCl from the second half of 2024 onwards.

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

Zhaoke Ophthalmology has its own production facility in Guangdong Province, China. This state-of-the-art facility is an important strategic advantage as it provides us with fully integrated, in-house manufacturing capabilities. Advanced machinery from leading global manufacturers ensures that all production, dosing, filling and packaging processes meet the highest international standards. As such, we are able to comply with the requirements of major global regulators, including the NMPA, FDA and EMA.

Currently, we are operating four manufacturing lines at the facility, positioning us well for mass production. Bimatoprost Timolol eye drop (晶贝莹®) has been manufactured at this facility since gaining NMPA marketing approval in February 2023.

Commercialization

During the Reporting Period, we continued to implement our innovative omni-channel commercialization strategy and improve our brand visibility. Our sales and marketing force is proactively driving the commercialization of a product portfolio comprising Bimatoprost Timolol eye drop (晶贝莹®), Eyprotor, and 堡得视® series eye patches, all while maintaining a streamlined team structure and steadily enhancing output per capita. Thanks to the team's solid progress increasing hospital listings and expanding our in-clinic footprint, as well as to the growing influence of our established online platforms, our product sales volume has been progressively ramping up.

We have continuously strengthened our offline presence. Our commercialization team has been actively promoting Bimatoprost Timolol eye drop 晶贝莹® and Eyprotor amongst hospitals while driving increased sales across our priority hospital network. During the Reporting Period, Zhaoke Ophthalmology had covered over 1,200 hospitals and eye institutions across 30 provinces in China.

Zhaoke Ophthalmology's online sales presence is mainly focused on our flagship stores on JD Health, Ali Health and Tmall, the leading e-commerce platforms for pharmaceutical products, which sell Bimatoprost Timolol eye drop (晶贝莹®), Eyprotor and 堡得视® series eye patches.

As part of our omni-channel strategy, our innovative content-driven platform on WeChat, Zhaoke Boshi (兆科博視), remains an effective marketing tool. Zhaoke Boshi has established itself as a leading platform for ophthalmology KOLs to share insights and foster discussions with their peers and young ophthalmologists. At the end of the Reporting Period, Zhaoke Boshi had more than 15,400 followers, representing over half of the ophthalmologist community in China. Zhaoke Boshi's success strengthens our position as a trusted partner for Chinese ophthalmologists and reinforces our leadership in this specialized field.

We also continue to promote understanding of eye health issues via Little Red Book, one of China's most popular social media platforms, and Zhaoke Eye Care Planet, our WeChat account and mini program. Together, these platforms build brand visibility for Zhaoke Ophthalmology whilst increasing public awareness of eye disease.

R&D

Research and development underpin all our activities. While we have successfully turned Zhaoke Ophthalmology into a commercial enterprise, we remain dedicated to achieving clinical advancements in all our innovative and generic drugs. As such, we made solid progress in advancing our late-stage drug assets over the Reporting Period.

Following the completion of NVK002's one-year Mini-CHAMP Phase III clinical trial and the announcement of its positive topline results in October 2023, we have filed an ANDA to the CDE. We are currently in the process of preparing certain materials the CDE required us to supplement. We expect to receive the formal acceptance in the near future. In addition, on August 5, 2024, we completed the last-patient-last-visit of the dosing period in the two-year China CHAMP Phase III clinical trial.

In August 2024, we were granted IND approval for an additional Phase III trial of our self-developed, innovative treatment for dry eye disease, CsA Ophthalmic Gel. We are also conducting further data mining and post-hoc analysis on the previously completed COSMO study. We plan to file an application for a pre-NDA discussion with the CDE regarding the post-hoc analysis data and to re-file an NDA submission in the near future.

On January 24, 2024, we received IND approval from the regulatory authorities for the Phase I/II clinical studies of our presbyopia drugs, BRIMOCHOL PF and CARBACHOL PF. We have started the Phase II clinical trial and the Phase I clinical trial is ready to begin.

We have been progressing with the Phase III clinical trial for TAB014, the bevacizumab-based antibody indicated for wAMD in China as planned. In August 2024, over 90% of enrolled patients have finished dosage. We expect to complete the Phase III trial in the near future.

