ZHAOKE OPHTHALMOLOGY

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

Global Offering

Joint Sponsors, Joint Representatives, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Goldman Sachs Jefferies

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)

海通國際 HAITONG HSBC

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

FOSUN HANI 复星恒利 MACQUARIE 浦銀國際 SPDB INTERNATIONAL VMS鼎珮

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**123,567,500 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**12,357,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**111,210,500 Shares (including 6,178,000 Reserved Shares under the Preferential Offering) (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$16.80 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong Dollars and subject to refund)**
Nominal Value	**:**	**US$0.00000025 per Share**
Stock Code	**:**	**6622**

Joint Sponsors, Joint Representatives, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Goldman Sachs　　Jefferies

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A copy of this prospectus, having attached thereto the documents specified in "Appendix V—Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, April 21, 2021 (Hong Kong time) and, in any event, not later than Monday, April 26, 2021 (Hong Kong time). The Offer Price will be not more than HK$16.80 per Offer Share and is currently expected to be not less than HK$15.38 per Offer Share. If, for any reason, the Offer Price is not agreed by Monday, April 26, 2021 (Hong Kong time) between the Joint Representatives (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$16.80 for each Hong Kong Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$16.80.

The Joint Representatives (on behalf of the Underwriters), and with our consent, may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$15.38 to HK$16.80) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering on the website of our Company at zkoph.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Representatives (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. The Offer Shares are being offered and sold (1) in the United States solely to QIBs in reliance on Rule 144A or any other exemption from registration under the Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

April 16, 2021

If there is any change in the following expected timetable of the Hong Kong Public Offering and Preferential Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at zkoph.com.

Despatch of **BLUE** Application Forms to Qualifying Lee's Pharm Shareholders on or before ..... Friday, April 16, 2021

Hong Kong Public Offering and Preferential Offering commence and **WHITE** and **YELLOW** Application Forms available from ..... 9:00 a.m. on Friday, April 16, 2021

Latest time to complete electronic applications under **White Form eIPO** service through the designated website ***www.eipo.com.hk***[2][7] ..... 11:30 a.m. on Wednesday, April 21, 2021

Application lists of the Hong Kong Public Offering and the Preferential Offering open[3] ..... 11:45 a.m. on Wednesday, April 21, 2021

Latest time for (a) lodging **WHITE**, **YELLOW** and **BLUE** Application Forms, (b) giving **electronic application instructions** to HKSCC and (c) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)[4] ..... 12:00 noon on Wednesday, April 21, 2021

Application lists of the Hong Kong Public Offering and the Preferential Offering close[3] ..... 12:00 noon on Wednesday, April 21, 2021

Expected Price Determination Date[5] ..... Wednesday, April 21, 2021

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering; and the basis of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering and the Reserved Shares under the Preferential Offering to be published on the websites of the Stock Exchange at ***www.hkexnews.hk*** and our Company at ***zkoph.com*** on or before[6][7] ..... Wednesday, April 28, 2021

(2) Announcement of results of allocations in the Hong Kong Public Offering and the Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares—E. Publication of Results" in this prospectus) from[6] . . . . . Wednesday, April 28, 2021

(3) Announcement containing (1) and (2) above to be published on the websites of the Stock Exchange at ***www.hkexnews.hk*** and the Company at ***zkoph.com***[6][7] . . . . . Wednesday, April 28, 2021

Results of allocations in the Hong Kong Public Offering and the Preferential Offering will be available at ***www.iporesults.com.hk*** (alternatively: English ***https://www.eipo.com.hk/en/Allotment***; Chinese ***https://www.eipo.com.hk/zh-hk/Allotment***) with a "search by ID" function from[6][7] . . . . . Wednesday, April 28, 2021

Despatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering and the Preferential Offering on or before . . . . . Wednesday, April 28, 2021

Despatch/collection of refund checks and e-Refund payment instructions in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Preferential Offering on or before[6][8] . . . . . Wednesday, April 28, 2021

Dealings in Shares on the Stock Exchange expected to commence at[6] . . . . . 9:00 a.m. on Thursday, April 29, 2021

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application through the designated website at ***www.eipo.com.hk*** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning, Extreme Conditions and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, April 21, 2021, the application lists will not open and close on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares—D. Effect of Bad Weather on the Opening and Closing of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares—A. Applications for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Wednesday, April 21, 2021, and in any event, not later than Monday, April 26, 2021. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company on or before Monday, April 26, 2021, the Global Offering will not proceed and will lapse.

(6) In case a typhoon warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Friday, April 16, 2021 to Thursday, April 29, 2021, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering and the Preferential Offering; (ii) dispatch of Share certificates and refund checks/e-Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

(7) None of the websites or any of the information contained on the websites forms part of this prospectus.

(8) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Thursday, April 29, 2021, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

(9) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Preferential Offering and also in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for the Hong Kong Offer Shares and the Reserved Shares, see sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

The **BLUE** Application Forms have been despatched to all Qualifying Lee's Pharm Shareholders. In addition, Qualifying Lee's Pharm Shareholders will receive a copy of this prospectus.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying Lee's Pharm Shareholders as specified in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. We are a pharmaceutical company seeking a listing under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an ophthalmic pharmaceutical company dedicated to the research, development and commercialization of therapies that address significant unmet medical needs in China. Leveraging our deep domain expertise, we have built a comprehensive ophthalmic drug pipeline of 25 candidates that covers most major ocular indications affecting the front and the back of the eye, through either in-house development or in-licensing. We have also established an advanced ophthalmic manufacturing facility and are assembling an experienced marketing team in anticipation of near-term product launch. Our goal is to become a leader in China and the neighboring ASEAN marketplace.

China has a large and underserved ophthalmic patient population. In 2019, the total prevalence of ocular diseases and disorders in China was significantly higher than the United States, yet the ophthalmic pharmaceutical market was only one-sixth as large, according to CIC. This suggests significant growth potential. According to CIC, the Chinese ophthalmic pharmaceutical market is forecast to grow from US$2.6 billion in 2019 to US$20.2 billion in 2030, at a CAGR of 20.6%. However, the market is fragmented, lacking a leader with ophthalmic-focused expertise that can provide a comprehensive solution for this specialty therapeutic area.

To address this attractive market opportunity, we have built an ophthalmic drug pipeline comprising 13 innovative drugs and 12 generic drugs as classified under NMPA drug registration regulations. Our innovative pipeline includes 8 drug candidates which have the potential to be market-leading products in China if approved. Our generic pipeline includes 6 potential first-to-market generics in China, which we believe will bring us near-term cash flows and significant first-mover advantages in commercial-scale manufacturing and marketing. According to CIC, we have one of the most comprehensive ophthalmic drug pipelines in China.

In designing our pipeline, we have initially placed strategic emphasis on five major ophthalmic indications in China in terms of market potential, including dry eye disease, or DED, wet age-related macular degeneration, or wAMD, diabetic macular edema, or DME, myopia and glaucoma. Most ocular conditions present at variable stages of disease severity, often driven by multiple pathological processes that affect local microenvironments with specific tissue responses. Hence most conditions are heterogeneous in nature. Therefore, for each of the major indications, we typically develop multiple drug candidates with different mechanisms of action. We expect our multi-targeted approach to give physicians access to an arsenal of different drugs and the therapeutic flexibility to administer them as mono- or combination therapies, helping them formulate an optimal regimen for each patient and serve a broader group of patients in each of the ophthalmic sub-specialties. Through this pipeline strategy, we aim to become the essential one-stop solution. The following chart summarizes our drug pipeline:

Our Pipeline of Innovative Drugs and our Development Progress

Drug Candidate	Indication	Self-innovation/ Licensing Partner	Commercial Rights	Expected NDA Submission	Preclinical / IND / Phase I / Phase II / Phase III
★ Cyclosporine A (CsA) Ophthalmic Gel	DED	ZHAOKE OPHTHALMOLOGY	Global	Q4 2021	China [1]
CsA/Rebamipide Ophthalmic Gel	DED	ZHAOKE OPHTHALMOLOGY	Global	>2025	China [2]
ZK002	DME and pterygium	ZHAOKE OPHTHALMOLOGY	Global	>2025	China [3]
RGN-259 (Thymosin β4)	DED	REGENERX	Greater China	2025	China [4] **
IC-265 (Syk tyrosine kinase inhibitor)	DED and uveitis	IACTA PHARMA	Greater China and certain Southeast Asian countries[13]	2025	China [5] *
TAB014 (Bevacizumab)	wAMD	东曜药业	China	2024	China [6] **
PAN-90806 (VEGFR2 inhibitor)	wAMD and DME	PANOPTICA	Greater China, S. Korea and certain Southeast Asian countries[14]	>2025	China [7] *
NVK-002 (Atropine)	Myopia	NEVAKAR	Greater China, South Korea and certain Southeast Asian countries[13]	2023	China [8] **
★ ZKY001 (Functional fragment of Thymosin β4)	CED	REGENERX	Greater China excluding Macau	2024	China [9]
Resolv ER (Liposome-loaded urea)	VMT	KATO Pharmaceuticals	Greater China and certain Southeast Asian countries[13]	2024	China [10] *
IC-270 (Syk tyrosine kinase inhibitor and antihistamine)	Allergic conjunctivitis	IACTA PHARMA	Greater China and certain Southeast Asian countries[13]	2024	China [11] **
NTC010 (levofloxacin dexamethasone combination)	Post-cataract surgery inflammation and infection	ntc	China	NA [12]	China [12] ***
NTC014 (levofloxacin and ketorolac trometamol combination)	Bacterial conjunctivitis	ntc	Greater China, S. Korea and certain Southeast Asian countries[8]	2023	China [13] **

DED drugs; wAMD drugs; DME drugs; Myopia drug; Other innovative drugs

Our progress; Expected next step

DED = dry eye disease; wAMD = wet age-related macular degeneration; DME = diabetic macular edema; CED = corneal epithelial defects; VMT = vitreomacular traction

★ Denotes our Core Products

* 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.

Notes:

(1) Expect to complete the ongoing Phase III trial in Q3 2021

(2) Expect to submit IND in H1 2022 and to initiate Phase I trial in H2 2022

(3) Expect to submit IND for pterygium in H2 2022 and for DME in 2023, respectively

(4) Expect to submit IND in H2 2022, to initiate Phase III trial in 2023

(5) Expect to submit IND for DED in Q3 2021 and for uveitis in Q4 2021 and to initiate Phase II trial for DED in H1 2022

(6) Expect to initiate Phase III trial in Q2 2021 and complete the trial by 2023

(7) Expect to submit IND in H1 2022, to initiate Phase II bridging study in 2023 and to initiate Phase III trial in wAMD in China in 2025

(8) Expect to submit IND in Q2 2021 and to initiate Phase III trial in Q4 2021

(9) Expect to complete the ongoing Phase II trial in Q4 2021 and to initiate Phase III trial in H2 2022

(10) Expect to submit IND in Q2 2021 and initiate Phase II trial in Q4 2021

(11) Expect to initiate Phase III trial in 2023

(12) Expect to submit IND in Q2 2021 and apply for waiver for clinical trials in China. If the clinical trial waiver is granted, the IND application will automatically be under NDA review

(13) Expect to submit IND in Q3 2021 and obtain approval for a Phase II trial in Q4 2021

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

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

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

Our Pipeline of Innovative Drugs and Development Progress by Licensing Partners

Drug Candidate	Indication	Licensing Partner	Commercial Rights	Expected NDA Submission	Preclinical	IND	Phase I	Phase II	Phase III
RGN-259 (Thymosin β4)	DED	RegeneRx	Greater China	2025	US: Phase III trials completed (RegeneRx)				
IC-265 (Syk tyrosine kinase inhibitor)	DED and uveitis	IACTA PHARMA	Greater China and certain Southeast Asian countries	2025	US: Phase II trial completed in allergic conjunctivitis (IACTA)				
PAN-90806 (VEGFR2 inhibitor)	wAMD and DME	PANOPTICA	Greater China, S. Korea and certain Southeast Asian countries	>2025	US: Phase I/II trial completed (PanOptica)				
NVK-002 (Atropine)	Myopia	NEVAKAR	Greater China, South Korea and certain Southeast Asian countries	2023	US: Phase III trial ongoing (Nevakar)				
Resolv ER (Liposome-loaded urea)	VMT	KATO Pharmaceuticals	Greater China and certain Southeast Asian countries	2024	US: Phase Ib trial ongoing (Kato)				
IC-270 (Syk tyrosine kinase inhibitor and antihistamine)	Allergic conjunctivitis	IACTA PHARMA	Greater China and certain Southeast Asian countries	2024	US: Preclinical (IACTA)				
NTC010 (levofloxacin dexamethasone combination)	Post-cataract surgery inflammation and infection	ntc	China	NA	Certain countries of the EU: Commercialized (NTC and Santen)				
NTC014 (levofloxacin and ketorolac trometamol combination)	Bacterial conjunctivitis	ntc	Greater China, S. Korea and certain Southeast Asian countries	2023	EU: preclinical				

DED drugs wAMD drugs DME drugs Myopia drug Other innovative drugs

Progress of our licensing partner

Our Pipeline of Generic Drugs

Drug Candidate	Indication/Use	Reference Drug	MOA	ANDA Preparation	ANDA Submission
Bimatoprost	Glaucoma	Lumigan	PGA monotherapy	Submitted ANDA in August 2019; approval expected in Q4 2021	
Bimatoprost Timolol	Glaucoma	Ganfort	PGA and β blocking agent combotherapy	Submitted ANDA in October 2020; approval expected in H1 2022	
Latanoprost	Glaucoma	Xalatan	PGA monotherapy	To submit ANDA in H1 2022; approval expected in 2023	
Latanoprost Timolol	Glaucoma	Xalacom	PGA and β blocking agent combotherapy	To submit ANDA in H1 2022; approval expected in 2024	
Travoprost	Glaucoma	Travatan	PGA monotherapy	To submit ANDA in H1 2022; approval expected in 2023	
Travoprost Timolol	Glaucoma	DuoTrav	PGA and β blocking agent combotherapy	To submit ANDA in H2 2022; approval expected in 2024	
Levobetaxolol Hydrochloride (HCl)	Glaucoma	Betaxon	Monotherapy β blocker	To submit ANDA in H1 2022; approval expected in 2023	
Epinastine HCl	Allergic conjunctivitis	Elestat	Dual-acting antihistamine and mast cell stabilizers	Submitted ANDA in June 2020; approval expected in H1 2022	
Natamycin	Fungal eye infections	Natacyn	Antifungal	To submit ANDA in 2022; approval expected in 2024	
Proparacaine HCl	Surface anesthesia	Proparacaine HCl 0.5% approved in the United States	Block nerve conduction in the corneal tissue	To submit ANDA in Q4 2021; approval expected in 2023	
Povidone Iodine	Periocular and ocular surface disinfection	Betadine	Microbicidal/Antimicrobial action by iodine	To submit ANDA in Q3 2021; approval expected in 2023	
Fluorescein Sodium	Diagnostic for certain eye injuries	Minims fluorescein sodium	Fluorescent dye	To submit ANDA in 2023	

Glaucoma drugs Other ophthalmic disease drugs Surgery and diagnostic therapies

We have developed internal capabilities in key aspects of ophthalmic drug development. Our specialized in-house research, development, clinical and regulatory capabilities have enabled us to concurrently advance multiple innovative and generic drug candidates through the preclinical and clinical phases. We have a solid track record in business development, having in-licensed a number of drug candidates across major indications with high growth potential from international partners. Setting us apart from competitors in China, we have established a commercial-scale advanced manufacturing facility, which is designed and built for ophthalmic drugs in compliance with cGMP requirements of China, the United States and the European Union. We are also assembling a commercial team with extensive experience covering various nationwide sales channels and ophthalmologists in China. We believe these established capabilities will help us bring innovative and comprehensive ophthalmic therapies to market and become the partner of choice of multinational pharmaceutical companies.

We are led by an international management team with decades of industry experience and a track record of research and development, clinical operations, manufacturing, regulatory communications, business development and commercialization of ophthalmic therapies. In addition, we have received strong endorsement from blue-chip investors, including GIC, Hillhouse Capital, TPG, Loyal Valley Capital, Orbimed and Aier Eye Hospital.

Our Pipeline of Innovative Drugs

Our DED Drug Pipeline

Cyclosporine A (CsA) ophthalmic gel, our late-stage Core Product and an eye gel indicated for DED based on the CsA compound. Compared with Restasis, the first CsA ophthalmic drug approved in the United States, which is an oil-based emulsion, our CsA drug is in an innovative hydrogel formulation. It diffuses faster on the ocular surface and stays longer. In an *ex vivo* preclinical study, our CsA ophthalmic gel demonstrated significantly greater local bioavailability in the tear film and ocular surface tissues compared to Restasis. In a Phase II exploratory study in moderate-to-severe dry eye patients, once-daily dosing of our CsA ophthalmic gel was able to deliver similar efficacy and safety compared to the twice a day dosing of Restasis. These clinical findings are supported by the higher exposure delivered in the front of the eye by our CsA ophthalmic gel compared to Restasis in preclinical experiments. In addition, studies have shown that the most common reason for which patients discontinue Restasis is the transient burning sensation immediately after topical application of the drug. By eliminating all daytime administrations and the associated discomfort and inconvenience, our CsA ophthalmic gel, administered once every night, is expected to significantly improve patients' compliance and quality of life. See "Business—Our Pipeline of Innovative Drugs—Our DED Drug Pipeline—Cyclosporine A (CsA) ophthalmic gel—Summary of Clinical Trials" for details of the clinical trial results.

We commenced research and development of CsA ophthalmic gel in 2006. We initiated a Phase II clinical trial in December 2017 and completed this trial in November 2019. We are conducting a Phase III clinical trial in China to evaluate the efficacy and safety of CsA ophthalmic gel in patients with moderate-to-severe DED, and expect to complete the trial in the third quarter of 2021. We plan to submit an NDA to the NMPA in the fourth quarter of 2021.

RGN-259, an eye drop indicated for moderate-to-severe DED. This is a therapeutic peptide (Thymosin β4), with cellular and tissue protective as well as repair and regeneration enhancement properties. RGN-259 has a novel mechanism with dual effects of corneal repair and anti-inflammation. Studies suggest that it has fast onset efficacy in multiple outcomes of signs and symptoms. It has also shown a statistically significant reduction in ocular discomfort and corneal fluorescein staining compared to placebo in one of the completed Phase III trials in the United States. RGN-259 has also demonstrated a satisfactory safety profile in such trials. We obtained from RegeneRx an exclusive license to manufacture and sell, and a non-exclusive license to develop, RGN-259 and any other Thymosin β4-based drug candidates developed by RegeneRx in Greater China. RegeneRx has completed a Phase II/III clinical trial and two Phase III clinical trials in the United States. Leveraging the results of such clinical trials, we plan to submit an IND application to the NMPA in the second half of 2022, and initiate a Phase III trial in China in 2023.