These recent developments in our drug pipeline are particularly significant as they mark further, late-stage progress toward launching our blockbuster drugs. Zhaoke is the only ophthalmic drug developer in China with late-stage programs for all three of the most prevalent front-of-the-eye diseases: dry eye disease (DED), myopia and presbyopia. Our achievements with NVK002 and CsA Ophthalmic Gel further strengthen Zhaoke Ophthalmology's leadership position and enhance our brand reputation.

In our generic franchise, we have made good regulatory progress with our five drugs addressing glaucoma (Bimatoprost, Travoprost, Travoprost Timolol, Latanoprost and Latanoprost Timolol) as well as with Epinastine HCl for allergic conjunctivitis. We anticipate obtaining approvals from the CDE sequentially, starting from the latter part of 2024.

Our R&D strength comes from the work of our highly experienced R&D team. This is a diverse and international group of ophthalmology experts, who bring to our Company a comprehensive understanding of the global pharmaceutical and biotechnology sectors. At the end of the Reporting Period, our R&D team comprised approximately 100 professionals.

For the six months ended June 30, 2024, the Company's R&D expenses were RMB89.8 million, decreasing by 56.3% from RMB205.3 million for the first six months of 2023, as the Phase III clinical trials for NVK004 and TAB014 were close to completion. This reflects the overall status of the Company's R&D program, with a strong focus on bringing core products to market quickly and effectively.

Partnerships and Globalization Efforts

Partnerships have always been a strategic focus for Zhaoke Ophthalmology, representing the most effective way to grow our leadership position globally and bring our range of treatment options to patients across multiple target markets. They are also an important way for us to strengthen our R&D and commercialization capabilities and monetize our drug assets with huge commercial potentials.

Awareness of ophthalmic disease is rapidly increasing across Asia-Pacific, in line with the overall development of the region's healthcare markets. Unfortunately, this rise in awareness is not matched by the availability of appropriate treatments and medications. As a result, Zhaoke Ophthalmology is actively establishing a footprint across the region, as well as exploring global markets, to help address these unmet medical needs worldwide.

On January 29, 2024, we announced the expansion of our strategic partnership with KDP to include BRIMOCHOL PF. Under the agreement, Zhaoke Ophthalmology is entitled to grant exclusive distribution rights for BRIMOCHOL PF to KDP in South Korea. KDP will obtain, on behalf of Zhaoke Ophthalmology, the relevant local drug registrations, as well as import, promote, distribute, market and sell the product on an exclusive basis.

In March 2024, we entered into two distribution and supply agreements. We partnered with Pharmaniaga Logistics Sdn. Bhd. to commercialize Bimatoprost Timolol eye drop (晶贝莹®) in Malaysia, and with TRB Chemedica (Thailand) Ltd., for EyeGiene® reusable eyemasks in Thailand. These deals expand the Company's activities into the strategically important Southeast Asian market, where the healthcare sector is experiencing robust growth.

These partnerships demonstrate the enormous potential of our drug pipeline and have accumulated a wealth of experience for future overseas expansion initiatives.

Moving forward, we will intensify our efforts in international markets by actively exploring opportunities for additional strategic partnerships, not only for pharmaceuticals but also for medical devices that can provide better treatments for patients. This includes Australia and North America, where we are carefully assessing our options for growth.

Meanwhile, we have strengthened our profile in the Chinese ophthalmic market by establishing a strategic partnership with Wenzhou Global Eye and Vision Care Innovation Hub ("**Eye Valley**"). We will jointly establish the "Eye Valley-Zhaoke Ophthalmology Innovative Ophthalmic Drugs Research Institute" which will leverage our respective specialisms. The Institute will co-ordinate constructive collaborations in various areas, drive the clinical advancement of innovative and generic drugs for ophthalmic diseases, and promote the overall development of eye health in China.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) UPDATE

As a responsible enterprise, Zhaoke Ophthalmology is committed to the creation of a sustainable healthcare industry. We diligently assess the environmental and social impacts of our operations and implement strategies to enhance the sustainability of our business.

Our primary mission is to improve global visual health, reflecting our broader social responsibilities. During the Reporting Period, we organized various in-person and online health seminars covering topics around the screening, treatment and follow-up of conditions including glaucoma and corneal diseases, raising awareness of these important topics.

We are equally committed to ensuring we create the right environment for our employees. Understanding that our success relies on the personal development of our colleagues, we emphasize creating a diverse, supportive and rewarding work environment. During the Reporting Period, we launched a new cycle of our increasingly-popular tiered mentorship program. We also continued a rotational scheme to provide high-performing individuals with opportunities to gain insights into different aspects of our business. In addition, our human resource and information technology departments are collaborating to produce a large amount of digital educational content for the benefit of our employees.

Zhaoke Ophthalmology remains dedicated to transparency and compliance; as part of this, we disclose our ESG performance annually in a dedicated report. In April 2024, we published our fourth ESG report to enhance our stakeholders' understanding of the Company's strategies to enact socially responsible practices.

FUTURE AND OUTLOOK

As Zhaoke Ophthalmology progresses through the second half of 2024, we are expecting a number of important milestones and remain confident in the company's long-term potential. We will continue to focus on the late-stage core assets in our drug pipeline and to work hard to obtain regulatory approval in order to launch these core assets as quickly and efficiently as possible.

Over the rest of 2024, we will maintain close communication with the regulators regarding our ANDA for NVK002 and our NDA for CsA Ophthalmic Gel, with the goal of obtaining formal acceptance of the (A)NDAs and to secure marketing approval as quickly as possible.

We also particularly look forward to announcing topline results from the China CHAMP for NVK002. This pivotal study could substantially strengthen the Company's leading position in the atropine market in China. Additionally, we are on track to complete the Phase III clinical trial of TAB014 by the end of 2024, and to submit an NDA promptly thereafter. These will be critical steps in Zhaoke Ophthalmology's journey toward bringing novel ophthalmic treatments to patients.

In addition to our proprietary drugs, we expect to receive regulatory approvals for several assets in our generic portfolio, including Bimatoprost, Travoprost, Travoprost Timolol, Latanoprost and Latanoprost Timolol targeting glaucoma, and Epinastine HCl for allergic conjunctivitis. These approvals will expand the Company's product offering and strengthen our brand presence in the ophthalmic market.

Zhaoke Ophthalmology's strategic vision encompasses multiple markets. We are actively exploring licensing and collaboration opportunities across Asia and further afield, including Australia and the U.S. This international partnership strategy is a key component of our overall growth plan, designed to accelerate the Company's global footprint and monetize our core assets with huge commercial potentials. Notably, Zhaoke is continuing discussions with the FDA regarding a potential clinical trial for CsA Ophthalmic Gel and subsequent commercialization of the drug in North America. We are targeting an IND at the end of 2024.

Since beginning commercialization activities in 2023, Zhaoke has transitioned from a company with a sole focus on R&D into a joint research and commercial enterprise, successfully bringing products to market. This transition has provided invaluable insights into complex market dynamics and sophisticated commercialization strategies around the world. Over the second half of 2024, Zhaoke is well positioned to achieve further success in both its R&D and commercialization activities, ensuring our continued leadership in the field of ophthalmic innovation.

FINANCIAL REVIEW

Six months ended June 30, 2024 compared to six months ended June 30, 2023

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**49,769**	11,304
Cost of sales	**(6,929)**	(1,150)
Gross profit	**42,840**	10,154
Other income	**44,514**	39,523
Other net loss	**(8,843)**	(8,287)
R&D expenses	**(89,797)**	(205,346)
General and administrative expenses	**(31,303)**	(42,570)
Selling and distribution expenses	**(28,399)**	(23,075)
Finance costs	**(4,814)**	(3,637)
Loss before taxation	**(75,802)**	(233,238)
Income tax	**–**	(540)
Loss for the period	**(75,802)**	(233,778)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	**60,451**	98,747
Total comprehensive income for the period	**(15,351)**	(135,031)
Non-HKFRS Measures		
Adjusted loss for the period	**(75,689)**	(218,178)

1. Overview

For the six months ended June 30, 2024, we recorded a total loss of approximately RMB75.8 million, as compared with approximately RMB233.8 million for the six months ended June 30, 2023, mainly due to (i) the milestone payment we received in the first half of 2024 pursuant to a product license agreement; (ii) the decrease in research and development expenses associated with NVK002 and TAB014 for the six months ended June 30, 2024 as the Phase III clinical trials for such two drug candidates were close to completion; and (iii) increased revenue contribution from the sale of ophthalmic drugs (including Bimatoprost Timolol and Eyprotor) for the six months ended June 30, 2024.