CsA/rebamipide ophthalmic gel, an innovative combination eye gel with dual mechanisms of anti-inflammation and tear film stabilization, with potentially better efficacy for patients having inadequate response to topical CsA (estimated to account for 20% to 30% of all moderate-to-severe DED patients globally, according to CIC). In the preclinical studies, the CsA/rebamipide ophthalmic gel showed meaningful improvement in DED signs and symptoms in a rabbit DED model. We plan to submit an IND application to the NMPA for the CsA/rebamipide ophthalmic gel candidate in the first half of 2022 and commence a Phase I clinical trial in China in the second half of 2022.

IC-265, an eye drop composed of highly selective and potent Syk tyrosine kinase inhibitor with broad anti-inflammatory effects which has also shown general efficacy in reducing signs of allergic conjunctivitis. We obtained an exclusive license from IACTA to develop, make and sell IC-265 in Greater China and certain Southeast Asia countries. A Phase II clinical trial for the treatment of allergic conjunctivitis was completed. We plan to initiate a Phase II clinical trial for IC-265 in China in the first half of 2022, and we also intend to develop IC-265 for the treatment of uveitis.

Our wAMD Drug Pipeline

PAN-90806, an anti-VEGF agent for wAMD and DME, in a novel eye drop formulation. PAN-90806 is a small-molecule compound with optimal physicochemical properties to allow for topical delivery. If approved, it will bring significant convenience and provide a less invasive treatment alternative for patients as a maintenance therapy, reducing the frequency of intravitreal injections and other associated treatment burden of mainstream anti-VEGF

therapies while maintaining visual stability. We obtained an exclusive license from PanOptica to develop and commercialize PAN-90806 in Greater China, South Korea and certain other Southeast Asian countries. We plan to file an IND application with the NMPA for PAN-90806 in the first half of 2022.

TAB014, the first clinical-stage bevacizumab-based antibody indicated for wAMD in China. Bevacizumab is a clinically validated anti-VEGF drug. Globally, although bevacizumab is only approved for oncology treatment through intravenous infusion, there has been increasing off-label use of bevacizumab via intravitreal injection for treatment of wAMD. We obtained an exclusive license from TOT BIOPHARM to commercialize TAB014 for neovascularization-related eye diseases in China. We expect the Phase III clinical trial of TAB014 to be initiated in the second quarter of 2021 and be completed in 2023. We plan to submit an NDA to the NMPA for TAB014 by 2024.

Our DME Drug Pipeline

ZK002, a protein with a novel mechanism of action to contain inflammation (*i.e.*, anti-inflammation effect) and vascular fluid leakage (*i.e.*, anti-permeability effect), which has potentially better efficacy advantages over existing mainstay treatments for DME. ZK002 is expected to lower treatment burden by reducing the number of intravitreal injections required and improve treatment compliance. ZK002 also has anti-angiogenesis effect in addition to anti-permeability and anti-inflammatory properties. As such, we believe ZK002 has the potential to be a foundational agent, either as monotherapy or in combination with anti-VEGF agents, to address proliferative diabetic retinopathy in addition to DME. We plan to submit an IND application to the NMPA for ZK002 for DME in 2023.

PAN-90806, in addition to the wAMD indication, we are also developing PAN-90806 for DME.

Our Myopia Drug Pipeline

NVK-002, a potential novel topical ophthalmic solution to control myopia progression. NVK-002 has a proprietary formulation that successfully addresses the instability of low-concentration atropine. It is preservative-free with an expected shelf life of as long as 24 months. According to CIC, NVK-002 is one of the most advanced atropine drug candidates globally for myopia progression control, and targets the broadest patient group, covering children and adolescents from 3 to 17 years old. We obtained an exclusive license to develop, manufacture, register, import and commercialize NVK-002 in Greater China, South Korea and certain countries in Southeast Asia. We plan to submit an IND application to the NMPA in the second quarter of 2021. Subject to IND approval from the NMPA, we plan to commence a Phase III bridging clinical trial in China in the fourth quarter of 2021, and submit an NDA to the NMPA in 2023.

Other Innovative Drug Candidates

ZKY001, one of our Core Products, an eye drop targeting corneal epithelial defects, or CED, through anti-inflammatory effects plus stimulation of epithelial cell migration. Compared to widely prescribed growth factor therapies, such as rh-EGF and rb-bFGF drugs, which stimulate angiogenesis and may cause edema and inflammation, ZKY001 showed better in vivo efficacy in reducing corneal swelling and suppressing abnormal ocular vessel growth in preclinical animal models. ZKY001 also has a favorable safety profile, well tolerated at all concentrations in one of our Phase I clinical trials. We believe ZKY001 has the potential to be a foundational therapy for a broad range of corneal epithelial diseases.

We commenced research and development activities for ZKY001 in January 2013. We have completed two preclinical studies to evaluate the efficacy of ZKY001. The first study compared the efficacy of ZKY001 against rh-EGF, levofloxacin lactate and saline on the treatment of CED after laminectomy, a surgery which removes a layer in the cornea and, inevitably, creates damages to the cornea. ZKY001 showed faster onset effects than rh-EGF and levofloxacin lactate. The second study compared the efficacy of ZKY001 at three concentrations against rh-EGF and saline on the repair of CED after corneal alkali burns, serious damages to the cornea after contact with alkaline chemicals. The study showed that cell migration in the ZKY001 treatment groups was significantly higher than that in the control groups, with 20 μg/ml ZKY001 and 40 μg/ml ZKY001 being more efficacious than the other groups.

In addition, we completed a Phase I clinical trial in December 2018 which evaluated safety, tolerability and systemic pharmacokinetics of ZKY001 in healthy subjects. ZKY001 was well tolerated in all concentrations during the trial. Among the 34 subjects who received ZKY001, only three mild AEs were reported. We are conducting another Phase I clinical trial evaluating the ocular pharmacokinetics and safety of ZKY001 and a Phase II clinical trial evaluating the safety and efficacy of ZKY001 for the treatment of CED after endothelial keratoplasty. See "Business—Our Pipeline of Innovative Drugs—Other Innovative Drug Candidates—ZKY001—Summary of Clinical Trial Data" and "—Summary of Preclinical Studies" for details. We plan to initiate a Phase III clinical trial in the second half of 2022 and target to submit an NDA to the NMPA in 2024.

Resolv ER, an intravitreal injection of liposome-loaded urea for the treatment of vitreomacular traction, or VMT. By using Resolv ER, patients suffering from VMT may avoid invasive surgery and preserve vision. We obtained an exclusive license from Kato Pharmaceuticals to develop, make and sell Resolv ER in Greater China and certain countries in Southeast Asia. We plan to submit an IND application to the NMPA for in the second quarter of 2021 and initiate a Phase II clinical trial in the fourth quarter of 2021.

IC-270, a fixed-dose combination of IC-265, a Syk tyrosine kinase inhibitor, and an antihistamine agent for the treatment of allergic conjunctivitis. IC-270 has the potential to be a treatment for allergic conjunctivitis that addresses not only itching but also redness and inflammation associated with allergic conjunctivitis. We obtained an exclusive license from IACTA to develop, make and sell IC-270 in Greater China and certain Southeast Asia countries. We plan to commence a Phase III clinical trial in 2023 and submit an NDA to the NMPA in 2024.

ZK002, a protein with anti-angiogenesis and anti-inflammation effects, and therefore is an ideal drug candidate for pterygium, in which vascular angiogenesis and inflammation play prominent roles. We plan to submit an IND application to the NMPA for pterygium in the second half of 2022.

Our Pipeline of Generic Drugs

Bimatoprost, a potential first-to-market generic in China targeting glaucoma and potentially the only bimatoprost eye drop without any preservatives. We submitted an abbreviated NDA to the NMPA in August 2019 and expect to receive approval in the fourth quarter of 2021.

Bimatoprost timolol, a potential first-to-market generic bimatoprost timolol in China targeting glaucoma. We submitted an abbreviated NDA to the NMPA in October 2020 and expect to receive approval in the first half of 2022.

Latanoprost, one of the most frequently prescribed PGAs for open-angle glaucoma in China. We plan to submit an abbreviated NDA to the NMPA in the first half of 2022 and expect to receive approval in 2023.

Latanoprost timolol, a PGA and β blocker combination eye drop targeting glaucoma. We plan to submit an abbreviated NDA to the NMPA in the first half of 2022 and expect to receive approval in 2024.

Travoprost, one of the most frequently prescribed PGAs for open-angle glaucoma in China. We plan to submit an abbreviated NDA to the NMPA in the first half of 2022 and expect to receive approval in 2023.

Travoprost Timolol, a potential first-to-market generic travoprost timolol in China targeting glaucoma. We plan to submit an abbreviated NDA to the NMPA in the second half of 2022 and expect to receive approval in 2024.

Levobetaxolol HCl, a potential first-to-market generic levobetaxolol hydrochloride in China targeting glaucoma. We plan to submit an abbreviated NDA to the NMPA in the first half of 2022 and expect to receive approval in 2023.

Epinastine HCl, a potential first-to-market generic in China targeting allergic conjunctivitis with a dual mechanism of action of anti-histamine and mast cell stabilization. We submitted an abbreviated NDA to the NMPA in June 2020 and expect to receive approval in the first half of 2022.

Natamycin, an antifungal ophthalmic eye drop used to treat fungal infections around the eye. We plan to submit an abbreviated NDA to the NMPA in 2022 and expect to receive approval in 2024.

Proparacaine HCl, a single-dose preservative-free proparacaine HCl eye drop for short-acting surface anesthesia. We plan to submit an abbreviated NDA to the NMPA in the fourth quarter of 2021 and expect to receive approval in 2023.

Povidone iodine, a single-dose preservative-free eye drop for skin disinfection before and after surgery. We plan to submit an abbreviated NDA to the NMPA in the third quarter of 2021 and expect to receive approval in 2023.

Fluorescein Sodium, a potential first-to-market generic in China and potentially the first fluorescein sodium in eye drop formulation. We plan to submit an abbreviated NDA to the NMPA in 2023.

As of the Latest Practicable Date, we owned eight issued PRC patents and two issued EU patents, and had filed two EU patent applications, six PRC patent applications, two patent applications under the PCT, and four patent applications in other jurisdictions. Among our patents and patent applications, (i) two patents were in relation to ZKY001, one of our Core Products, and were material to our business and (ii) one patent and two patent applications were in relation to CsA ophthalmic gel, our other Core Product, and were material to our business. For further details, see "Business—Intellectual Property."

Our Directors confirm that we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that might be threatened or pending as claimant or respondent during the Track Record Period and up to the Latest Practicable Date.

OUR STRENGTHS

We believe the following strengths have contributed to our success:

- comprehensive ophthalmic drug pipeline emphasizing largest ophthalmic indications;

- robust innovative pipeline with potential market-leading candidates;

- balanced pipeline with near commercial-stage generic assets;
- integrated platform with established capabilities and solid track record; and
- international management team with firm domain expertise, supported by elite science advisory board, blue-chip investors and reputable collaboration partners.

OUR STRATEGIES

Our goal is to become the leader in the ophthalmic pharmaceutical marketplace in China and the neighboring ASEAN countries. Specifically, we plan to pursue the following strategies:

- build a durable and recognized "Zhaoke Ophthalmology" brand in China and other markets of interest;
- establish a track record in innovation by advancing the clinical development, regulatory approval and commercialization of innovative drug candidates;
- extend leadership in innovation by rapidly advancing our preclinical- or IND-stage drug candidates through internal research and strategic partnerships;
- build marketing infrastructure and momentum by rapidly commercializing generic pipeline;
- continue to enhance our fully integrated ophthalmic platform; and
- expand our global footprint through organic growth and collaborations.

RESEARCH AND DEVELOPMENT

We believe that research and development is critical to the discovery and validation of new ophthalmic disease targets and development of novel therapies for the treatment of ophthalmic diseases. We are dedicated to enhancing and expanding our drug pipeline by leveraging our research and development capabilities. Our research and development activities are led by an international management team with decades of industry experience at global biotechnology and pharmaceutical companies. Our research and development team has a time-tested, solid track record and a full suite of capabilities, covering discovery, preclinical research and clinical trials. See "Business—Research and Development" for details.

COMPETITIVE LANDSCAPE

Competitive Landscape for CsA Ophthalmic Gel

In China, the first and only marketed topical CsA is Sinqi's Cycloome, a generic to Restasis. In addition, as of the Latest Practicable Date, there were three CsA candidates in Phase III clinical trials. Compared with Sinqi's Cycloome and the other two Phase III CsA candidates, which are under a twice-daily dosing regimen, our CsA ophthalmic gel is an innovative hydrogel with longer retention time on the ocular surface and improved bioavailability, which only requires once-daily dosing. The following table sets forth details of approved and clinical-stage topical CsA drugs in China as of the Latest Practicable Date. See "Industry Overview—DED—Comparison of Our DED Drug Pipeline and Competing DED Drugs in China" for details.

Approved Topical CsA Drug for DED in China

Name	Compound	Formulation	Dosage	Company	Mechanism	Approval Date	Price (US$)	Registration Pathway
Cycloome (**兹润**)	0.05% CsA	Emulsion	Twice daily	Sinqi	Calcineurin inhibitor	2020/06	~4.2 (0.05% 0.4ml)	Class 3[(1)]

Clinical-stage Topical CsA Drug Candidates for DED in China

Name	Compound	Formulation	Dosage	Company	Mechanism	Phase	First Posted date
CsA eye gel[(2)]	0.05% CsA	Eye gel	Once daily	Our Group	Calcineurin inhibitor	III	2020/6/22
CsA eye drop[(3)]	0.09% CsA	Solution	Twice daily	Sun Pharma Global FZE	Calcineurin inhibitor	III	2020/9/7
SHR8028	0.1% CsA	Solution	Twice daily	Hengrui	Calcineurin inhibitor	III	2021/1/28

(1) A generic to Restasis.

(2) We plan to register the CsA ophthalmic gel under the Class 2 new drug pathway.

(3) Approved in the United States under the brand name of Cequa in 2019.

Source: NMPA; the Company; CIC Report

Competitive Landscape for ZKY001

Treatment options for CED are limited. Current mainstream marketed drugs for CED are eye drops or gels using recombinant human epidermal growth factors, or rh-EGF, deproteinized calf blood extract, or recombinant bovine basic fibroblast growth factor, or rb-bFGF. The following table sets forth top-selling CED drugs in China. See "Industry Overview—CED—Comparison of ZKY001 and Competing CED Drugs in China" for details.

Top selling drugs for CED in China

Compound	Drug name (formulation)	Company	Mechanism	Approval year	Sales in China 2019 (USD mn)	Price in China (USD)
Recombinant human epidermal growth factor derivative (rh-EGF)	Yibei (Gel)	Guilin Pavay gene	• Promote cell repair and regeneration on mesoderm and ectoderm	2005	~40	~6/5g
	Jinyinshu (Eye Drop)	Shenzhen Watsin Genetech	• Promote cell regeneration on corneal epithelium	2004	~4	~5/3ml
Deproteinized Calf Blood Extract	Sugaojie (Gel)	Shenyang Sinqi Pharmaceutical	• Promote the uptake and utilization of glucose and oxygen by eye tissues and cells	2007	~30	~6/5g
	Sugaojie (Eye Drop)	Shenyang Sinqi Pharmaceutical		2007	~2	~17/20 pieces /0.4ml
Recombinant bovine basic fibroblast growth factor (rb-bFGF)	Beifushu (Eye Drop)	Essex Bio-Pharmaceutical	• Promote cell repair and regeneration on mesoderm and ectoderm	2019	N/A	~4/5ml

Source: CIC Report

See "Industry Overview" for competitive landscapes for our other drug candidates.

COLLABORATION AND LICENSE AGREEMENTS

In-licensing

RegeneRx. In July 2012, Lee's Pharm (HK) entered into a license agreement, or the Thymosin β4 License Agreement, with RegeneRx for the license of Thymosin β4 in RGN-259 and any other Thymosin β4-based drug candidates developed by RegeneRx. In February 2019, the agreement was amended and assigned by Lee's Pharm (HK) to us without any economic change to the agreement. Under the Thymosin β4 License Agreement, we were granted an exclusive irrevocable royalty-bearing license to use the licensed patents and know-how to manufacture, offer to sell, sell and import such drug candidates for the diagnosis, prevention and treatment of all human and animal diseases and conditions in Greater China, and we were also granted a non-exclusive, irrevocable, royalty-free license to use the licensed patent and the licensed know-how to develop such drug candidates in Greater China. The Thymosin β4 License Agreement also includes a clause in relation to LQ-7, the functional fragment of Thymosin β4 and the active ingredient of ZKY001, which grants us the right to develop ZKY001 using LQ-7 subject to this agreement. Lee's Pharm (HK) paid license fees of US$0.4 million to RegeneRx in 2012. We shall pay aggregate potential milestone payments associated with commercial sales of the products of up to US$3.6 million. During the royalty term, on an annual basis, we shall also pay RegeneRx royalties ranging from mid-single digit to low-teen percentage of net sales in the licensed territory. See "Business—Collaboration and License Agreements—License of RGN-259."

IACTA. In July 2020, we entered into a license agreement with IACTA for the license of certain patents and know-how relating to IC-265 and IC-270 in Greater China and certain Southeast Asia countries. As of the Latest Practicable Date, we had paid license fees of US$1.5 million. We shall pay aggregate potential milestone payments of up to US$31.0 million to IACTA associated with regulatory approval and commercial sales of the licensed products. During the royalty term, on an annual basis, we shall also pay IACTA royalties ranging from upper mid-single digit to low-teen percentage of the aggregate net annual sales of each of IC-265 and IC-270 in the licensed territory. See "Business—Collaboration and License Agreements—License of IC-265 and IC-270."