2. Revenue

Our Group recorded revenue with RMB49.8 million for the six months ended June 30, 2024, as compared with RMB11.3 million for the six months ended June 30, 2023. This increase was mainly derived from (i) the increase in licensing income as we received the milestone payment pursuant to a product license agreement dated October 2, 2020 with respect to adapalene/clindamycin hydrochloride compound gel in the first half of 2024; and (ii) the increase in sale of ophthalmic drugs, Bimatoprost Timolol eye drop 晶贝莹® and Eyprotor, which was attributed to the successful implementation of our innovative omni-channel commercialization strategy and marketing plan in the first half of 2024.

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Point in time:		
Sale of ophthalmic drugs	**13,572**	2,250
Sale of ophthalmic devices	**2,076**	3,650
Licensing income	**33,523**	–
Over time:		
Income from exclusive distribution rights	**598**	5,404
	49,769	11,304

3. Other Income

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

For the six months ended June 30, 2024, our Group's other income increased to approximately RMB44.5 million, compared to approximately RMB39.5 million for the six months ended June 30, 2023. The increase was primarily attributable to an increase in interest income from bank deposits of approximately RMB2.3 million.

4. Other Net Loss

For the six months ended June 30, 2024, we recorded approximately RMB8.8 million of other net loss, compared to approximately RMB8.3 million of other net loss for the six months ended June 30, 2023. Such net loss primarily consists of net foreign exchange gain or loss in connection with fund transfers among bank accounts in different currencies and bank balances that are denominated in U.S. dollars.

5. R&D Expenses

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

For the six months ended June 30, 2024, our R&D expenses decreased by approximately RMB115.5 million to approximately RMB89.8 million from approximately RMB205.3 million for the six months ended June 30, 2023. This decrease was mainly due to the Phase III clinical trials for NVK002 and TAB014 were close to completion in the first half of 2024.

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

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Clinical trial professional service fees	**31,156**	141,544
Staff costs	**28,922**	27,686
Depreciation and amortization	**19,587**	18,560
Cost of raw materials and consumables used	**3,008**	7,068
Utilities	**1,741**	2,608
Others	**5,383**	7,880
Total	**89,797**	205,346

6. General and Administrative Expenses

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

For the six months ended June 30, 2024, our general and administrative expenses were approximately RMB31.3 million, representing a decrease of approximately RMB11.3 million from approximately RMB42.6 million for the six months ended June 30, 2023, which is primarily attributable to the decrease in equity-settled share based payment expenses calculated based on vesting condition over periods in the first half of 2024.

7. Selling and Distribution Expenses

Our selling and marketing expenses mainly consist of salary and benefits expenses for our commercial team. Our selling and distribution expenses increased from RMB23.1 million for the six months ended June 30, 2023 to approximately RMB28.4 million for the six months ended June 30, 2024, primarily attributable to an increase in market campaigns and promotional activities to increase brand awareness for our pharmaceutical products in the first half of 2024.

8. Finance Costs

Our finance costs increased from approximately RMB3.6 million for the six months ended June 30, 2023 to approximately RMB4.8 million for the six months ended June 30, 2024, which was primarily attributable to the interest on bank loans for cross boarder funding arrangement.

9. Loss for the Period

As a result of the above factors, for the six months ended June 30, 2024, we recorded a loss of approximately RMB75.8 million, as compared to a loss of approximately RMB233.8 million for the six months ended June 30, 2023.

10. Non-HKFRS Measure

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

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

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

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(75,802)**	(233,778)
Add:		
Equity-settled share-based payment expenses	**113**	15,600
Adjusted loss for the period	**(75,689)**	(218,178)

Selected Data from Interim Consolidated Statement of Financial Position

	As at June 30, 2024 ***RMB'000*** **(Unaudited)**	As at December 31, 2023 *RMB'000* (Audited)
Total current assets	**1,757,052**	1,794,569
Total non-current assets	**627,832**	625,769
Total assets	**2,384,884**	2,420,338
Total current liabilities	**(318,288)**	(336,451)
Total non-current liabilities	**(33,516)**	(35,569)
Total liabilities	**(351,804)**	(372,020)
Net current assets	**1,438,764**	1,458,118

11. 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. We closely monitor uses of cash and cash balances and strive to maintain a healthy liquidity for our operations.