TOT BIOPHARM. In January 2017 and April 2020, we entered into a series of product licensing, development and commercialization agreements with TOT BIOPHARM, under which TOT BIOPHARM granted us an exclusive license to commercialize TAB014 for neovascularization-related eye diseases in China. Upon the receipt of the requisite regulatory approvals, we will be responsible for the commercialization and distribution of TAB014 in China. We agreed to pay costs for engaging CROs and to pay development management expenses to TOT BIOPHARM. TOT BIOPHARM is entitled to receive from us a one-time upfront fee and certain additional milestone payments associated with research and development progress and commercial sales of TAB014. TOT BIOPHARM is also entitled to receive 30% of net sales of TAB014 in China. See "Business—Collaboration and License Agreements—License of TAB014."

Nevakar. In October 2020, we entered into a license agreement with Nevakar for an exclusive license to develop, manufacture, register, import and commercialize NVK-002 in Greater China, South Korea and certain countries in Southeast Asia. As of the Latest Practicable Date, we had paid Nevakar license fees of US$10.0 million. We shall pay aggregate potential milestone payments of up to US$92.0 million to Nevakar associated with regulatory approval and commercial sales of NVK-002. During the royalty term, on an annual basis, we shall also pay Nevakar tiered, mid-teen percentage of the aggregate net annual sales of NVK-002 in the licensed territory. See "Business—Collaboration and License Agreements—License of NVK-002."

Kato Pharmaceuticals. In September 2016, Zhaoke Pharmaceutical (HK) Limited entered into a license agreement with Kato Pharmaceuticals for the license of a group of patent rights and Kato Pharmaceuticals' know-how for the development, commercialization and exploitation of ophthalmic drug products containing small molecule formulations of urea or urea derivatives, including, without limitation, urea in a liposome formulation, namely, Resolv ER, in Greater China and certain countries in Southeast Asia. Zhaoke Pharmaceutical (HK) Limited paid license fees of US$0.2 million to Kato Pharmaceuticals in 2016. We shall pay milestone payments to Kato Pharmaceuticals associated with regulatory approval and commercial sales of Resolv ER in an aggregate of up to US$4.3 million. During the royalty term, on a semi-annual basis, we shall also pay Kato Pharmaceuticals royalties of high-single digit to low-teen percentage of the aggregate annual net sales of Resolv ER in the licensed territory. See "Business—Collaboration and License Agreements—License of Resolv ER."

PanOptica. In December 2020, we entered into an exclusive license agreement with PanOptica, Inc. for PAN-90806, under which PanOptica granted us an exclusive, royalty-bearing, sublicensable license, under certain licensed know-how and patents, to research, develop, make, have made, use, sell, offer for sale and import any product that is comprised of or based on PAN-90806 compound (as defined thereunder), or that uses or embodies licensed know-how and/or is covered by a licensed patent in the Greater China, South Korea and certain other Southeast Asian countries. PanOptica is entitled to an upfront payment and milestone payments from us upon the achievement of specified regulatory and commercialization milestones up to a total of US$30 million. PanOptica is also entitled to receive tiered mid-single digit royalties on future sales by us in the licensed territory. See "Business—Collaboration and License Agreements—License of PAN-90806."

NTC. In December 2020, we entered into a license and supply agreement with NTC, and we were granted an exclusive license to develop, import, register, obtain price and seek reimbursement, promote, market, distribute and sell NTC014 in Greater China, South Korea and certain Southeast Asian countries. As of the Latest Practicable Date, we had paid NTC license fees of €0.3 million. We shall make another upfront payment and milestone payments to NTC in an aggregate of up to €2.5 million, which are associated with clinical development, regulatory approval and commercial sales of NTC014. In February 2021, we entered into another license and supply agreement with NTC, and we were granted an exclusive license to import, register, obtain price and seek reimbursement for, promote, market, distribute and sell NTC010 in the PRC. Upon entering into the agreement, we paid NTC license fees of €0.3 million. We shall make payments of €0.6 million upon dossier delivery and €1.4 million when the first order is issued. See "Business—Collaboration and License Agreements—License of NTC010" and "—License of NTC014."

Technology Transfer

In November 2014, Lee's Pharm Hefei entered into a levobetaxolol HCl technology transfer agreement with Guangzhou Boji Medical & Biotechnological Co. Ltd., or Boji Biomedicals. Boji Biomedicals is entitled to an acquisition fee of RMB3.5 million. In April 2019, the agreement was amended and assigned by Lee's Pharm Hefei to us without any economic change to the agreement. Thereafter, we are entitled to all technologies related to levobetaxolol HCl suspension eye drop.

The license agreements with RegeneRx and Kato Pharmaceuticals and the technology transfer agreement with Boji Biomedicals were entered into before the incorporation of our Company. The research and development for the relevant drug candidates were conducted by subsidiaries of Lee's Pharm before the incorporation of our Company.

MANUFACTURING

We have an established manufacturing facility, which occupies approximately 7,600 sq.m. in Nansha New District, Guangzhou. It is designed and built for ophthalmic drugs in compliance with cGMP requirements of China, the United States and the EU with full manufacturing capability and ready for commercial-scale production. We expect to complete the expansion by the end of 2022. See "Business—Manufacturing" for details.

COMMERCIALIZATION

The commercialization of our drug candidates is critical to our future growth and success. To drive our product launch and bring our innovative ophthalmic therapies to market, we are assembling our core commercial leadership team in anticipation of near-term product launch. The core members of our commercial team have extensive experience in collaborating with nationwide sales channels coupled with capabilities to market and promote our drug candidates directly to ophthalmologists. We target to have about 50 members by 2021, 100 members by 2022, and 200 to 300 members within the next five years. See "Business—Commercialization" for details.

SUPPLIERS

During the Track Record Period, our suppliers primarily consisted of (i) CROs, who provided contracting services for research and development and (ii) suppliers of raw materials, reference drugs, machinery and equipment used in our research and development and manufacturing activities. Additionally, we have procured and expect to continue to procure CRO services for our Core Products from a connected person, a subsidiary of Lee's Pharm. For further details, see "Business—Collaboration with CROs" and "Connected Transactions—Non-Exempt Continuing Connected Transactions—Procurement of CRO Services." We have established relationships with qualified suppliers for raw materials who we believe have sufficient capacity to meet our demands. Nevertheless, we believe that adequate alternative sources for such supplies exist. For the years ended December 31, 2019 and 2020, our purchases from our five largest suppliers in the aggregate accounted for 34.9% and 19.4%, respectively, of our total purchases, and purchases from our largest supplier alone accounted for 29.7% and 11.3%, respectively, of our total purchases.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Subdivision and the Global Offering and assuming that the Over-allotment Option and the share options granted under the Pre-IPO Share Option Scheme are not exercised, Lee's Pharm International and Coyote Investment Pte. Ltd. will hold approximately 25.8% and 13.3%, respectively, of the total issued share capital of the Company and will be regarded as our Substantial Shareholders. For further details, see "Substantial Shareholders."

CONNECTED TRANSACTIONS

Prior to the Listing, our Group has entered into certain transactions in our ordinary and usual course of business with parties who will, upon the Listing, become connected persons of our Company. For details of such one-off connected transaction and continuing connected transactions of our Company following the Listing, see "Connected Transactions."

We have applied for, and the Stock Exchange has granted us, (i) waivers from strict compliance with the requirement to set a term of not exceeding three years under Rule 14A.52 of the Listing Rules in respect of the Master CRO Service Agreement; and (ii) waivers from strict compliance with the requirements to set a term of not exceeding three years and

momentary annual caps under Rules 14A.52 and 14A.53 of the Listing Rules in respect of the License Agreement. For details, see "Connected Transactions—Waiver Application for Non-exempt Continuing Connected Transactions."

THE SPIN-OFF

The Listing constitutes a spin-off of our Company from the Lee's Pharm Group under Practice Note 15. The proposal in relation to the Spin-off was submitted by Lee's Pharm to the Stock Exchange for approval pursuant to Practice Note 15, and the Stock Exchange has confirmed that Lee's Pharm may proceed with the Spin-off. The Spin-off is subject to the approval of the Lee's Pharm Shareholders pursuant to Practice Note 15, which was obtained at the extraordinary general meeting of Lee's Pharm held on March 15, 2021.

Each of our Company and Lee's Pharm considers that the Spin-off and the separate listing of our Group will be commercially beneficial to Lee's Pharm and our Company as a whole. For further details of the Spin-off, see "History, Development and Corporate Structure—Spin-off of Our Group from Lee's Pharm."

The business of our Group is clearly delineated from that of the Retained Lee's Pharm Group, primarily because (i) the core businesses of our Group and the Retained Lee's Pharm Group focus on different medical areas and are explicitly differentiated in nature, and (ii) the products of us and the Retained Lee's Pharm Group function independently and are not supplemental to each other. For further details, see "Relationship with Lee's Pharm—Delineation of Business Between the Retained Lee's Pharm Group and Our Group—Delineation of Businesses."

PRE-IPO INVESTORS

The Company underwent two rounds of Pre-IPO Investments. Our major Pre-IPO Investors include global and Chinese institutional investors, dedicated healthcare funds, biotech funds and major healthcare company. For details of our Pre-IPO Investments, please see "History, Development and Corporate Structure—Pre-IPO Investments."

SHARE OPTION SCHEMES

In recognition of the contributions of our Directors, senior management, employees and consultants to our business and to incentivize them to further promote our development, we adopted the Share Option Schemes. For details and principal terms of the Share Option Schemes, please see "Appendix IV—Statutory and General Information—D. Share Option Schemes."

SUMMARY OF KEY FINANCIAL INFORMATION

This summary historical financial information set forth below is derived from, and should be read in conjunction with, our consolidated financial information, together with the accompanying notes, set forth in "Appendix I—Accountants' Report" to this prospectus, as well as the information set forth in "Financial Information" of this prospectus. Our consolidated financial information has been prepared in accordance with HKFRS.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,	
	2019	**2020**
	(RMB in thousands)	
Other income	2,953	68,462
Other net gain/(loss)	1,070	(5,487)
Research and development expenses	(93,407)	(81,779)
General and administrative expenses	(6,311)	(35,002)
Selling and distribution expenses	–	(1,542)
Finance costs		
Changes in the carrying amount of preferred shares liability[(1)]:		
Changes in present value of redemption amount	(24,799)	(74,329)
Changes in fair value of conversion features	–	(595,649)
Interest on lease liabilities	(1,583)	(1,458)
Interest on bank loan	–	(197)
Subtotal	(26,382)	(671,633)
Loss before taxation	(122,077)	(726,981)
Income tax	–	–
Loss for the year/period	(122,077)	(726,981)
Other comprehensive income for the year/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	4,533	56,120
Total comprehensive income for the year/period	(117,544)	(670,861)

Note:

(1) Represent the 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. Such changes affected our financial performance during the Track Record Period and is expected to continue to affect our financial performance after the Track Record Period.

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We were not profitable and incurred operating losses during the Track Record Period. We recorded net losses of RMB122.1 million and RMB727.0 million for the years ended December 31, 2019 and 2020. Our net loss increased significantly from 2019 to 2020, primarily because our finance costs increased significantly from RMB26.4 million in 2019 to RMB671.6 million in 2020, which was primarily attributable to 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.

We expect to incur significant expenses and operating losses for at least the next several years as we continue our preclinical research and development and clinical development, and seek regulatory approval for our drug candidates, launch commercialization of our pipeline products, and add personnel to support these efforts. In particular, we expect our research and development expenses to increase significantly from RMB81.8 million in 2020 to RMB345.5 million in 2021 due to an expected increase in clinical trial expenses. Specifically, in 2021, we expect to continue our ongoing Phase III clinical trial for CsA ophthalmic gel and Phase II clinical trial for ZKY001, and complete these two trials. We also expect to initiate a Phase III clinical trial for TAB014 in the second quarter of 2021. We expect our general and administrative expenses to increase from RMB35.0 million in 2020 to RMB94.0 million in 2021, which is primarily due to an increase in equity-settled share-based payment and staff costs as a result of an increase in share compensation expenses and an increase in the number of administrative personnel to support our business growth. Subsequent to the Listing, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to uncertainty in the development of our drug candidates, regulatory approval timeline and commercialization of our drug candidates.

Summary of Consolidated Statements of Financial Position

	As of December 31,	
	2019	**2020**
	(RMB in thousands)	
Non-current assets		
Property, plant and equipment	130,630	138,458
Intangible assets	36,901	138,691
Prepayments on purchases of property, plant and equipment	7,076	35,814
Total non-current assets	174,607	312,963

	As of December 31,	
	2019	2020
	(RMB in thousands)	
Current assets		
Other receivables and prepayments	13,502	18,146
Amount due from a shareholder	127,615	–
Amount due from a related company	–	13,051
Pledged bank balances	–	11,083
Time deposits with original maturity over three months	83,721	806,247
Cash and cash equivalents	154,769	65,096
Total current assets	379,607	913,623
Current liabilities		
Other payables and accruals	16,514	38,731
Amount due to fellow subsidiaries	162,618	–
Amount due to a related company	–	186
Bank loan	–	10,000
Lease liabilities	4,702	4,749
Total current liabilities	183,834	53,666
Net current assets	195,773	859,957
Total assets less current liabilities	370,380	1,172,920
Non-current liabilities		
Lease liabilities	26,089	22,778
Deferred income	138	94
Convertible redeemable preferred shares	369,685	1,896,016
Total non-current liabilities	395,912	1,918,888
Net liabilities	(25,532)	(745,968)

As of December 31, 2019 and 2020, we had net liabilities of RMB25.5 million and RMB746.0 million, respectively. The increases were primarily attributable to the increases of convertible redeemable preferred shares from RMB369.7 million as of December 31, 2019 to RMB1,896.0 million as of December 31, 2020, resulting from our Pre-IPO Investments. Our convertible redeemable preferred shares will convert into Shares upon Listing, at which time we expect to record them as equity and, accordingly, turn into a net asset position.

Summary Consolidated Statements of Cash Flows

	Year ended December 31,	
	2019	**2020**
	(RMB in thousands)	
Cash flows from operating activities before movement in working capitals	(84,425)	(84,418)
Changes in working capital	29,213	(19,007)
Net cash used in operating activities	(55,212)	(103,425)
Net cash used in investing activities	(104,990)	(955,483)
Net cash generated from financing activities	302,886	973,687
Net increase/(decrease) in cash and cash equivalents	142,684	(85,221)
Cash and cash equivalents at beginning of the year	7,217	154,769
Effects of foreign exchange rate changes, net	4,868	(4,452)
Cash and cash equivalents at the end of the year/period	154,769	65,096

During the Track Record Period, we incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from research and development expenses and general and administrative expenses. During the Track Record Period, we primarily funded our working capital requirement through equity financing. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In view of our net current liabilities position and net operating cash outflows throughout the Track Record Period, we plan to improve such position by (i) rapidly advancing our late-stage pipeline products towards commercialization to generate revenue from product sales. In particular, we expect to launch our three most advanced, near-commercial-stage generics, namely, bimatoprost, epinastine HCl and bimatoprost timolol, by 2022. We also target to launch our Core Product, CsA ophthalmic gel, in 2023, which is expected to generate stable revenue from product sales; (ii) adopting comprehensive measures to effectively control operating expenses; (iii) enhancing working capital management efficiency; (iv) completing the Global Offering to obtain the proceeds; and (v) seeking additional funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources, if needed. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our bank balances and cash, bank borrowings and net proceeds from the Global Offering.

Rule 13.46(2) of the Listing Rules requires an overseas issuer to send an annual report or a summary financial report to its shareholders within four months after the end of the financial year to which the report relates. As this prospectus already includes the financial information of the Company for the year ended December 31, 2020, we will not separately prepare and send an annual report to our shareholders for the year ended December 31, 2020, which will not be in breach of the Articles of Associations, laws and regulations of the Cayman Islands or other regulatory requirements. In addition, we will issue an announcement by April 30, 2021 stating that we will not separately prepare and send an annual report to our shareholders for the year ended December 31, 2020 as the relevant financial information has been included in this prospectus. Further, save for the fact that Dr. Li serves as the chairman of the Board and the CEO of the Company, we have complied with applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. For details, see "Directors and Senior Management—Compliance with Corporate Governance Code."

KEY FINANCIAL RATIO

Our current ratio, which equals current assets divided by current liabilities, was 2.1 and 17.0 as of December 31, 2019 and 2020, respectively. For further details, see "Financial Information—Key Financial Ratio."

RECENT DEVELOPMENTS

In January 2021, we entered into a memorandum of understanding and a service agreement with Singapore Eye Research Institute, or SERI, pursuant to which we and SERI seek to establish a collaborative relationship in the area of ophthalmic research and development. We and SERI intend to explore opportunities in using SERI's preclinical models for testing our compounds, conducting clinical trials at SERI together with our other sites in the PRC, and potentially licensing in technology of SERI.

In February 2021, we entered into a license and supply agreement with NTC for an exclusive license and distribution right of NTC010. NTC010 is a fixed combination of levofloxacin, a quinolone antibiotic with a broad spectrum of action, at 0.5% concentration and dexamethasone, a corticosteroid anti-inflammatory agent, at 0.1% concentration. We were granted an exclusive license to distribute and sell NTC010 in the PRC.

The Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated net proceeds from the Listing, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, business development and marketing expenses, and administrative and operating costs, for at least the next 12 months from the date of this prospectus. Our cash burn rate refers to our average monthly (i) net cash used in operating activities, which includes research and development expenses, and (ii) capital expenditures. Assuming an average cash burn rate going forward of 3.5 times the level in 2020,

we estimate that our cash and cash equivalents as well as time deposits with maturity over three months will be able to maintain our financial viability for 27.9 months, or, if we take into account 10% of the estimated net proceeds from the Listing (namely, the portion allocated for our working capital and other general corporate purposes), 34.8 months or, if we also take into account the estimated net proceeds from the Listing, 96.8 months. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 24 months.

Impact of the COVID-19 Outbreak

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally. In March 2020, the World Health Organization characterized the COVID-19 outbreak as a pandemic. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns.

We have not experienced any material disruption since the outbreak of the COVID-19 pandemic for our clinical activities, such as patient recruitment and clinical trials. Although the COVID-19 outbreak has caused some delays in our ongoing clinical trials of TAB014 and levobetaxolol HCl in China and clinical trials of our licensing partners in their respective territories, the COVID-19 pandemic has not had a material impact on our overall clinical activities and development timeline. As of the Latest Practicable Date, the outbreak of COVID-19 had not caused any early termination of our clinical trials or necessitated removal of any enrolled patients of our ongoing clinical trials. We have employed various measures to mitigate any impact of the COVID-19 pandemic on our ongoing clinical trials and patient participation, including contacting new clinical trial sites to support other clinical trial sites that have experienced significant impact of the COVID-19 pandemic, offering personal protection equipment to researchers, engaging in frequent communications with our CROs and principal investigators to identify and address any issues that may arise, suggesting the investigators to encourage enrolled patients to visit local qualified hospitals for follow-up evaluations if necessary and arranging medicine delivery service. In addition, although we have briefly experienced delays in the import of equipment and machinery in China in the first half of 2020 due to the COVID-19 outbreak, our supply chain had not experienced material disruptions and had largely recovered as of the Latest Practicable Date.