As at June 30, 2024, the current assets of our Group were approximately RMB1,757.1 million, including cash and cash equivalents of approximately RMB1,266.9 million, time deposits with original maturity over 3 months of approximately RMB66.4 million, pledged bank deposits of approximately RMB232.8 million and other current assets of approximately RMB190.9 million. As at June 30, 2024, the current liabilities of our Group were approximately RMB318.3 million, including trade and other payables of approximately RMB79.0 million, amounts due to related companies of approximately RMB3.3 million, bank borrowings of approximately RMB224.6 million and other current liabilities of approximately RMB11.3 million.

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

12. Pledged Bank Balance

Our pledged bank balance was approximately RMB232.8 million as of June 30, 2024, representing bank balance we pledged with banks for bank loans.

13. Key Financial Ratios

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

	As at June 30, 2024	As at December 31, 2023
Current ratio[(1)]	**5.5**	5.3
Gearing ratio[(2)]	**N/A**[(3)]	N/A[(3)]

Notes:

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

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

(3) As of December 31, 2023 and June 30, 2024, we were in a net cash position and thus gearing ratio is not applicable.

14. Contingent Liabilities

As at June 30, 2024, our Group did not have any significant contingent liabilities.

15. Capital Commitment

The capital commitment of our Group as at June 30, 2024 was approximately RMB175.3 million, representing an increase of approximately RMB117.0 million as compared with that of approximately RMB58.3 million as at December 31, 2023, primarily attributable to progress made in the construction of manufacturing facilities and R&D activities.

16. Employees and Remuneration

As at June 30, 2024, our Group had a total of 297 employees. The following table sets forth the total number of employees by function as of June 30, 2024:

Function	Number of employees	% of the total
Management	5	1.7
R&D	99	33.4
Manufacturing	54	18.1
Quality control	33	11.1
Sales and marketing	67	22.6
Environmental, health and safety	1	0.3
Administrative	38	12.8
Total	297	100.0

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

The total remuneration costs incurred by our Group for the six months ended June 30, 2024 was approximately RMB62.6 million, as compared to approximately RMB72.8 million for the six months ended June 30, 2023. The decrease was primarily attributable to the decrease of approximately RMB15.5 million in equity-settled share-based payment.

17. Foreign Exchange Exposure

During the six months ended June 30, 2024, we mainly operated in China and a majority of the transactions were settled in RMB, the functional currency of our Company's primary subsidiaries. As at June 30, 2024, a significant amount of our Group's cash and cash equivalents was denominated in Hong Kong dollars, and certain cash and cash equivalents, prepayments on purchases of property, plant and equipment and other payables denominated in foreign currencies.

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

As at June 30, 2024, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024 – unaudited

		Six months ended June 30,	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**49,769**	11,304
Cost of sales		**(6,929)**	(1,150)
Gross profit		**42,840**	10,154
Other income		**44,514**	39,523
Other net loss		**(8,843)**	(8,287)
R&D expenses		**(89,797)**	(205,346)
General and administrative expenses		**(31,303)**	(42,570)
Selling and distribution expenses		**(28,399)**	(23,075)
Finance costs	4(a)	**(4,814)**	(3,637)
Loss before taxation	4	**(75,802)**	(233,238)
Income tax	5	**–**	(540)
Loss for the period		**(75,802)**	(233,778)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities with functional currencies other than Renminbi ("**RMB**")		**60,451**	98,747
Total comprehensive income for the period		**(15,351)**	(135,031)
Loss per share *(RMB)*	6		
Basic		**(0.14)**	(0.43)
Diluted		**(0.14)**	(0.43)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2024 – unaudited

	Notes	**As at June 30, 2024** ***RMB'000***	As at December 31, 2023 *RMB'000*
Non-current assets			
Property, plant and equipment		**210,695**	223,648
Intangible assets		**408,938**	392,463
Prepayments on purchases of property, plant and equipment		**8,199**	9,658
		627,832	625,769
Current assets			
Inventories		**12,447**	6,141
Trade and other receivables	8	**70,443**	61,147
Investments		**73,126**	–
Amounts due from related companies		**34,890**	–
Pledged bank balances		**232,835**	265,658
Time deposits with original maturity over three months		**66,370**	–
Cash and cash equivalents		**1,266,941**	1,461,623
		1,757,052	1,794,569
Current liabilities			
Trade and other payables	9	**79,042**	116,637
Contract liabilities		**1,209**	1,179
Amounts due to related companies		**3,305**	2,473
Bank loans		**224,633**	206,577
Lease liabilities		**10,099**	9,585
		318,288	336,451
Net current assets		**1,438,764**	1,458,118
Total assets less current liabilities		**2,066,596**	2,083,887