We have resumed normal and full operations since April 2020. As of the Latest Practicable Date, we had no suspected or confirmed COVID-19 cases on our premises or among our employees. To prevent any spread of COVID-19 in our offices and production facilities, we have implemented preventive measures such as regularly sterilizing and ventilating our offices and manufacturing facility, checking the body temperature of our employees daily, keeping track of the travel history and health conditions of employees, and providing face masks and disinfectant to employees attending our offices and facilities.

Our Directors believe that, based on information available as of the Latest Practicable Date, the outbreak of COVID-19 would not result in a material disruption to our business operations or have any material impact on our clinical trial progress and expected IND/NDA submission timeline, because (i) none of our offices are located in regions under lockdown; (ii) our operations have not experienced any material disruption since the outbreak of the COVID-19 pandemic; and (iii) most of our employees do not reside in regions under lockdown.

There are, however, still uncertainties with regard to the continued development of COVID-19 and its implications, and we will continue to assess the situation and seek to put in place relevant mitigating measures. We cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our business operations. Please also see "Risk Factors—Risks Relating to Our Industry, Business and Operations—Our operations and business plans may be adversely affected by the COVID-19 pandemic."

GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has completed and 123,567,500 new Shares are issued pursuant to the Global Offering; (ii) 535,155,500 Shares are issued and outstanding following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme.

	Based on an Offer Price of HK$15.38	**Based on an Offer Price of HK$16.80**
Market capitalization of our Shares[(1)]	HK$8,231 million	HK$8,991 million
Unaudited *pro forma* adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share[(2)]	HK$5.59	HK$5.90

Notes:

(1) The calculation of the market capitalization is based on 535,155,500 Shares expected to be in issue immediately upon completion of the Share Subdivision and the Global Offering, without taking into account the Shares to be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme.

(2) The unaudited *pro forma* adjusted net tangible asset per Share as of December 31, 2020 is calculated after making the adjustments referred to in Appendix II. For further details, please refer to the section headed "Appendix II—Unaudited Pro Forma Financial Information" in this prospectus.

DIVIDENDS

We are a holding company incorporated in the BVI and continued in the Cayman Islands. We had not declared or paid any dividends during the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. As advised by our Cayman Islands Legal Advisor, under the Cayman Companies Act, a Cayman Islands company may (subject to its memorandum and articles of association) pay a dividend either out of profits, retained earnings or share premium account, provided that this would not result in the company being unable to pay its debts as they fall due in the ordinary course of business. If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiary, Zhaoke Guangzhou. Any dividend distributions from our PRC subsidiary to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. As advised by our PRC Legal Advisors, according to the relevant PRC laws, any future after-tax profits that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. After we draw statutory common reserve from the after-tax profits, we may, upon a resolution made by the shareholders' assembly, draw a discretionary common reserve from the after-tax profits. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our common reserve fund as described above. In the future, we may rely to some extent on dividends and other distributions on equity from our PRC subsidiary to fund offshore cash and financing requirements.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,857.8 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no exercise of the Over-allotment Option and assuming an Offer Price of HK$16.09 per Offer Share, being the mid-point of the indicative Offer Price range of HK$15.38 to HK$16.80 per Offer Share in this prospectus. We intend to use the net proceeds from the Global Offering for the following purposes:

- Approximately HK$594.5 million (representing 32.0% of the net proceeds) will be used for the clinical development and commercialization of our Core Products. Specifically, approximately HK$421.7 million (representing 22.7% of the net proceeds) will be allocated to CsA, and approximately HK$172.8 million (representing 9.3% of the net proceeds) will be allocated to ZKY001;

- Approximately HK$854.6 million (representing 46.0% of the net proceeds) will be used to fund the continuing research and development activities as well as commercialization of the other drug candidates in our pipeline;

- Approximately HK$130.0 million (representing 7.0% of the net proceeds) will be used to carry out the production line expansion of our Nansha manufacturing facility in anticipation of our product launches in the coming years;

- Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used to fund our business development activities and the expansion of drug pipeline; and

- Approximately HK$185.8 million (representing 10.0% of the net proceeds) will be used for working capital and other general corporate purposes.

See "Future Plans and Use of Proceeds" for details.

RISK FACTORS

We believe there are certain risks and uncertainties involved in investing in our Shares, some of which are beyond our control. These risks are set out in "Risk Factors" in this prospectus. Some of the major risks we face include:

- We have incurred significant operating losses since our inception, and anticipate that we will continue to incur operating losses for the foreseeable future and may never become profitable. As a result, you may lose substantially all of your investment in us given the high risks involved in our business.

- Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by licensing partners.

- Our business and financial prospects depend substantially on the success of our drug candidates, all of which are in preclinical or clinical development. If we are unable to successfully develop and commercialize our drug candidates, or experience significant delays in doing any of the foregoing, our business may be materially harmed.

- We rely on third parties to conduct our preclinical studies and clinical trials and we must work effectively with collaborators to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

- We may incur additional costs or experience delays in completing, or may ultimately be unable to complete, the development and commercialization of our drug candidates.

- We may be unable to obtain, or experience delays in obtaining, required regulatory approvals for our drug candidates in our target markets.

- We have limited experience in launching and marketing drug candidates, and we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate product sales revenue.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB109.7 million (including underwriting commission, assuming an Offer Price of HK$16.09 per Share, being the mid-point of the indicative Offer Price range of HK$15.38 to HK$16.80 per Share), assuming no Shares are issued pursuant to the Over-allotment Option. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2019. In 2020, the listing expenses charged to profit or loss were RMB10.6 million (approximately HK$12.6 million) and the issue costs capitalized to deferred issue costs were RMB2.6 million (approximately HK$3.1 million). After December 31, 2020, approximately RMB21.9 million is expected to be charged to our consolidated statements of profit or loss, and approximately RMB74.6 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. The estimated listing expenses will account for approximately 6.6% of the gross proceeds of the Global Offering (assuming an Offer Price of HK$16.09 per Share, being the mid-point of the indicative Offer Price range of HK$15.38 to HK$16.80 per Share and the Over-allotment Option is not exercised).

NO MATERIAL ADVERSE CHANGE

Save for the subsequent events as described in Note 30 to the Accountants' Report in Appendix I to this prospectus, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2020 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 31, 2020 which would materially affect the information shown in our consolidated financial information included in the Accountants' Report in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

DEFINITIONS

"Accountants' Report"	the accountant's report of our Group for the two financial years ended December 31, 2020 from KPMG, the text of which is set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering and **BLUE** Application Form(s) in relation to the Preferential Offering
"Articles of Association" or "Articles" or "Memorandum of Association" or "Memorandum"	memorandum of association and articles of association of our Company conditionally adopted on April 1, 2021 and effective on the Listing Date, as amended from time to time, a summary of which is set out in "Appendix III—Summary of the Constitution of Our Company and Cayman Companies Act" to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Assured Entitlement"	the entitlement to the Qualifying Lee's Pharm Shareholders to apply for the Reserved Shares on an assured basis pursuant to the Preferential Offering determined on the basis of their respective shareholdings in Lee's Pharm on the Record Date
"Available Reserved Share(s)"	has the meaning ascribed to it in the section headed "Structure of the Global Offering—The Preferential Offering—Basis of Allocation for Applications for Reserved Shares" in this prospectus
"Beneficial Lee's Pharm Shareholder(s)"	any beneficial owner(s) of share of Lee's Pharm whose shares of Lee's Pharm are registered, as shown in the register of members of Lee's Pharm, in the name of a registered shareholder of Lee's Pharm on the Record Date

"**BLUE** Application Form(s)"	the application form(s) to be sent to the Qualifying Lee's Pharm Shareholders for the subscription of the Reserved Shares pursuant to the Preferential Offering
"Board" or "Board of Directors"	the board of directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Cayman Islands Legal Advisor"	Walkers (Hong Kong)
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or the "PRC"	the People's Republic of China, excluding, for the purposes of this prospectus and for geographical reference only and except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CIC"	China Insights Industry Consultancy Limited, a market research and consulting company and an Independent Third Party
"CIC Report"	an independent market research report commissioned by us and prepared by CIC for the purpose of this prospectus
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules

"Companies Ordinance"	the Companies Ordinance (Chapter 622) of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company"	Zhaoke Ophthalmology Limited (兆科眼科有限公司) (previously known as China Ophthalmology Focus Limited), a company incorporated in the British Virgin Islands on January 20, 2017 with limited liability and continued in the Cayman Islands on April 29, 2020 as an exempted company with limited liability
"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 the purposes of this prospectus, our Core Products refer to CsA ophthalmic gel and ZKY001
"COVID-19"	an infectious disease caused by the severe acute respiratory syndrome coronavirus 2, first reported in December 2019
"Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive directors
"Dr. Li"	Dr. Li Xiaoyi, the chairman of the Board and the CEO of our Company
"Extreme Conditions"	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Listing Date
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Greater China"	the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group"	our Company and all of its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 12,357,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting—Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated April 15, 2021 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Major Shareholders, the Joint Sponsors, the Joint Representatives and the Hong Kong Underwriters
"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
"Independent Third Party(ies)"	party or parties that, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is or are not a connected person or connected persons of the Company within the meaning of the Listing Rules
"International Offer Shares"	the 111,210,500 Shares being offered for subscription under the International Offering (including, for the avoidance of doubt, 6,178,000 Reserved Shares for the Preferential Offering), together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the offer for subscription of the International Offer Shares at the Offer Price in the United States to QIBs only in reliance on Rule 144A and outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus (for the avoidance of doubt, of the International Offer Shares initially being offered under the International Offering, the Reserved Shares are made available for subscription by the Qualifying Lee's Pharm Shareholders under the Preferential Offering)
"International Underwriters"	the international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering

"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, the Joint Sponsors, the Joint Representatives and the International Underwriters on or about the Price Determination Date
"Joint Bookrunners"	the joint bookrunners as named in "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Global Coordinators"	the joint global coordinators as named in "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Lead Managers"	the joint lead managers as named in "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Representatives"	Goldman Sachs (Asia) L.L.C. and Jefferies Hong Kong Limited
"Joint Sponsors"	Goldman Sachs (Asia) L.L.C. and Jefferies Hong Kong Limited
"Kato Pharmaceuticals"	Kato Pharmaceuticals, Inc., a biopharmaceutical company incorporated under the laws of Delaware of the United States in 2011 and one of our licensing partners
"Latest Practicable Date"	April 9, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"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)
"Lee's Pharm Group"	Lee's Pharm and all of its subsidiaries
"Lee's Pharm Guangzhou"	Zhaoke Pharmaceutical (Guangzhou) Limited (兆科藥業(廣州)有限公司), a limited liability company established in the PRC on March 3, 2011 and a subsidiary of Lee's Pharm

"Lee's Pharm (HK)"	Lee's Pharmaceutical (HK) Limited, a limited liability company incorporated in Hong Kong on December 28, 1993 and a subsidiary of Lee's Pharm
"Lee's Pharm Hefei"	Zhaoke Pharmaceutical (Hefei) Company Limited (兆科藥業(合肥)有限公司), previously known as Hefei Siu-Fung USTC Pharmaceutical Company Limited * (合肥兆峰科大藥業有限公司), a limited liability company established in the PRC on February 7, 1994 and a subsidiary of Lee's Pharm
"Lee's Pharm International"	Lee's Pharmaceutical International Limited, a limited liability company incorporated in the BVI on August 1, 2001 and a subsidiary of Lee's Pharm
"Lee's Pharm Share(s)"	ordinary shares in the share capital of Lee's Pharm which are listed on the Stock Exchange
"Lee's Pharm Shareholders"	holders of Lee's Pharm Shares
"License Agreement"	the license agreement entered into by our Company and Zhaoke Guangzhou, as licensors, and Lee's Pharm International and Lee's Pharm Guangzhou, as licensees, on October 2, 2020, pursuant to which we agreed to grant exclusive license rights to the licensees to promote and commercialize the adapalene/clindamycin hydrochloride compound gel in the PRC, Hong Kong, Macau and Taiwan
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about April 29, 2021, on which dealings in our Shares first commence on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

"M&A Rules"	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the STA, the State Administration of Industry and Commerce (中華人民共和國國家工商行政管理總局), the China Securities Regulatory Commission (中國證券監督管理委員會) and the SAFE on August 8, 2006 and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified 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 the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
"Major Shareholders"	Lee's Pharm and Lee's Pharm International
"Master CRO Service Agreement"	the master CRO service agreement entered into between Zhaoke Guangzhou and Lee's Pharm Hefei on April 1, 2021, pursuant to which our Group agreed to engage Lee' Pharm Hefei as a CRO service provider to provide relevant CRO services for developing our CsA ophthalmic gel, ZKY001 and levobetaxolol HCl
"Nevakar"	Nevakar, Inc., a pharmaceutical company incorporated under the laws of Delaware of the United States in 2015 and one of our licensing partners
"Non-Qualifying Lee's Pharm Shareholder(s)"	Lee's Pharm Shareholder(s) whose name(s) appeared in the register of members of Lee's Pharm on the Record Date and whose address(es) as shown in such register are in any of the Specified Territories or Beneficial Lee's Pharm Shareholder(s) at that time who are otherwise known by Lee's Pharm to be resident in any of the Specified Territories
"NTC"	NTC S.r.l, a pharmaceutical company incorporated under the laws of Italy and one of our licensing partners

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$16.80 and expected to be not less than HK$15.38, such price to be agreed upon by our Company and the Joint Representatives (on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares (including, for the avoidance of doubt, the Reserved Shares) together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by us to the International Underwriters exercisable by the Joint Representatives (for themselves and on behalf of the other International Underwriters) pursuant to which we may be required to allot and issue up to an aggregate of 18,535,000 additional Shares (representing approximately 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in "Structure of the Global Offering—Over-allotment Option" in this prospectus
"PanOptica"	PanOptica, Inc., a biopharmaceutical company incorporated under the laws of Delaware of the United States in 2009 and one of our licensing partners
"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, the principal terms of which are set out in "Appendix IV—Statutory and General Information—D. Share Option Schemes—2. Post-IPO Share Option Scheme" to this prospectus
"Practice Note 15"	the Practice Note 15 of the Listing Rules
"Pre-IPO Investment(s)"	the pre-IPO investment(s) in our Company, details of which are set out in the section headed "History, Development and Corporate Structure—Pre-IPO Investments"

"Pre-IPO Investor(s)"	the investors of Pre-IPO Investments
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by our Company on November 17, 2020, the principal terms of which are set out in "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme" to this prospectus
"Preferential Offering"	the preferential offering to the Qualifying Lee's Pharm Shareholders of 6,178,000 Shares (representing approximately 5% of the Offer Shares initially being offered under the Global Offering) as an Assured Entitlement out of the International Offer Shares being offered under the International Offering at the Offer Price, on and subject to the terms and conditions set out in this prospectus and in the **BLUE** Application Form, as further described in the section headed "Structure of the Global Offering—The Preferential Offering" in this prospectus
"Preferred Shares"	the Series A Preferred Shares and the Series B Preferred Shares
"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about April 21, 2021 on which the Offer Price is to be fixed by agreement between us and the Joint Representatives (on behalf of the Underwriters)
"Qualifying Lee's Pharm Shareholder(s)"	Lee's Pharm Shareholder(s), whose name(s) appeared on the register of members of Lee's Pharm on the Record Date, excluding the Non-Qualifying Lee's Pharm Shareholders
"Record Date"	April 9, 2021, being the record date for determining the Assured Entitlement to the Qualifying Lee's Pharm Shareholders to the Reserved Shares

"RegeneRx"	RegeneRx Biopharmaceuticals, Inc., a biopharmaceutical company incorporated under the laws of Delaware of the United States in 1982, one of our licensing partners whose shares are traded over-the-counter on the OTCQB market (trading symbol: RGRX)
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reserved Share(s)"	the 6,178,000 Shares being offered by our Company pursuant to the Preferential Offering at the Offer Price to the Qualifying Lee's Pharm Shareholders as the Assured Entitlement, which are to be allocated out of the International Offer Shares as described in the section headed "Structure of the Global Offering" in this prospectus
"Retained Lee's Pharm Group"	Lee's Pharm and its subsidiaries, for the avoidance of doubt, excluding our Group
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE Circular 37"	State Administration of Foreign Exchange Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)
"Series A Investors"	holder(s) of the Series A Preferred Shares, including Coyote Investment Pte. Ltd., Panacea Venture Healthcare Fund I, L.P., Smart Rocket Limited and Vertex Profit International Limited
"Series A Preferred Shares"	the convertible series A preferred shares with a par value of US$0.0001 each of our Company allotted and issued to the Series A Investors, or the series A preferred shares with a par value of US$0.00000025 each held by the Series A Investors in the authorized share capital of the Company following the Share Subdivision, details of which are described in "History, Development and Corporate Structure—Pre-IPO Investments—Series A Financing"

"Series B Investors"	holder(s) of the Series B Preferred Shares, including TPG Asia VII SF Pte. Ltd., COFL Holdings Limited, Innovative Team Holdings Limited, OrbiMed Partners Master Fund Limited, OrbiMed Genesis Master Fund, L.P., OrbiMed New Horizons Master Fund, L.P., AIER EYE INTERNATIONAL (HONG KONG) LIMITED, Panacea Venture Healthcare Fund I, L.P., Coyote Investment Pte. Ltd., Bio Success Investments Limited, Neoma Holding Ltd., Lee's Healthcare Industry Fund L.P., Sage Partners Master Fund, R&D Business Partner Limited and POLY PLATINUM ENTERPRISES LIMITED
"Series B Preferred Shares"	the convertible series B preferred shares with a par value of US$0.0001 each of our Company allotted and issued to Series B Investors, or the series B preferred shares with a par value of US 0.00000025 each held by the Series B Investors in the authorized share capital of the Company following the Share Subdivision, details of which are described in "History, Development and Corporate Structure—Pre-IPO Investments—Series B Financing"
"Share(s)"	ordinary shares in the share capital of our Company of US$0.00000025 each following the Share Subdivision
"Share Option Schemes"	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
"Share Subdivision"	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, the details of which are set out in "History, Development and Corporate Structure—Share Subdivision and Share Conversion"
"Shareholder(s)"	holder(s) of our Share(s)
"Sinqi"	Shenyang Sinqi Ophthalmic Medications Holdings Co., Ltd. (瀋陽興齊眼藥股份有限公司), a PRC company listed on the ChiNext market of Shenzhen Stock Exchange (stock code: 300573)

"Sophisticated Investor(s)"	has the meaning ascribed to it under the Guidance Letter HKEX-GL92-18 issued by the Stock Exchange
"Specified Territories"	the PRC (except for any Lee's Pharm Shareholders with an address in the PRC who is a qualified domestic institutional investor who satisfies the relevant PRC regulatory requirements to the satisfaction of Lee's Pharm) and such territory or territories which the Company and its directors consider it necessary or expedient to exclude from the Preferential Offering on account of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
"Spin-off"	the separate listing of our Shares on the Main Board, which is expected to be effected by way of the Global Offering, including the Preferential Offering
"Stabilizing Manager"	Goldman Sachs (Asia) L.L.C.
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreements"	the agreements expected to be entered into on or around the Price Determination Date between the Stabilizing Manager or its affiliates and Lee's Pharm International and Wealthy Chance, respectively, pursuant to which the Stabilizing Manager may, on its own or through its affiliates, request Lee's Pharm International and Wealthy Chance to make available to the Stabilizing Manager or its affiliates up to a total of 18,535,000 Shares to cover over-allocations in the International Offering
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"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)
"Track Record Period"	the two years ended December 31, 2020
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended
"Wealthy Chance"	Wealthy Chance Fortune Ltd., a limited liability company incorporated in the BVI on July 20, 2018 and a Shareholder of our Company
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

"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

ACRONYMS

"ASEAN"	the Association of Southeast Asian Nations
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"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
"CEO"	chief executive officer
"CFDA"	the China Food and Drug Administration (國家食品藥品監督管理總局)
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"EMA"	European Medicines Agency
"EMEA"	European Medicines Evaluation Agency
"EU"	European Union
"FDA"	the United States Food and Drug Administration
"GEM"	GEM of the Stock Exchange

"HKFRS"	Hong Kong Financial Reporting Standards
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"NHSA"	the National Healthcare Security Administration of the PRC (國家醫療保障局)
"NMPA"	the National Medical Products Administration (國家藥品監督管理局), and includes, where appropriate, its predecessor(s) the CFDA, the State Food and Drug Administration (國家食品藥品監督管理局) and the State Drug Administration (國家藥品監督管理局), or SDA
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NRDL"	the National Reimbursement Drug List (國家醫保藥品目錄)
"PCT"	the Patent Cooperation Treaty
"PRDL(s)"	the provincial Reimbursement Drug List (省級醫保藥品目錄)
"QIB"	qualified institutional buyer within the meaning of Rule 144A
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), the successor of the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SERI"	Singapore Eye Research Institute
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571) of Hong Kong, as amended, supplemented or otherwise modified from time to time
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)

For the purpose of this prospectus, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions. References to "we" are to our Company or our Group, as the context may require. "%" refers to per cent.

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese versions shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "" is for identification purpose only.*

This glossary contains definitions of certain terms used in this prospectus in connection with us and our business. Some of these may not correspond to standard industry definitions.

"β blocker"	any of a class of drugs that decrease the rate and force of heart contractions and lower high blood pressure by blocking the activity of beta-receptors in the nervous system
"abbreviated NDA" or "ANDA"	abbreviated new drug application, an application for a generic drug to an approved drug in China
"AE"	adverse event, any untoward medical occurrence in a patient or clinical trial subject associated with the use of a drug or other therapy
"angiogenesis"	the formation of new blood vessels
"anticholinergic"	a group of substances that block the action of acetylcholine, a kind of neurotransmitter, in the nervous system
"antihistamine"	a synthetic drug that suppresses the activity of histamine, a substance present in tissues as a mediator of allergic reactions
"API"	active pharmaceutical ingredient, the substance in a pharmaceutical drug that is biologically active
"apoptosis"	programmed cell death, a process that removes cells during development, eliminates potentially cancerous and virus-infected cells, and maintains balance in the body
"aqueous humor"	a transparent watery fluid that fills both the anterior and posterior chambers of the eye
"atropine"	atropine or atropine sulfate, a medication used to treat certain types of nerve agent poisonings and certain types of slow heart rates
"BCVA"	best-corrected visual activity, a measurement for vision

"BLA"	biologics license application, a request for permission to introduce, or deliver for introduction, a biologic product into interstate commerce pursuant to relevant U.S. laws
"bioavailability"	the fraction of an administered dose of drug that reaches the systemic circulation, which is one of the principal pharmacokinetic properties of drugs
"biosimilar"	a drug which is designed to have the same amino acid sequence and the equivalent (but not identical or clinically better) active properties as compared to, and which is not necessarily clinically interchangeable with, the reference drug
"BQL"	below the qualification limit, concentration measurements which are too small for specific values to be assigned
"breakup time" or "BUT"	the time taken to appear first dry spot on cornea after a complete blinking on the tear film
"BRVO"	branch retinal vein occlusion, a blockage of one or more branches of the central retinal vein, which runs through the optic nerve
"calcineurin inhibitor"	a drug that inhibit the action of calcineurin, an enzyme that activates T-cells of the immune system, and are used to treat inflammatory skin conditions
"cataract"	a dense, cloudy area that forms in the lens of the eye which leads to vision loss
"central subfield thickness" or "CST"	the average thickness of the macula in the central
"CFS Score"	corneal fluorescein staining score, a valuable clinical tool to assess the viability of the epithelium
"cGMP"	current good manufacturing practice
"chemokines"	a family of small cytokines, or signaling proteins secreted by cells
"choriocapillaris"	a layer of capillaries that is immediately adjacent to Bruch's membrane in the choroid

"CMC"	chemistry, manufacturing and controls, a process which mainly includes defining a drug product's characteristics, formulation development and product testing to ensure that the product is safe, effective and consistent between batches
"CMO"	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CMT"	central macular thickness
"collagen"	a family of proteins that are the primary structural component of connective tissues, such as skin and cartilage
"conjunctivitis"	a disease characterized by the inflammation of the conjunctiva, the membrane which lines the inner surface of the eyelids and covers the surface of the eyeball
"cornea"	the transparent part of the coat of the eyeball that covers the iris and pupil and admits light to the interior
"corneal epithelial defect" or "CED"	the partial or complete loss of the epithelial cells in the cornea. Minor corneal epithelial defects to the eye are self-recoverable and do not need medical treatment. For purpose of this prospectus, corneal epithelial defects refer to persistent corneal epithelial defects that require medical treatment
"corneal fluorescein staining"	a test that detects damage to the corneal surface. By applying fluorescein, a type of orange dye, to the ocular surface, the damaged part of cornea will be stained
"corticosteroids"	class of steroid hormones drug that lowers inflammation in the body and reduces immune system activity
"CRO"	contract research organization, a company that provides support to pharmaceutical companies by providing a range of professional research services on a contract basis
"CRVO"	central retinal vein occlusion

"CsA"	a selective immuno-suppressant that inhibits calcineurin, an activator of T cells
"cyclosporine"	a drug that suppresses the immune system and is used especially to prevent rejection of transplanted organs
"cytokines"	small secreted proteins released by cells that have a specific effect on the interactions and communications between cells
"D"	the degree of myopia
"diabetic macular edema" or "DME"	a complication of diabetes that causes damage to the macula
"diagnosis rate"	ratio of the number of patients receiving diagnosis and being confirmed cases relative to the total number of patients having the disease regardless receiving diagnosis or not
"DLT"	dose-limiting toxicity, a specified quantity of a therapeutic agent, such as a drug or medicine, prescribed to be taken at one time or at stated intervals
"double-masked"	a type of clinical trial in which neither the participants nor the research team know which treatment a specific participant is receiving, which helps prevent bias or expectations from influencing the results of the study
"drug residence time"	the time a drug remains in contact with its biological target
"dry eye disease" or "DED"	a common condition that occurs when tears are unable to provide adequate lubrication for eyes
"edema"	swelling that occurs when too much fluid becomes trapped in the tissues of the body
"emulsion"	a mixture of two or more liquids that are normally immiscible (unmixable or unblendable) owing to liquid-liquid phase separation
"ergosterol"	is a sterol found in cell membranes of fungi and protozoa

"eye dryness score" or "EDS"	a tool to assess dry eye severity
"fundus camera"	a specialized low power microscope with an attached camera
"generic drug"	a drug that is created to be the same as an existing approved chemical drug in active ingredient, dosage form, indication, route of administration, usage, quality and efficacy. Under relevant PRC chemical drug registration regulations, generic drugs include class 3 drugs (generic drugs for which the reference drugs are marketed abroad but not in China), class 4 drugs (generic drugs for which the reference drugs are marketed in China) and class 5.2 drugs (generic drugs that have been marketed abroad and apply for approval in China)
"glaucoma"	a group of eye diseases that are usually characterized by progressive structural and functional changes of the optic nerve, leading to a typical appearance of the optic disc and visual field damage if untreated
"H1"	Histamine-1
"H4"	Histamine-4
"histamine"	a biologically active substance that is present in tissues as a mediator of allergic reactions
"hydrogel"	a colloidal gel in which water is the dispersion medium
"hydrophilicity"	a characteristic of materials exhibiting an affinity to water
"hyperemia"	an increased blood flow to an organ or tissue
"hyperosmolarity"	a condition where the solute concentration of the bodily fluid, which is the amount of solutes and particles that are dissolved in the bodily fluid, abnormally increases
"hypromellose"	a semisynthetic, inert, viscoelastic polymer used as eye drops

"IL-6"	IL-6 (Interleukin 6) is a soluble mediator with a pleiotropic effect on inflammation, immune response, and hematopoiesis
"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
"innovative drug"	a drug that contains an active ingredient or combination of active ingredients that has not been authorized before, or a drug that contains an existing active ingredient or combination of active ingredients with improvements on its structure, formulation, route of administration or indication. Under relevant PRC chemical drug registration regulations, innovative drugs include class 1 drugs (innovative new drugs), class 2 drugs (improved new drugs) and class 5.1 drugs (innovative or improved new drugs that have been marketed abroad and apply for approval in China).
"intraocular pressure" or "IOP"	intraocular pressure, the fluid pressure inside the eye
"intravitreal injection"	a drug delivery system, injected or surgically implanted in the vitreous of the eye, for sustained release of drug to the posterior and intermediate segments of the eye
"KOLs"	acronym for key opinion leaders, who are professionals that influence their peers' medical practice, including but not limited to prescribing behavior
"laminin-5"	a sub-epithelial basement membrane protein
"lipid layer"	an essential component of the tear film, providing a smooth optical surface for the cornea and retarding evaporation from the eye
"lipophilicity"	the affinity of a drug for a lipid environment
"liposome"	an artificial microscopic vesicle consisting of an aqueous core enclosed in one or more phospholipid layers, used to convey vaccines, drugs, enzymes, or other substances to target cells or organs

"macula"	an oval-shaped pigmented area near the center of the retina which is responsible for central, high-resolution, color vision
"MAPK"	mitogen activated protein kinase, a type of protein kinase
"mast cell"	immune cells of the myeloid lineage which are present in connective tissues throughout the body
"membrane permeabilization"	the process by which the membrane becomes permeable to the passing of proteins and other molecules from the intermembrane space to the cytosol as part of the apoptotic signaling pathway
"mucin"	a family of high molecular weight, heavily glycosylated proteins (glycoconjugates) produced by epithelial tissues
"MUC1"	a membrane-associated glycoprotein detected in most epithelial tissues and is highly expressed in the pancreas and breast
"myopia"	a refractive condition in which the image of distant objects is focused in front of, rather than on, the retina
"NFAT"	nuclear factor of activated T cells
"OCT"	Optical coherence tomography, a non-invasive diagnostic imaging of the retina
"ocular hypertension"	an eye pressure of greater than 21 mm Hg
"off-label use"	medication which is being used in a manner not specified in the approved packaging label
"ophthalmology"	a branch of medical science dealing with the structure, functions and diseases of the eye
"optic nerve"	nerves in the eye
"pathogen"	a bacterium, virus or other microorganism that can cause disease
"peptide"	small fragments of proteins, composed of amino acids

"PGA"	prostaglandin analog, a class of drugs that bind to prostaglandin receptors
"pharmacokinetics" or "PK"	the study of the bodily absorption, distribution, metabolism and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"Phase I clinical trial"	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion and, if possible, to gain an early indication of its effectiveness
"Phase II clinical trial"	a study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the drug for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"Phase III clinical trial"	a study in which a drug is administered to an expanded patient population at geographically dispersed clinical trial sites to generate statistically sufficient data to evaluate the efficacy and safety of the drug for regulatory approval and to provide adequate information for the labeling of the product
"photophobia"	aversion to or avoidance of light, especially as the result of discomfort caused by ocular disorders and certain neurological diseases
"placebo"	a medical treatment or preparation with no specific pharmacological activity
"polypeptide"	a small polymer usually containing fewer than 30 amino acids connected by peptide bonds
"preclinical study"	research that tests a drug candidate on non-human subjects to gather efficacy and safety information to decide whether the drug candidate is ready for clinical trials in human subjects

"prostaglandin"	any of a large group of fatty acids which have a wide variety of physiological effects, especially in the control of smooth muscle activity and in inflammatory responses
"pterygium"	a growth of the conjunctiva or mucous membrane that covers the white part of the eye over the cornea
"raceanisodamine"	a substance with the effect of muscle relaxation
"randomized clinical trial"	a study in which the participants are divided by chance into separate groups that compare different treatments or other interventions
"ranibizumab"	an antibody fragment that inhibits the growth of new blood vessels
"rescue medication"	medicine intended to relieve your symptoms immediately
"retina"	a thin layer of tissue that lines the back of the eye on the inside
"RVO"	retinal vein occlusion, a disease due to the blockage of the retinal vein which can lead to blurry vision or loss of vision
"R&D"	research and development
"SAE"	serious adverse event, AE that results in death, or is life-threatening, or requires in-patient hospitalization or causes prolongation of existing hospitalization, or results in persistent or significant disability or incapacity, or is a congenital anomaly or birth defect
"Schirmer's test"	a test that determines whether the eye produces enough tears to keep it moist
"secretagogue"	secretagogues increase insulin secretion from the pancreas by stimulating the-cells to secrete insulin
"SMO"	site management organization

"TEAE"	treatment-emergent adverse event, an undesirable event not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following the treatment
"tear film"	a thin fluid layer that covers the outer surfaces of the eye
"Thymosin β4"	a synthetic copy of a naturally occurring 43-amino acid peptide, which plays a vital role in cell structure and in the protection, regeneration, remodeling and healing of tissues
"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
"vitreous humor"	clear gel that fills the space between the lens and the retina of the eyeball
"VMT"	vitreomacular traction, caused by vitreomacular adhesion, or VMA, a condition where the vitreous gel of the eye adheres to the retina in an abnormally strong manner
"wet age-related macular degeneration" or "wAMD"	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

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and operating results and performance;
- industry trends and competition;
- our product candidates under development or planning;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to attract customers and build our brand image;
- the amount and nature of, and potential for, future development of our business;
- our dividend policy;
- general political and economic conditions; and
- changes to regulatory and operating conditions in the industry and markets in which we operate.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this prospectus.

We are a pharmaceutical company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. We believe there are certain risks and uncertainties involved in investing in our Shares, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our financial position and need for additional capital; (ii) risks relating to the development, clinical trials and regulatory approval of our drug candidates; (iii) risks relating to commercialization of our drug candidates; (iv) risks relating to our intellectual property rights; (v) risks relating to our reliance on third parties; (vi) risks relating to our industry, business and operations; (vii) risks relating to doing business in China; and (viii) risks relating to the Global Offering.

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We are a pre-revenue pharmaceutical company. We have incurred significant operating losses since our inception, and anticipate that we will continue to incur operating losses for the foreseeable future and may never become profitable. As a result, you may lose substantially all of your investment in us given the high risks involved in our business and associated with the pharmaceutical industry.

We are a pre-revenue pharmaceutical company. Investment in pharmaceutical drug development is highly speculative. It entails substantial upfront capital expenditures and significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. As a result, you may lose substantially all of your investment in us given

the high risks involved in our business and associated with the pharmaceutical industry. As of the Latest Practicable Date, except for NTC010, none of our drug candidates had been approved for marketing and sale in any jurisdiction. We have not generated any revenue from the drug candidates we are developing, and we will continue to incur significant research and development and other expenses related to our ongoing operations. Our ability to generate revenue from our drug candidates will depend primarily on the success of the clinical trials, regulatory approval, manufacturing and commercialization of our drug candidates, which is subject to significant uncertainty. Even if we successfully complete clinical trials and obtain regulatory approval to market our drug candidates, our future revenue will depend upon other factors such as the market size for the proposed indications of our drug candidates, and our ability to achieve sufficient market acceptance.

We have incurred significant expenses related to the research and development of our drug candidates in the past. For the years ended December 31, 2019 and 2020, our research and development expenses amounted to RMB93.4 million and RMB81.8 million, respectively. We also incurred general and administrative expenses associated with our operations. In addition, we recorded finance costs which primarily represent financial liabilities recognized with respect to our Series A preferred shares and Series B preferred shares. We initially recognize preferred shares as financial liabilities at the present value of their redemption price, which represents the highest amount we would need to pay in case of the occurrence of any triggering events. The redemption price of preferred shares may change from time to time. We recognize the changes in the carrying amount of such financial liabilities in our consolidated statements of profit or loss. For the year ended December 31, 2019 and 2020, we recorded such liabilities of RMB24.8 million and RMB670.0 million, respectively. If the preferred shares are converted into ordinary shares, we transfer the carrying amount of the financial liabilities to share capital and share premium in our consolidated statements of financial position. As a result of the foregoing, we recorded net losses of RMB122.1 million and RMB727.0 million for the years ended December 31, 2019 and 2020, respectively.