	Notes	**As at June 30, 2024** ***RMB'000***	As at December 31, 2023 *RMB'000*
Non-current liabilities			
Lease liabilities		**20,129**	21,864
Contract liabilities		**12,679**	12,956
Deferred income		**708**	749
		33,516	35,569
Net assets		**2,033,080**	2,048,318
Capital and reserves			
Share capital		**–***	–*
Reserves		**2,033,080**	2,048,318
Total equity		**2,033,080**	2,048,318

* The balance represents amount less than RMB1,000.

NOTES TO THE INTERIM RESULTS ANNOUNCEMENT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The unaudited consolidated interim financial information set out in this announcement does not constitute the Group's unaudited interim financial report for the six months ended June 30, 2024 but is extracted from that unaudited interim financial report.

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the financial year ended December 31, 2023, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the financial year ending December 31, 2024. Details of any changes in accounting policies are set out in note 2.

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

2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

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

(b) Investments

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVTPL**") for which transaction costs are recognized directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Investments are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

– fair value through other comprehensive income ("**FVOCI**") - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in other comprehensive income ("**OCI**"). When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(c) Revenue

Licensing income

Contracts that out-license the Group's license rights to other parties result in fixed and variable considerations from upfront payments, regulatory approval milestones and sales-based royalties. Income that depends on the achievement of a regulatory approval milestone is recognized when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur, which is usually when the related event occurs.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are development, manufacturing and marketing of ophthalmic drugs and products.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Point in time:		
Sale of ophthalmic drugs	**13,572**	2,250
Sale of ophthalmic products	**2,076**	3,650
Licensing income	**33,523**	–
Over time:		
Income from exclusive distribution rights	**598**	5,404
	49,769	11,304

The Group's customer base is diversified and includes one customer (six months ended June 30, 2023: one) with whom transactions have exceeded 10% of the Group's revenue. During the six months ended June 30, 2024, licensing income from this customer, amounted to approximately RMB33,523,000, and arose in Mainland China (six months ended June 30, 2023: income from exclusive distribution right amounted to approximately RMB5,404,000 arose in South Korea).

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

As at June 30, 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB13,888,000 (December 31, 2023: RMB14,135,000). This amount represents income from granting of exclusive distribution rights of the Group's products under distribution and supply agreements entered into between the Group and its customers, and will be recognized as income over the remaining contractual period.

(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.

Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and intangible assets ("**specified non-current assets**"). The geographical location of customers is based on their operating location. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from external customers		**Specified non-current assets**	
	Six months ended June 30,		**As at June 30,**	As at December 31,
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong (place of domicile)	**457**	301	**326,978**	306,662
Mainland China	**48,714**	5,599	**292,655**	309,449
South Korea	**598**	5,404	**–**	–
	49,769	11,304	**619,633**	616,111

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Interest on bank loans	**4,061**	2,712
Interest on lease liabilities	**753**	925
	4,814	3,637

(b) Other items

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Amortization of intangible assets	**6,411**	5,376
Depreciation charge		
– owned property, plant and equipment	**16,025**	15,508
– right-of-use assets	**4,056**	4,304
Gain on disposal of property, plant and equipment	**(559)**	–
Fair value change of investments recognized in profit or loss – unrealized	**(159)**	–

5 INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Current tax – Overseas	**–**	540

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.

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.

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

No provision for Mainland China corporate 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.

The Group is subject to withholding tax on income from exclusive distribution rights granted to a customer based on a withholding tax rate of 10% under the tax law in Korea.

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 RMB75,802,000 (six months ended June 30, 2023: RMB233,778,000) and the weighted average of 546,139,172 ordinary shares (six months ended June 30, 2023: 543,843,992 ordinary shares) in issue during the interim period.

(b) Diluted loss per share

Diluted loss per share is the same as basic loss per share for the six months ended June 30, 2024 and 2023, as all of the potential ordinary shares are anti-dilutive.