We expect to continue to incur losses for the foreseeable future as we continue and expand our development of, and seek regulatory approvals for, our drug candidates, and continue to build up our commercialization and sales workforce in anticipation of the future roll-out of our drug candidates. In addition, we will continue to incur costs associated with operating as a public company going through a period of rapid growth. The size of our future net losses will depend, in part, on the number and scope of our drug development programs and the associated costs of those programs, the cost of commercializing any future approved products, our ability to generate revenues and the timing and amount of milestones and other payments we make or receive with or through arrangements with third parties. If any of our drug candidates fails in clinical trials or does not gain regulatory approval, or, if approved, fails to achieve market acceptance, we may never be able to generate revenue or become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. As a result, you may lose substantially all of your investment in us if our business fails.

We had net liabilities and net operating cash outflows during the Track Record Period.

As of December 31, 2019 and 2020, we had net liabilities of RMB25.5 million and RMB746.0 million, respectively. Our deficit position was in part due to the accounting treatment for our Preferred Shares, which are classified as convertible redeemable preferred shares under non-current liabilities. See "—The measurement of our Preferred Shares involves the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs which, by their nature, are subjective and uncertain" below. In addition, for the year ended December 31, 2019 and 2020, we had net cash used in operating activities of RMB55.2 million and RMB103.4 million, respectively. We expect that we may have net liabilities and experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default in our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

The measurement of our Preferred Shares involves the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs which, by their nature, are subjective and uncertain.

Our Preferred Shares are classified as convertible redeemable preferred shares under non-current liabilities. As of December 31, 2019 and 2020, we had convertible redeemable preferred shares of RMB369.7 million and RMB1,896.0 million, respectively. The Preferred Shares will automatically convert into Shares upon Listing, at which time we expect to record them as equity and, accordingly, turn into a net asset position. The measurement of our Preferred Shares takes into account the conversion option of the Preferred Shareholders, of which the fair value involves the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs such as expected probabilities of different events which, by their nature, are subjective and uncertain. Please also see Note 25(e) to the Accountants' Report in Appendix I to this prospectus for more information about the fair value measurement of the level 3 valuations. As such, the fair value of conversion feature has been, and will continue to be, subject to uncertainties in accounting estimation, and result in significant fluctuations in profit or loss until the Preferred Shares are converted into Shares upon Listing.

An impairment in the carrying value of intangible assets could have a material adverse effect on our financial condition and results of operations.

We had intangible assets of RMB36.9 million and RMB138.7 million as of December 31, 2019 and 2020, respectively. Our intangible assets primarily consist of patents and in-licensed rights, whereby patents are amortized over their estimated useful lives of 10 to 17 years. In-licensed rights with finite useful lives are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production, and in-licensed rights with indefinite useful lives or not ready for use will not be amortized but tested for impairment annually either individually or at the

cash-generating unit level. The impairment test would compare the recoverable amount of each of the cash-generating units to its carrying value. Determination of recoverable amount requires considerable judgment and is sensitive to inherent uncertainties and changes in estimates and assumptions. Declines in market conditions, weak trends in anticipated financial performance of reporting units or declines in revenue projections are examples of indicators that carrying values of intangible assets may not be recoverable, and in turn result in impairment losses. Any significant impairment losses recorded against our intangible assets could have a material adverse effect on our financial condition and results of operations.

We may need to raise additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all.

Our operations have required substantial amounts of cash since our inception. To date, we have financed our operations primarily through the equity financing. We may nevertheless require substantial additional capital to meet our continued operating cash requirements, especially to fund our research and development activities, commercialization of our drug candidates and development of manufacturing capabilities. Our cash operating costs mainly consist of clinical trial expenses, agency and consulting fees, raw material costs and staff costs. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this "Risk Factors" section. Our future funding requirements will depend on many factors, including:

- the progress, timing, scope and costs of the clinical trials of our drug candidates, including the ability to timely enroll patients in our planned and potential future clinical trials;
- the outcome, timing and costs of regulatory approvals of our drug candidates;
- the number and characteristics of drug candidates that we may in-license and develop;
- the amount and timing of the milestone and royalty payments that we may be required to pay our licensing partners;
- the cost of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights;
- the selling expenses associated with any future drug candidates that may be approved, including the cost and timing of expanding our marketing and sales capabilities;
- the terms and timing of any potential future collaborations, license or other arrangements that we may establish;

- the cash requirements of any future acquisitions and/or the development of other pipeline drug candidates;

- the cost and timing of development and completion of commercial-scale internal or outsourced manufacturing activities; and

- our headcount growth and associated costs.

It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain additional capital to meet our cash requirements in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

We are an ophthalmic pharmaceutical company with a relatively short operating history. Our operations to date have focused on organizing and staffing our Company, business planning, raising capital, establishing our drug portfolio, conducting preclinical studies and clinical trials of our drug candidates, developing manufacturing capabilities and building a sales network. As of the Latest Practicable Date, we had not generated any revenue from the drug candidates we are developing. All of our portfolio drugs are still at various stages of development. We have not yet successfully obtained regulatory approval to market any drug candidates from our development pipeline, and have not commercially manufactured or commercialized any such drug candidates. Our limited operating history, particularly in the rapidly evolving ophthalmic pharmaceutical industry, may make it difficult to evaluate our current business and reliably predict our future performance. We may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business will suffer. These risks may cause potential investors to lose substantially all of their investment in our business.

We may fail to effectively manage our anticipated growth or execute on our growth strategies.

As we develop our specialized ophthalmic platform toward offering a comprehensive solution covering front- to back-of-the-eye diseases, our growth strategies focus on utilizing our domain expertise to bring our novel and generic ophthalmic therapies to fulfill significant unmet medical needs. See "Business—Our Strategies." Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing on our growth strategies will require, among other things, our ability to continue to identify and develop promising drug candidates in the highly competitive global and Chinese ophthalmic pharmaceutical market, effective coordination and integration of new facilities and new teams that we may develop, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and

efficient financial and management control, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute on our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

The occurrence of any of future currency exchange rate fluctuations could have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain of our time deposits, cash and cash equivalents, payables and receivables are denominated in foreign currencies and are exposed to foreign currency risk. We recorded net foreign exchange gain of RMB1.1 million and loss of RMB5.5 million in 2019 and 2020, respectively. In our consolidated statements of profit or loss and other comprehensive income, we also recorded exchange differences on translation of financial statements because certain of our subsidiaries have functional currencies other than Renminbi, resulting in exchange differences when the amounts of items on their financial statements were converted into Renminbi. Such exchange differences were RMB4.5 million and RMB56.1 million in 2019 and 2020, respectively. We currently do not have a hedging policy, and the occurrence of any of future currency exchange rate fluctuations could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO DEVELOPMENT, CLINICAL TRIALS AND REGULATORY APPROVAL OF OUR DRUG CANDIDATES

Our business and financial prospects depend substantially on the success of our drug candidates, all of which are in preclinical or clinical development. If we are unable to successfully develop and commercialize our drug candidates, or experience significant delays in doing any of the foregoing, our business may be materially harmed.

Our business will depend on the successful development, regulatory approval and commercialization of the drug candidates in our development pipeline, all of which are still in preclinical or clinical development, and other drug candidates we may in-license, acquire or develop in the future. We have invested a significant amount of efforts and financial resources in our existing drug candidates. The success of our drug candidates will depend on several factors, including:

- successful patient enrollment in, and completion of, clinical trials;
- favorable safety and efficacy data from our clinical trials and other studies;
- obtaining sufficient supplies, including, where applicable, supplies from our in-licensing partners, that may be necessary for use in clinical trials for evaluation of our drug candidates;

- the performance by CROs, or other third parties we may retain to conduct clinical trials, of their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;

- receipt of regulatory approvals for our drug candidates;

- developing sufficient commercial manufacturing capabilities;

- successfully launching commercial sales of our drug candidates, if and when approved;

- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;

- ensuring that we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;

- gaining competitive advantage over other drug candidates and drugs; and

- continued acceptable safety profile for our drug candidates following regulatory approval, if and when received.

If we experience difficulty in one or more of these factors, we may not successfully commercialize our drug candidates. Our business may be materially harmed as a result and we may not be able to generate sufficient revenues and cash flows to continue our operations.

We may not be able to identify, discover or in-license new drug candidates, and may allocate our limited resources to pursue a particular drug candidate or indication and fail to capitalize on drug candidates or indications that may later prove to be more profitable, or for which there is a greater likelihood of success.

We have built an ophthalmic drug pipeline of 25 candidates, including 13 innovative drugs and 12 generic drugs, that covers most major ocular indications affecting the front and the back of the eye. The success of our business depends in part upon our ability to identify, discover, in-license, develop, or commercialize additional drug candidates to expand our product portfolio. Research or in-license efforts to identify new drug candidates require substantial technical, financial, and human resources. We may focus our efforts and resources on potential programs or drug candidates that ultimately prove to be unsuccessful. We may fail to identify, discover or in-license new drug candidates for clinical development and commercialization for a number of reasons, including, without limitation, the following:

- our research or business development methodology or search criteria and process may be unsuccessful in identifying potential drug candidates;

- our potential drug candidates may be shown to have harmful adverse effects or may have other characteristics that may make the products unmarketable or unlikely to receive marketing approval;

- significant competition we may face from other pharmaceutical or biotechnology companies with greater resources or capabilities than us in pursuing potential in-license opportunities; and

- it may take greater human and financial resources to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates than we possess, thereby limiting our ability to diversify and expand our drug portfolio.

Because we have limited financial and managerial resources, we can only focus on specific research programs and drug candidates. As a result, we may forgo or delay pursuit of opportunities with other drug candidates or for other indications that later may prove to have greater commercial potential or a greater likelihood of success. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Accordingly, there is no assurance that we will ever be able to identify, discover or in-license new drug candidates with high potential or capitalize on drug candidates or indications that later may prove to have greater commercial potential or a greater likelihood of success, which could materially adversely affect our future growth and prospects.

The research and development of our drug candidates involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

Before obtaining regulatory approval to market our drug candidates, we must do substantial preclinical research and conduct extensive clinical trials to demonstrate their safety and efficacy in humans. Clinical trials are expensive and can take many years to complete, and outcomes are inherently uncertain. Failure can occur at any time during the research and development process. The results of preclinical research and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. In some instances, there can be significant variability in safety or efficacy results between different trials of the same drug candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen and other trial protocol elements and the rate of dropout among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites and additional countries and languages involved in such trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to

lack of efficacy or adverse safety profiles, notwithstanding positive results in earlier trials. Our future clinical trial results may not be favorable. You may lose all or part of your investments in us if our research and development fails.

If we encounter difficulties enrolling patients in our clinical trials, our clinical trials and the commercialization of our drug candidates could be delayed or otherwise adversely affected.

The successful and timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including but not limited to:

- the size and nature of the patient population;
- the patient eligibility criteria defined in the protocol;
- the size of the study population required for analysis of the trial's primary endpoints;
- the proximity of patients to trial sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- clinicians' and patients' perceptions of the potential advantages and side effects of the drug candidate being studied compared to other available therapies, including any new drugs or treatments that may be approved for the indications we are investigating;
- our ability to obtain and maintain patient consents;
- the risk that patients enrolled in clinical trials will not complete a clinical trial; and
- the availability of approved therapies that are similar in mechanism to our drug candidates.

In addition, our clinical trials will likely compete with other clinical trials for drug candidates that are in the same therapeutic areas as our drug candidates. The competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial conducted by one of our competitors. Because the number of qualified clinical investigators and clinical trial sites is

limited, we expect that some of our clinical trials may be conducted at the same clinical trial sites that some of our competitors use, which may reduce the number of patients available for our clinical trials at such clinical trial sites.

Patient enrollment may also be delayed as a result of epidemics such as the COVID-19 pandemic, or similar events. Our licensing partners also have similarly experienced delays in their clinical trials due to the outbreak of COVID-19 in their respective territories. Such delay may, among other things, result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development and commercialization of our drug candidates.

We may incur additional costs or experience delays in completing, or may ultimately be unable to complete, the development and commercialization of our drug candidates.

We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to complete the clinical trials, receive regulatory approval or commercialize our drug candidates, including:

- regulators may not authorize us to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon drug development programs;

- our drug candidates, or the substance of our drug candidates, may prove to cause adverse events, have undesirable side effects or other unexpected characteristics, causing us to suspend or terminate the trials;

- we may be unable to reach agreements on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;

- our CROs may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- our other third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- the number of patients required for clinical trials of our drug candidates may be larger than we anticipate; enrollment may be insufficient or slower than we anticipate; or patients may drop out at a higher rate than we anticipate;

- we might have to suspend or terminate clinical trials of our drug candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks;

- regulators may require us to suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements;

- the cost of clinical trials of our drug candidates may be greater than we anticipate; and

- the supply or quality of our drug candidates or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our drug candidates beyond those that we contemplate, or if we are unable to successfully complete clinical trials of our drug candidates or other testing, we may be delayed in obtaining regulatory approval for our drug candidates or not obtain regulatory approval at all.

Significant clinical trial delays may also increase our development costs and could shorten any periods during which we have the exclusive right to commercialize our drug candidates or allow our competitors to bring drugs to market before we do. This could impair our ability to commercialize our drug candidates and may harm our business and results of operations.

We may be unable to obtain, or experience delays in obtaining, required regulatory approvals for our drug candidates in our target markets.

The process required to obtain approval by the NMPA and other comparable regulatory authorities is long, complex and costly, and approval is never guaranteed. In addition to significant amount of preclinical and clinical data and CMC information for a drug candidate, the NMPA or a comparable regulatory authority may require more information, including additional analyses, reports, data, non-clinical studies and clinical trials, or questions regarding interpretations of data and results, to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development programs.

Although we have gained adequate experience and capability in communication and consultation with regulatory authorities as we develop our existing drug candidates in the development pipeline, we have not yet received regulatory approval for our drug candidates from our development pipeline. Hence, our ability to successfully submit an NDA and obtain regulatory approval for our drug candidates may involve inherent risk, take longer, or cost more than it would compared with a company with more experience in obtaining regulatory approvals.

Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Resubmission may impact the costs, timing or successful completion of a clinical trial. The policies of the NMPA and other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. Even if we have received regulatory approval of any of our drug candidate, if we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any regulatory approval that we may have obtained, which may adversely affect our ability to generate revenue and achieve or sustain profitability from such drug candidates.

If we are unable to obtain NMPA approval for our drug candidates to be eligible for an expedited registration pathway as innovative drug candidates or new modified drug candidates, the time and cost we incur to obtain regulatory approvals may increase.

The NMPA has mechanisms in place for expedited review and approval for drug candidates that are innovative drug or new modified drug applications, provided that such drug or drug candidate has an apparent clinical value and are urgently needed, clinically short supply, or used to prevent and treat diseases that seriously threaten life or seriously affect the quality of life, for which there have been no effective prevention or treatment methods or there is sufficient evidence to show obvious clinical advantages compared with the existing treatment methods or meets other expedited registration requirements. For any submission of an application under the expedited regulatory designation, there can be no assurance that such submission or application will be accepted for filing or that any expedited development, review or approval will be granted to us on a timely basis, or at all. Furthermore, there can be no assurance that, after feedback from the regulatory authorities, we will continue to pursue or apply for expedited development, review or approval, even if we initially decide to do so. A failure to obtain any form of expedited development, review or approval for our drug candidates, or withdrawal of a drug candidate, would result in a longer time period until commercialization of such drug candidate, could increase the cost of development of such drug candidate, and could harm our competitive position in the marketplace. In addition, even if we are able to use an expedited registration pathway, it may not lead to expedited approval of our drug candidates, or approval at all.

Despite positive regulatory changes introduced since 2015 which significantly accelerated time to market for innovative drugs, the regulatory process in China is still evolving and subject to change. The NMPA might require us to change our planned clinical study design or otherwise spend additional resources and effort to obtain approval of our drug candidates. In addition, policy changes may contain significant limitations related to use restrictions for certain age groups, warnings, precautions or contraindications, or subject our products to burdensome post-approval study or risk management requirements. If we are unable to obtain regulatory approval for our drug candidates, or any approval contains significant limitations, we may not be able to obtain sufficient funding or generate sufficient revenue to continue the development of our drug candidates or any other drug candidate that we may in-license, acquire or develop in the future.

Our drug candidates, if and when approved, will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements.

Our drug candidates, if and when approved by the NMPA or a comparable regulatory authority, will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy and other post-market information requirements of regulatory authorities in China and comparable regulatory authorities in other countries. Certain changes to the drug, such as changes in manufacturing processes and additional labeling claims, may be subject to additional review and approval by the NMPA and comparable regulatory authorities.

Any regulatory approvals that we may receive for our drug candidates may be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, which could adversely affect the drug's commercial potential or contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the drug candidate. The NMPA or a comparable regulatory authority may also require a risk evaluation mitigation strategy program as a condition of approval of our drug candidates or following approval. In addition, if the NMPA or a comparable regulatory authority approves our drug candidates, we will have to comply with requirements, including, for example, submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with GMP and GCP for any clinical trials that we conduct post-approval.

The NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. Therefore a company that is found to have improperly promoted off-label uses may be subject to liability.

RISKS RELATING TO COMMERCIALIZATION OF OUR DRUG CANDIDATES

Our future approved drugs may fail to achieve the degree of market acceptance by ophthalmologists, patients, third-party payers and others in the medical community necessary for commercial success.

Our future approved drugs may fail to gain sufficient market acceptance by ophthalmologists, patients and others in the medical community. Doctors and patients may continue to prefer current treatments to the exclusion of our drugs for the same or similar indications. The degree of market acceptance of our drug candidates, if approved for commercial sale, will depend on a number of factors, including:

- the availability, perceived advantages and relative cost, safety and efficacy of alternative and competing treatments;
- the cost effectiveness of our future approved drugs;
- the effectiveness of our marketing, sales and distribution strategies and operations;
- our ability to manufacture commercial supplies of our future approved drugs, to remain in good standing with regulatory agencies, and to develop, validate and maintain commercially viable manufacturing processes that are, to the extent required, compliant with GMP regulations;
- the degree to which the approved labeling supports promotional initiatives for commercial success;
- a continued acceptable safety profile of our future approved drugs;
- results from additional clinical trials of our drug candidates or further analysis of clinical data from completed clinical trials of our future approved drugs by us or our competitors;
- our ability to enforce our intellectual property rights;
- potential advantages of future approved drugs over other therapies;
- our ability to avoid any third-party patent interference or patent infringement claims; and
- maintaining compliance with all applicable regulatory requirements.

If any approved drug candidates that we commercialize fail to achieve market acceptance in the medical professional community, we will not be able to generate significant revenue. Even if our future approved drug candidates achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our drug candidates, are more cost-effective or render our drug candidates obsolete.

We have limited experience in launching and marketing drug candidates, and we may not be able to successfully create or increase market awareness of our products or sell our products, which will materially affect our ability to generate product sales revenue.

Our operations to date have been largely focused on developing our drug candidates, including undertaking preclinical studies and conducting clinical trials. To support our product launch, we have recently commenced building our commercialization team, yet we have not demonstrated our ability to conduct sales, marketing and distribution activities necessary for

successful product commercialization. As a result, our ability to successfully commercialize our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience launching and marketing drug candidates.

We will have to compete with other pharmaceutical and biopharmaceutical companies to recruit, hire, train and retain marketing and sales personnel. If we are unable to successfully develop internal sales, marketing and commercial distribution capabilities for our drug candidates, our revenue from product sales may be materially and adversely affected. In addition, we may not be able to effectively manage, further develop and successfully maintain in-house sales and commercial distribution capabilities to successfully commercialize our products. Any of the foregoing may affect our business and future prospects.

Even if we are able to commercialize any drug candidates for which we receive regulatory approvals, reimbursement may be unavailable or limited in certain market segments for our drug candidates, which could harm our business.

Our ability to commercialize any drugs successfully depends in part on the extent to which reimbursement for these drugs and related treatments will be available from government health administration authorities and third-party payors, such as private health insurers and health maintenance organizations. Government authorities and third-party payors decide which medications they will pay for and establish reimbursement ratios. Reimbursement may impact the demand for, or the price of, our future approved drugs, and the commercial prospects of such drugs.

A primary trend in the global healthcare industry is cost containment. In China, the newly created National Healthcare Security Administration (國家醫療保障局), or the NHSA, or its local counterparts, review the inclusion or removal of drugs from the NRDL or PRDLs regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. These determinations are made based on a number of factors, including price and efficacy. The success of our drug portfolio depends in part on the inclusion of our future approved drugs in the NRDL or PRDLs and our ability to generate significant sales revenues from these reimbursable drugs. However, there can be no assurance that any of our future approved drugs will be included in the NRDL or PRDLs on reasonable reimbursement ratios, or at all. If we were to successfully launch commercial sales of our products but fail in our efforts to have our products included in the NRDL or PRDLs, our sales channels may be limited and our revenue from commercial sales will be highly dependent on patient self-payment, which can make our products less competitive.

In addition, there may be significant delays in obtaining reimbursement for our future approved drugs, and coverage may be more limited than the purposes for which such drugs are approved. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and third-party payors for any future approved drugs and any additional drug candidates that we develop could have a material adverse effect on our business, operating results, and overall financial condition.

Even if reimbursement is available, we may need to significantly concede on prices for our future approved drugs in China and face uncertainty of profitability.

In November 2019, the NHSA organized a price negotiation with drug companies for 119 new drugs that had not been included in the NRDL at the time of the negotiation, which resulted in an average price reduction by over 60% for 70 of the 119 drugs that passed the negotiation. We may also attend the price negotiation with the NHSA of our future approved drugs in China, but we will likely need to significantly reduce our prices, and to negotiate with each of the local healthcare security administrations on reimbursement ratios. If the NHSA or any of its local counterparts includes any of our future approved drugs in the NRDL or the PRDL, which may increase the demand for such drug, our potential revenue or profitability from the sales of such drug may still decrease as a result of lower prices. Eligibility for reimbursement in China does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including license fees, research, development, manufacture, sale and distribution.

Moreover, private hospitals often require that drug companies provide them with predetermined discounts from list prices in their procurement of drugs. The prices we offer to the NHSA and its local counterparts may be used as benchmarks and further reduced by discounts or rebates required by private hospitals. The centralized tender process in China may also create pricing pressure among substitute products or products that are perceived to be substitute products, and we cannot assure you that our future drugs would not be adversely affected.

Guidelines, recommendations and studies published by various organizations could disfavor our drug candidates.

Government agencies, professional societies, practice management groups, private health and science foundations and organizations focused on various diseases may publish guidelines, recommendations or studies that affect our or our competitors' drugs and drug candidates. Any such guidelines, recommendations or studies that reflect negatively on our drug candidates, either directly or relative to our competitive drug candidates, could result in current or potential decreased use, sales of, and revenues from one or more of our drug candidates. Furthermore, our success depends in part on our and our business partners' ability to educate healthcare providers and patients about our drug candidates, and these education efforts could be rendered ineffective by, among other things, third parties' guidelines, recommendations or studies.

The illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drugs and could have a negative impact on our reputation and business.

The illegal importation of competing products that are not currently approved and marketed in our targeted markets or from countries where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved drugs and, in turn, may adversely affect our sales and profitability in China and other

countries where we commercialize our products. Unapproved foreign imports of prescription drugs are illegal under the laws of China and many other countries. However, illegal imports may continue to occur or even increase as the ability of patients and other customers to obtain these lower priced imports continues to grow. Furthermore, cross-border imports from lower-priced markets (which are known as parallel imports) into higher-priced markets could harm sales of our future approved drugs and exert commercial pressure on pricing within one or more markets. In addition, competent government authorities may expand consumers' ability to import lower priced versions of our future approved products or competing products from outside China or other countries where we commercialize our products. Any future legislation or regulations that increase consumer access to lower priced medicines from outside China or other countries where we commercialize our products could have a material adverse effect on our business.

Certain products distributed or sold in the pharmaceutical market may be manufactured without proper licenses or approvals, or be fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as China, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating our products. Since counterfeit pharmaceutical products in many cases have very similar appearances compared with the authentic pharmaceutical products but are generally sold at lower prices, counterfeits of our products could quickly erode the demand for our future approved drugs. In addition, counterfeit pharmaceutical products are not expected to meet our or our collaborators' rigorous manufacturing and testing standards. A patient who receives a counterfeit pharmaceutical product may be at risk for a number of dangerous health consequences. Our reputation and business could suffer harm as a result of counterfeit pharmaceutical products sold under our or our collaborators' brand name(s). In addition, thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.

The increasing use of social media platforms presents new risks and challenges.

Social media are increasingly being used to communicate about the diseases that our therapies are designed to treat. Social media practices in the ophthalmic pharmaceutical industry continue to evolve and regulations relating to such use are not always clear. This evolution creates uncertainty and risk of noncompliance with regulations applicable to our business. For example, patients may use social media channels to comment on the effectiveness of a drug product or to report an alleged adverse event. When such disclosures occur, there is a risk that we fail to monitor and comply with applicable adverse event reporting obligations or we may not be able to defend our own or the public's legitimate interests in the face of the political and market pressures generated by social media due to restrictions on what we may say about our drug candidates. There is also a risk of inappropriate disclosure of sensitive information or negative or inaccurate posts or comments about us on any social networking website. If any of these events occur or we otherwise fail to comply with applicable regulations, we may incur liability, face overly restrictive regulatory actions or incur other harm to our business.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by licensing partners.

We rely on licenses to certain patent rights and other intellectual property from third parties that are important or necessary to the development, manufacture or commercialization of our drug candidates and certain of these third parties from which we have been granted licenses themselves rely on licenses from other third parties. These and other licenses may not provide exclusive rights to use such intellectual property in all relevant fields of use or in all territories in which we may wish to develop or commercialize our drug candidates. As a result, other third parties who obtain relevant licenses from our licensing partners may develop or commercialize drug candidates in the fields which are not included in our licenses or develop and commercialize competing drugs in the markets outside our licensed territories.

In addition, we may not have the right to control the preparation, filing, prosecution, maintenance, enforcement or defense of patents and patent applications covering the drug candidates that we license from third parties. Therefore, we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced and defended in a manner consistent with the best interests of our business. If our licensing partners fail to prosecute, maintain, enforce or defend such patents, or lose rights to those patents or patent applications, the rights we have licensed may be reduced or eliminated, and our right to develop and commercialize any of our drugs that are subject of such licensed rights could be adversely affected.

In spite of our best efforts, our licensing partners might conclude that we have materially breached our license agreements and might therefore terminate the license agreements, thereby removing our ability to develop and commercialize drug products covered by these license agreements. If such licenses are terminated, we may be required to seek alternative in-license arrangements, which may not be available on commercially reasonable terms or at all, or may be non-exclusive. In addition, we may seek to obtain additional licenses from our licensing partners and, in connection with obtaining such licenses, we may agree to amend our existing licenses in a manner that may be more favorable to the licensing partners, including by agreeing to terms that could enable third parties (potentially including our competitors) to receive licenses to a portion of the intellectual property that is subject to our existing licenses. If such alternative or additional in-license arrangements are not available, we may need to modify or cease the development, our manufacture, or commercialization of one or more of our drug candidates and competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. Any of these events could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

In some cases, our licensing partners are not the sole and exclusive owners of the intellectual property rights we in-license. Our licensing partners have obtained the rights to such patents through license agreements with the entities that own or control such patents and have in turn sublicensed such rights to us. We are not a party to the license agreements under

which our licensing partners obtain their rights and therefore cannot ensure that our licensing partners will comply with their obligations under such agreements. If any of our licensing partners breach or otherwise violate any such agreements, their rights thereunder may be terminated and our licensing partners may no longer be able to sublicense such rights to us. In addition, our licensing partners may not control prosecution and enforcement such patents. If our licensing partners lose their rights to any patents or other intellectual property rights upon which we depend and we lose our sublicense rights to such patents and other intellectual property, we may be required to cease the development and commercialization of our products and it could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

If we are unable to obtain and maintain adequate patent and other intellectual property protection for our drug candidates in the jurisdictions we intend to commercialize our drug candidates, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully develop and commercialize any of our drug candidates or technologies would be materially adversely affected.

Our success depends in large part on our ability to protect our proprietary technologies and drug candidates from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. We seek to protect the drug candidates and technology that we consider commercially important by filing patent applications in China and other jurisdictions we intend to launch commercialization of our drug candidates, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. However, the patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost, in a timely manner, or at all. In addition, the patent position of pharmaceutical and biopharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, we cannot be certain whether patents will be issued or granted with respect to our patent applications that are currently pending, the coverage claimed in our patents applications will be limited before patent is issued or granted, or that issued or granted patents will not later be found to be invalid and/or unenforceable, be interpreted in a manner that does not adequately protect our drug candidates and development pipeline, or otherwise provide us with any competitive advantage.

Patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of novelty of the underlying invention or technology. It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, consultants, scientific advisors, contractors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is

filed, thereby jeopardizing our ability to obtain patent protection. Moreover, publications of discoveries in the scientific literature often lag behind the actual discoveries. Therefore, we cannot be certain that we were the first to invent, or the first to file patent applications on, our drug candidates or for their uses, or that our drug candidates will not infringe patents currently issued or to be issued in the future. In the event that a third party has also filed a patent application covering one of our drug candidates or a similar invention, our patent application may be regarded as competing applications and may not be approved in the end.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patent rights may be challenged in the courts or patent offices in China and other jurisdictions. We may become involved in opposition, derivation, revocation, re-examination, post-grant review, *inter partes* review, or interference proceedings or similar proceedings challenging our patent rights or the patent rights of others. In addition, a third party may claim that our patent rights are invalid or unenforceable in a litigation. An adverse determination in any such submission, proceeding or litigation could put one or more of our patents at risk of being interpreted narrowly, invalidated, or ruled unenforceable and could allow third parties to commercialize products similar or identical to our technology or drug candidates and compete directly with us without payment to us, or result in our inability to manufacture or commercialize drug candidates without infringing, misappropriating or otherwise violating third-party patent rights. Consequently, we do not know whether any of our technology or drug candidates will be protectable or remain protected by valid and enforceable patents.

We intend to protect our intellectual property rights in our target markets. Filing, prosecuting, maintaining, defending and enforcing patents and other intellectual property rights with respect to our drug candidates in all jurisdictions throughout the world would be prohibitively expensive for us. Our intellectual property rights in certain jurisdictions may have a lessor or different scope and strength compared to those in our target markets. In addition, the laws of certain jurisdictions do not protect intellectual property rights to the same extent as the laws of our target markets. Consequently, in some cases, we may not be able to obtain issued patents or other intellectual property rights covering our drug candidates in jurisdictions outside our target markets and, as a result, we may not be able to prevent third parties from using our inventions in all jurisdictions outside our target markets, or from selling or importing drugs made using our inventions in and into our target markets or other jurisdictions. Competitors and other third parties may use our technologies in jurisdictions where we have not pursued and obtained patent and other intellectual property protection to develop their own drugs and further, may export otherwise infringing drugs to jurisdictions where we have patent or other intellectual property protection. These drugs may compete with our drug candidates and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing. Proceedings to enforce our patent and other intellectual property rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents and other intellectual property rights at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies

awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a commercial advantage from our intellectual property. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Even if we are able to obtain patent protection for our drug candidates, the term of such protection, if any, is limited, and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us after the expiration of our patent rights, if any, and our ability to successfully commercialize any product or technology would be materially adversely affected.

Although various adjustments and extensions may be available, the term of a patent, and the protection it affords, is limited. Even if we successfully obtain patent protection for an approved drug candidate, it may face competition from generic or biosimilar medications once the patent has expired. Manufacturers of generic or biosimilar drugs may challenge the scope, validity or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such drug candidates might expire before or shortly after such drug candidates are commercialized. As a result, our owned and licensed patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Our owned or in-licensed patents and other intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings.

We or our licensing partners may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents or other intellectual property. If we or our licensing partners are unsuccessful in any interference proceedings or other priority or validity or enforceability disputes (including any patent oppositions) to which we or they are subject, we may lose valuable intellectual property rights through the loss of one or more patents owned or licensed or our owned or licensed patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our licensing partners are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership of, or the exclusive right to use, our owned or in-licensed patents. If we or our licensing partners are unsuccessful in any interference proceeding or other ownership, priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to cease the development,

manufacture, and commercialization of one or more of our drug candidates. The loss of exclusivity or the narrowing of our owned and licensed patent claims could limit our ability to stop others from using or commercializing similar or identical drug products. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations, or prospects. Even if we are successful in an interference proceeding or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- our competitors may be able to make compounds that are similar to our drug candidates but that are not covered by the claims of the patents that we own or have licensed;

- we or our licensing partners or the ultimate owners of the patent rights might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may in the future license, which could result in the patent applications not issuing or being invalidated after issuing;

- we or our licensing partners or the ultimate owners of the patent rights might not have been the first to file patent applications covering certain of our the inventions that we own or license, which could result in the patent applications not issuing or being invalidated after issuing;

- our competitors may independently develop similar or alternative technologies or duplicate any of the technologies that we own or license without infringing our or our licensing partners' or the ultimate owners' intellectual property rights, and even if we defend or assert our patents by filing lawsuits alleging patent infringement and engage in complex, lengthy and costly litigation or other proceedings, a court or government agency with jurisdiction may find our patents invalid, unenforceable or not infringed;

- our, our licensing partners' or the ultimate owners' pending patent applications may not lead to issued patents;

- issued patents that we own or have licensed may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;

- we or our licensing partners or the ultimate owners of the patent rights may obtain patents for certain compounds many years before we obtain marketing approval for products containing such compounds, and because patents have a limited life, which may begin to run prior to the commercial sale of the related product, the commercial value of such patents may be limited;

- our competitors might conduct research and development activities in countries where we or our licensing partners or the ultimate owners of the patent rights do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;

- we or our licensing partners or the ultimate owners of the patent rights may fail to develop additional proprietary technologies that are patentable;

- we or our licensing partners or the ultimate owners of the patent rights may not be able to protect our intellectual property rights that we own or license across the world or prevent unfair competitions from third parties;

- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and

- the patents of others may have an adverse effect on our business, for example by preventing us from marketing one or more of our drug candidates for one or more indications.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business.

Claims that our drug candidates or the sale or use of our future products infringes, misappropriates or otherwise violates the patent or other intellectual property rights of third parties could result in costly litigation or could require substantial time and money to resolve, even if litigation is avoided.

Our commercial success depends upon our ability to develop, manufacture, market and sell our drug candidates without infringing, misappropriating or otherwise violating the intellectual property rights of others. We cannot guarantee that our drug candidates or any uses of our drug candidates do not and will not in the future infringe third-party patents or other intellectual property rights. It is also possible that we failed to identify, or may in the future fail to identify, relevant patents or patent applications held by third parties that cover our drug candidates. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our products or their use.

Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, use or

manufacture of the compounds we have developed or are developing. Such third parties might resort to litigation against us or other parties we have agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future.

In order to avoid or settle potential claims with respect to any patent or other intellectual property rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both, which could be substantial. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, if, as a result of any actual or threatened patent or other intellectual property claims, we are unable to enter into licenses on acceptable terms, we could be prevented from commercializing a future approved drugs, or be forced, by court order or otherwise, to cease some or all aspects of our business operations. Further, we could be found liable for significant monetary damages as a result of claims of intellectual property infringement, including treble damages and attorneys' fees if we are found to willfully infringe a third party's patent.

Defending against claims of patent infringement, misappropriation of trade secrets or other violations of intellectual property rights could be costly and time consuming, regardless of the outcome. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs.

Unfavorable outcomes in intellectual property litigation could limit our research and development activities and/or our ability to commercialize certain future approved drugs, and intellectual property litigation may lead to unfavorable publicity which may harm our reputation.

If third parties successfully assert their intellectual property rights against us, we might be barred from using certain aspects of our technology, or barred from developing and commercializing certain future approved drugs. Prohibitions against using certain technologies, or prohibitions against commercializing certain future approved drugs, could be imposed by a court or by a settlement agreement between us and a plaintiff. In addition, if we are unsuccessful in defending against allegations that we have infringed, misappropriated or otherwise violated patent or other intellectual property rights of others, we may be forced to pay substantial damage awards to the plaintiff. Further, not all of our licensing partners have represented and warrantied under the license agreements that our use of in-licensed technologies in connection with the development, manufacture or commercialization of our drug or drug candidates will not infringe upon intellectual property rights owned by third parties, or have agreed to indemnify, defend or hold us harmless against any intellectual property infringement claims asserted by third parties.

There is inevitable uncertainty in any litigation, including intellectual property litigation. There can be no assurance that we would prevail in any intellectual property litigation, even if the case against us is weak or flawed. If litigation leads to an outcome unfavorable to us, we may be required to obtain a license from the intellectual property owner in order to continue our research and development programs or to market any resulting product. It is possible that the necessary license will not be available to us on commercially acceptable terms, or at all. Alternatively, we may be required to modify or redesign our future approved drugs in order to avoid infringing or otherwise violating third-party intellectual property rights. This may not be technically or commercially feasible, may render our future approved drugs less competitive, or may delay or prevent the entry of our future approved drugs to the market. Any of the foregoing could limit our research and development activities, our ability to commercialize one or more drug candidates, or both.