7 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended June 30, 2024 and 2023.

8 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	As at June 30, 2024	As at December 31, 2023
	RMB'000	*RMB'000*
Within 1 month	**1,253**	1,381
1 to 2 months	**138**	667
2 to 3 months	**–**	–*
Over 3 months but within 6 months	**1,966**	1,662
Trade receivables, net of loss allowance	**3,357**	3,710
Value added tax recoverable	**5,484**	643
Prepayments to suppliers	**42,446**	38,605
Other receivables	**19,156**	18,189
	67,086	57,437
	70,443	61,147

* The balance represents amount less than RMB1,000.

Trade receivables are due within 30–90 days from the date of billing.

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

9 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	As at June 30, 2024 *RMB'000*	As at December 31, 2023 *RMB'000*
Within 1 month	**365**	433
1 to 3 months	**–**	137
Over 3 months but within 6 months	**–**	596
Over 6 months	**244**	–
Trade payables	**609**	1,166
Payables for purchase of property, plant and equipment	**4,027**	6,775
Payroll payables	**12,351**	16,383
Accrued costs for R&D expenses	**52,650**	74,656
Payables for purchase of materials	**1,870**	8,101
Accrued office expenses and others	**6,600**	7,954
Other taxes payables	**935**	1,602
	78,433	115,471
Trade and other payables	**79,042**	116,637

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

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

On July 3, 2024, the Company granted a total of 4,570,000 Share Options, which represent approximately 0.84% of the issued Shares as at the date of this announcement, to 23 grantees, subject to acceptance by the grantees and compliance with the Listing Rules and the terms of the Post-IPO Share Option Scheme. For details, please refer to the announcement of the Company in relation to the grant of Share Options dated July 3, 2024.

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

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2024.

COMPLIANCE WITH THE CG CODE

Pursuant to code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and not be performed by the same individual. Dr. Li Xiaoyi currently serves as both the chairman 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 six other experienced and high-caliber individuals who would be able to offer advice from various perspectives. In addition, for major decisions of our Group, our Board will make consultations with appropriate Board committees and senior management.

Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and our Shareholders as a whole and the deviation from Code provision C.2.1 of Part 2 of the CG Code is appropriate in such circumstance. Our 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.

We are 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 we have complied with all applicable code provisions of the CG Code as set out in Appendix C1 to the Listing Rules during the Reporting Period and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

We have adopted the Model Code set out in Appendix C3 to the Listing Rules as its securities code to regulate the dealing by the Directors in securities of our Company.

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

Our Company's Shares were listed on the Stock Exchange on April 29, 2021 with a total of 123,567,500 offer Shares issued. The net proceeds from the Global Offering amounted to approximately HK$1,932.3 million, after deducting the underwriting fees, commissions and related Listing expenses. As of June 30, 2024, such net proceeds were utilized as follows:

Use of proceeds from Listing	Amount of net proceeds for planned applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Unutilized net proceeds as of December 31, 2023 *(HK$ million)*	Utilized net proceeds during the Reporting Period *(HK$ million)*	Unutilized net proceeds as of June 30, 2024 *(HK$ million)*	Expected time frame for unutilized amount
For the clinical development and commercialization of our two Core Products	618.34	32.00%	347.97	13.80	334.17	
1. Allocated to CsA Ophthalmic Gel	438.64	22.70%	255.71	11.97	243.74	By the end of 2025
2. Allocated to ZKY001	179.70	9.30%	92.26	1.83	90.43	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%	331.13	34.54	296.59	
1. The continuing R&D activities of other key drug candidates	579.69	30.00%	237.64	20.04	217.60	By the end of 2025
2. The continuing R&D activities of other innovative and generic drug candidates	57.97	3.00%	–	–	–	–
3. The milestone payments of our other in-licensed drug candidate	96.62	5.00%	2.60	–	2.60	By the end of 2025
4. The further expansion of our sales and marketing team in anticipation of new product launches in the coming year	154.58	8.00%	90.89	14.50	76.39	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%	–	–	–	–
Our business development activities and the expansion of drug pipelines	96.62	5.00%	–	–	–	–
Working capital and other general corporate purposes	193.23	10.00%	–	–	–	–
	1,932.32	100.00%	679.10	48.34	630.76	

As at June 30, 2024, all the unused net proceeds are held by our Company in short-term deposits with licensed banks or authorized financial institutions in Hong Kong and the PRC.

The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by our Company and subject to changes in accordance with our actual business operation. As of the date of this announcement, there is no change in the intended use of net proceeds from the Global Offering as previously disclosed in the Prospectus. Our Group will utilise the net proceeds in accordance with the intended purposes as set out in the Prospectus. Please refer to "Future Plans and Use of Proceeds" in the Prospectus for details.

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

During the Reporting Period and up to the date of this announcement, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities (including sale of treasury Shares). As of June 30, 2024, the Company did not hold any treasury Shares.

MATERIAL LITIGATION

We were not involved in any material litigation or arbitration during the six months ended June 30, 2024. Our Directors are also not aware of any material litigation or claims that were pending or threatened against our Group during the six months ended June 30, 2024.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the accounting principles and practices adopted by our Group and discussed auditing, internal control and financial reporting matters, including the review of our Group's unaudited interim financial report for the six months ended June 30, 2024.

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

PUBLICATION OF THE 2024 CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and our website (zkoph.com). The interim report of our Company for the six months ended June 30, 2024 containing all the information in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders (if so requested by Shareholders) and published on the respective websites of the Stock Exchange and our Company in due course.

APPRECIATION

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

DEFINITIONS

"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"	the board of Directors of our 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
"CED"	corneal epithelial defect. For purpose of this announcement, corneal epithelial defect refer to persistent corneal epithelial defects that require medical treatment
"CEO"	the chief executive officer of our Company
"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 excluding, for the purpose of this interim results announcement only, Hong Kong, Macau Special Administrative Region and Taiwan
"Company", "our Company", "we" or "Zhaoke Ophthalmology"	Zhaoke Ophthalmology Limited
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this interim results announcement, our Core Products refer to CsA ophthalmic gel and ZKY001
"CsA"	a selective immuno-suppressant that inhibits calcineurin, an activator of T cells

"DED"	dry eye disease, a common condition that occurs when tears are unable to provide adequate lubrication for eyes
"Director(s)"	the director(s) of our Company, including all executive directors, non-executive directors and independent non-executive directors
"DME"	diabetic macular edema, a complication of diabetes that causes damage to the macula
"EMA"	European Medicines Agency
"FDA"	the United States Food and Drug Administration
"Global Offering"	the offer for subscription of the shares as described in the Prospectus
"Group", "our Group", "the Group" or "we"	our Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IND"	investigational new drug, the application for which is the first step in the drug review process by regulatory authorities to decide whether to permit clinical trials. Also known as clinical trial application, or CTA, in China
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	April 29, 2021, being the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"NDA"	new drug application, an application through which the drug sponsor formally proposes that the relevant regulatory authority approve a new drug for sales and marketing
"NMPA"	National Medical Products Administration
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by our Company on April 1, 2021, effective from the Listing Date, as amended from time to time
"Prospectus"	the prospectus issued by our Company dated April 16, 2021
"R&D"	research and development
"Reporting Period"	the six months ended June 30, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary shares in the share capital of our Company of US$0.00000025 each
"Share Option(s)"	the option(s) granted under the Post-IPO Share Option Scheme
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"TOT BIOPHARM"	TOT BIOPHARM International Company Limited (東曜藥業股份有限公司), formerly known as TOT BIOPHARM International Company Limited (東源國際醫藥股份有限公司), a limited liability company established under the laws of Hong Kong in 2009 and one of our licensing partners, whose shares are listed on the Stock Exchange (stock code: 1875)
"TPRK"	transepithelial photorefractive keratectomy, a form of laser eye surgery used to correct refractive errors

"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
"VEGF"	vascular endothelial growth factor, a signal protein produced by cells that stimulates the formation of blood vessels
"Visus"	VISUS THERAPEUTICS INC., a pharmaceutical company incorporated under the law of Delaware of the United States in 2019 and one of our licensing partners
"Vyluma"	Vyluma Inc., a pharmaceutical company incorporated under the law of Delaware of the United States in 2021 and one of our licensing partners
"wAMD"	wet age-related macular degeneration, the wet form of age-related macular degeneration, a retinal disease caused by abnormal growth of blood vessels under the retina, which leak fluid into the retina

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

Hong Kong, August 29, 2024

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