Most of our competitors are larger than we are and have substantially greater resources. They are, therefore, likely to be able to sustain the costs of complex intellectual property litigation longer than we could. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to conduct our clinical trials, continue our internal research programs, in-license needed technology, or enter into strategic partnerships that would help us bring our drug candidates to market.

In addition, any future intellectual property litigation, interference or other administrative proceedings will result in additional expense and distraction of our personnel. An adverse outcome in such litigation or proceedings may expose us or any future strategic partners to loss of our proprietary position, expose us to liabilities, or require us to seek licenses that may not be available on commercially acceptable terms, if at all, each of which could have a material adverse effect on our business. Furthermore, during the course of any intellectual property litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our drug candidates, future drugs, programs or intellectual property could be diminished. Accordingly, the price of our Shares may decline. Such announcements could also harm our reputation or the market for our drug candidates, which could have a material adverse effect on our business.

Obtaining and maintaining our patent protection and rights under the license agreements depend on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection or rights under the license agreements could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and patent applications are due to be paid to the National Intellectual Property Administration (國家知識產權局) of the PRC or World Intellectual Property Organization and other patent agencies in several stages over the lifetime of a patent. The National Intellectual Property Administration of the PRC or World Intellectual Property Organization and various patent agencies require compliance with a number of procedural, documentary, fee payment

and other similar provisions during the patent application process. We are also dependent on our licensing partners to take the necessary action to comply with these requirements with respect to our licensed intellectual property. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In addition, under the relevant PRC law, certain filing procedures need to be conducted with relevant procedures with respect to license agreements for patents and technology; otherwise the terms of the license agreements may not be enforceable against a good faith third party. Any of the above events may harm our patent protection or rights under the license agreements, which would have a material adverse effect on our business.

We may be subject to claims asserting that our employees, consultants, independent contractors and advisors have wrongfully used or disclosed confidential information and/or alleged trade secrets of their current or former employers or claims asserting ownership of what we regard as our own intellectual property.

Although we try to ensure that our employees, consultants, independent contractors and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these individuals or we have inadvertently or otherwise used or disclosed confidential information and/or intellectual property, including trade secrets or other proprietary information, of the companies that any such individual currently or formerly worked for or provided services to. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to our business.

In addition, while in the standard confidentiality and non-compete agreements with our key personnel, we typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property rights may not be self-executing or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property.

Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of trade secrets and other proprietary information.

We rely on employee and third-party confidentiality agreements to safeguard our intellectual property, such as trade secrets, know-how and other proprietary information. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees, consultants, contractors and other third parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors and other third parties might intentionally or inadvertently disclose our trade secret information to competitors or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable.

We sometimes engage third parties to conduct research relevant to our drug candidates. The ability of these individuals or research institutions to publish or otherwise publicly disclose data and other information generated during the course of their research is subject to certain contractual limitations. These contractual provisions may be insufficient or inadequate to protect our confidential information. If we do not apply for patent protection prior to such publication, or if we cannot otherwise maintain the confidentiality of our proprietary technology and other confidential information, then our ability to obtain patent protection or to protect our trade secret information may be jeopardized, which could adversely affect our business.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our drug candidates.

As is the case with other pharmaceutical and biopharmaceutical companies, our success is heavily dependent on obtaining, maintaining, enforcing and defending intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical and biopharmaceutical industry involves technological and legal complexity, and obtaining and enforcing pharmaceutical and biopharmaceutical patents is costly, time-consuming and inherently uncertain. Changes in either the patent laws or their interpretation in China, the U.S. or other jurisdictions may increase the uncertainties and costs surrounding the prosecution of our patents, diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, affect the value of our intellectual property or narrow the scope of our patent rights.

The absence of patent linkage and data and market exclusivity for NMPA-approved pharmaceutical products could increase the risk of early generic competition with our products in China.

In many jurisdictions, various policies on patent linkage, patent term adjustments and extensions, and data and market exclusivity may be available. For example, in the United States, the Federal Food, Drug and Cosmetic Act, as amended by the law generally referred to as "Hatch-Waxman," provides for patent-term restoration, patent linkage and statutory exclusivities that can prevent submission or approval of certain follow-on marketing applications. These provisions, designed to promote innovation, can prevent competing products from entering the market for a certain period of time after the FDA grants marketing approval for the innovative product.

If we seek patent protection of our drug candidates or technology in the United States in the future, depending upon the timing, duration and specifics of any FDA marketing approval process for any drug candidates we may develop, one or more of our U.S. patents, if issued, may be eligible for limited patent term extension under Hatch-Waxman. Hatch-Waxman permits a patent extension term of up to five years as compensation for patent term lost during clinical trials and the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of drug approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Furthermore, the applicable time period or the scope of patent protection afforded could be less than we request.

In China, there is no currently effective law or regulation providing for patent linkage or data exclusivity (referred to as regulatory data protection). Therefore, a lower-cost generic drug can emerge onto the market much more quickly. PRC regulators have set forth a framework for integrating patent linkage and data exclusivity into the Chinese regulatory regime. To date, no relevant regulations have been issued. These factors result in weaker protection for us against generic competition in China than could be available to us in the United States or other applicable jurisdictions. Our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations, and prospects could be materially harmed.

We may not be able to protect and enforce our trademarks and trade names, or build name recognition in our markets of interest thereby harming our competitive position.

The registered or unregistered trademarks or trade names that we own or license may be challenged, infringed, circumvented, declared generic, lapsed or determined to be infringing on or dilutive of other marks. We may not be able to protect our rights in these trademarks and trade names, which we need in order to build name recognition. In addition, third parties have

filed, and may in the future file, registration of trademarks similar or identical to our trademarks, thereby impeding our ability to build brand identity and possibly leading to market confusion. If they succeed in registering or developing common law rights in such trademarks, and if we are not successful in challenging such rights, we may not be able to use these trademarks to develop brand recognition of our products. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names.

RISKS RELATING TO OUR RELIANCE ON THIRD PARTIES

We rely on third parties to conduct our preclinical studies and clinical trials and we must work effectively with collaborators to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

In line with the industry norm, we have relied upon and plan to continue to rely upon third-party CROs to generate, monitor or manage data for our ongoing preclinical and clinical programs. We rely on these third parties for execution of our preclinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We also engage third parties to assist in conducting our preclinical studies in accordance with Good Laboratory Practices, or GLP, and the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》) or the Animal Welfare Act requirements or other applicable laws or regulations. We, our CROs for our clinical programs and our clinical investigators are required to comply with GCPs, which are regulations and guidelines enforced by the NMPA and other comparable regulatory authorities for all of our drug candidates under clinical development. If we or any of our CROs or clinical investigators fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. In addition, our clinical trials must be conducted with product produced under GMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. Identifying, switching or adding, qualifying and managing performance of CROs can be difficult, time-consuming and cause delays in our development programs. In addition, there is a natural transition period when a new CRO commences work and the new CRO may not provide the same type or level of services as the original provider. If any of our relationships with our third-party CROs are terminated, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms, and we may not be able to meet our desired clinical development timelines.

Our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our on-going clinical, nonclinical and preclinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines or if the quality or accuracy of the research data they obtain is compromised due to their failure to adhere to our protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our drug candidates. As a result, our results of operations and the commercial prospects for our drug candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed or compromised.

Outsourcing these functions involves risk that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party service providers. To the extent we are unable to identify and successfully manage the performance of third-party service providers in the future, our business may be adversely affected. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects

If we breach our obligations in the license agreements or otherwise experience disruptions to our business relationships with our licensing partners, we could be required to pay monetary damages or lose the ability to continue the development and commercialization of our drug candidates.

We have entered into license agreements with licensing partners providing us with rights to various intellectual property, including rights in patents and patent applications. For details, see "Business—Collaboration and License Agreements." These license agreements impose diligence, development or commercialization timelines and milestone payment, royalty, insurance and other obligations on us. If we fail to comply with our obligations under our current or future license agreements, our counterparties may have the right to terminate these agreements, in which event we might not be able to develop, manufacture or market any future approved drugs or drug candidate that is covered by the licenses provided for under these agreements or we may face claims for monetary damages or other penalties under these agreements. Such an occurrence could diminish the value of these future approved drugs and our business. Expiration or termination of the licenses provided for under these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or restated agreements with less favorable terms, or cause us to lose our rights under these agreements, including our rights to important intellectual property or technology.

We may need to obtain additional licenses from our existing licensing partners and others to advance our research or allow commercialization of drug candidates we may develop. It is possible that we may be unable to obtain any additional licenses at a reasonable cost or on reasonable terms, if at all. In that event, we may be required to expend significant time and resources to redesign our drug candidates or the methods for manufacturing them or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop or commercialize the affected drug candidates, which could harm our business, financial condition, results of operations and prospects significantly.

Disputes may arise regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe, misappropriate or violate intellectual property of the licensing partner that is not subject to the license agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensing partners and us; and
- the priority of invention of patented technology.

Such disputes may prevent or impair our ability to maintain our current license arrangements on commercially acceptable terms, and we may be unable to successfully develop and commercialize the affected drug candidates, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, the agreements under which we license intellectual property or technology from licensing partners are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could eliminate or narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

If the joint development committees that we establish with our licensing partners do not perform properly, or cannot reach a decision in any matter properly before it, the development of the relevant drug candidates may be materially and adversely affected.

Licensing agreements with licensing partners typically require us to establish joint development committees with the respective licensing partners. Such joint development committees are usually responsible for facilitating the communications between us and the licensing partners, reviewing and approving the development plans, and setting strategies for obtaining regulatory approvals. As the joint development committees monitor the development progress and make key decisions on development strategies, the development of the relevant drug candidates may be materially and adversely affected if such joint development committees do not perform properly. In addition, pursuant to the licensing agreements, the joint development committees usually consist of equal members from us and the respective licensing partners. If a joint development committee cannot reach a decision in any matter properly before it due to deadlock, such matter may need to be resolved by the senior management of us and the respective licensing partner through negotiations, which may lead to delays in drug development and may damage the relationship between us and the respective licensing partner if further disputes arise from such negotiations.

We rely on third parties (including our licensing partners) to manufacture and supply certain of our drug candidates or key materials for manufacturing our future approved drugs, and if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices, our business could be harmed.

Although we have developed our own manufacturing facility and produced certain drug products by ourselves for clinical trial purposes, we may still from time to time engage CMOs and rely on certain third parties (such as our licensing partners) to supply certain of our drug candidates or key materials, including active pharmaceutical ingredients, or APIs, and other raw materials. For the commercial manufacturing of our future approved drugs, we may also rely on CMOs or third parties. For example, pursuant to the TAB014 In-license Agreement, upon the receipt of the requisite regulatory approvals, we will be responsible for the commercialization and distribution of TAB014 in China and TOT BIOPHARM will be responsible for manufacturing and supply of TAB014 to us at pre-agreed unit prices.

Reliance on third-party suppliers may expose us to the following risks, any of which could limit supply of our drug candidates or key materials for manufacturing our drug candidates used in clinical trials or for the commercial sale, result in higher costs, or impair our ability to continue our research and development or deprive us of potential product revenues:

- our CMOs, or other third parties we rely on, may encounter difficulties in achieving the volume of production needed to satisfy commercial demand or clinical trial demand in a timely manner, may experience technical issues that impact quality or compliance with applicable and strictly enforced regulations governing the

manufacture of pharmaceutical products, may experience shortages of qualified personnel to adequately staff production operations and may be subject to natural or man-made disasters, epidemics, hostilities, social unrest, and other factors out of their control;

- our CMOs, or other third parties we rely on, in particular in relation to difficult-to-make drugs or key materials, may increase the prices of drugs or key materials supplied to us, and, if we are unable to increase our prices in response to cost increases, our profit margin will decrease and our results of operations will suffer;

- our CMOs, or other third parties we rely on, could default on their agreements with us to meet our requirements for commercial supply of our future approved drugs or key materials or supply of drug candidates or key materials for manufacturing our drug candidates used in clinical trials;

- our CMOs, or other third parties we rely on, may not perform as agreed to successfully produce, store, sell and distribute our future approved drugs or key materials and we may incur additional cost;

- our CMOs, or other third parties we rely on, are subject to ongoing periodic unannounced inspection by the regulatory authorities and we do not have control over their compliance with these regulations and requirements;

- if our CMOs, or other third parties we rely on, were to terminate our arrangements, we may be forced to delay the commercialization of our future approved product or impair our ability to continue our research and development and we may be unable to identify third-party manufacturers on acceptable terms or at all because the NMPA or other comparable regulatory authorities may carry out the extended examination activities for the manufactures to verify the authenticity and consistency of the application materials;

- our CMOs, or other third parties we rely on, may not properly obtain, protect, maintain, defend or enforce our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability; and

- our CMOs, or other third parties we rely on, may infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties.

Furthermore, in line with industry norm, we rely on our licensing partners to, among others, supply some of our drug candidates or the key materials to support both clinical development and commercialization, and thus may be at risk if the business of any of such licensing partners runs into difficulties that would, as the case may be, undermine its ability to guarantee sufficient clinical or commercial supplies to us, provide technical assistance that we may from time to time require, or fulfill other contractual obligations that may be material to our business. Our current or future licensing partners are typically biotech or pharmaceutical companies themselves, some of which may be at early stage of development with limited cash flow from operations. These early-stage biotech or pharmaceutical companies may experience difficulties in their business operations, financial position or liquidity for a variety of reasons that are relevant to them, within or out of their control. Due to the limited sources we could procure such drug candidates or key materials, any significant disruption in our supply relationships or significant delay in the supply of any drug candidate or key materials could harm our business.

Our reliance on third parties reduces our control over our development and commercialization activities but does not relieve us of our responsibility to ensure compliance with all required legal, regulatory and scientific standards. For example, the NMPA requires that our drug candidates and any products that we may eventually commercialize be manufactured according to GMP. Any failure by our third-party manufacturers to comply with GMP or failure to scale up manufacturing processes, including any failure to deliver sufficient quantities of drug candidates in a timely manner, could lead to a delay in, or failure to obtain, regulatory approval of any of our drug candidates, or result in inability to meet our commercial or clinical trial demand. In addition, such failure could be the basis for the regulatory authorities to issue a warning or untitled letter, withdraw approvals for products previously granted to us, or take other regulatory or legal action, including recall or seizure, total or partial suspension of production, suspension of ongoing clinical trials, refusal to approve pending applications or supplemental applications, detention of products, refusal to permit the import or export of products, injunction, imposing civil penalties or pursuing criminal prosecution.

Our employees, collaborators, service providers, independent contractors, principal investigators, consultants, vendors and CROs may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, collaborators, service providers, independent contractors, principal investigators, consultants, vendors and CROs may engage in fraudulent or other illegal activity with respect to our business. Misconduct by these parties could include intentional, reckless and/or negligent conduct or unauthorized activity that violates NMPA's or comparable regulatory authorities' regulations, manufacturing standards, laws that require the true, complete and accurate reporting of financial information or data and other applicable rules and regulations.

We may not be able to identify and deter employee from misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from non-compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from the NRDL or comparable lists, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations.

RISKS RELATING TO OUR INDUSTRY, BUSINESS AND OPERATIONS

We operate in a competitive industry and, if competing drugs are more effective, have fewer side effects, are more effectively marketed and cost less than our drug candidates, or receive regulatory approval or reach the market earlier, our drug candidates may fail to compete effectively.

The ophthalmic pharmaceutical industry is highly competitive. We face potential competition from many different actors, including large multinational pharmaceutical companies, established biopharmaceutical companies, specialty pharmaceutical companies, academic institutions and public and private research institutions. These entities are or may be seeking to develop drugs, therapies and approaches to treat our targeted diseases or their underlying causes.

Many of the companies we are competing against or against which we may compete in the future have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than the drugs that we may develop or commercialize. Our competitors also may obtain approval from the NMPA or other comparable regulatory authorities for their drugs more rapidly than we, which could result in their establishing a strong market position before we are able to enter. They may render our drug candidates obsolete or non-competitive before we can recover expenses of developing and commercializing our drug candidates.

Mergers and acquisitions in the ophthalmic pharmaceutical industry may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our development pipelines.

The loss of any key members of our senior management team or our inability to attract and retain qualified personnel could adversely affect our business.

Our success depends in part on our continued ability to attract, retain and motivate qualified management and scientific personnel. Accordingly, we are highly dependent upon our senior management, as well as other key scientific personnel and consultants. Although we have formal employment agreements with each of our executive officers, these agreements do not prevent our executives from terminating their employment with us. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

In recognition of the contributions of our Director, employees and consultants to our business and to incentivize them to further promote our development, our Company adopted the Pre-IPO Share Option Scheme on November 17, 2020. The value to employees of equity grants under such scheme that vest over time may be significantly affected by movements in the market price of our Shares that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, they could decide to terminate employment with us.

Recruiting and retaining qualified scientific, technical, clinical, manufacturing and sales and marketing personnel in the future will also be critical to our success. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our drug portfolio, clinical development and commercialization strategies. The loss of the services of these key employees and consultants could impair our ability to maintain daily operation and to achieve research, development and commercialization objective.

Furthermore, replacing executive officers, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products like those we develop. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms. To compete effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our financial condition and results of operations. Any inability to attract, motivate or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The data and information that we gather in our research and development process could be inaccurate or incomplete.

We collect, aggregate, process, and analyze data and information from our preclinical studies and clinical programs. We also engage in substantial information gathering following the identification of a promising drug candidate. Because data in the pharmaceutical industry is fragmented in origin, inconsistent in format, and often incomplete, the overall quality of data collected or accessed in the pharmaceutical industry is often subject to challenge, the degree or amount of data which is knowingly or unknowingly absent or omitted can be material, and we often discover data issues and errors when monitoring and auditing the quality of our data. If we make mistakes in the capture, input, or analysis of these data, our ability to advance the development of our drug candidates may be materially harmed and our business, prospects and reputation may suffer.

We also engage in the procurement of regulatory approvals necessary for the development and commercialization of our drug candidates, for which we manage and submit data to governmental entities. These processes and submissions are governed by complex data processing and validation policies and regulations. Notwithstanding such policies and regulations, interim, top-line or preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data, in which case we may be exposed to liability to a customer, court or government agency that concludes that our storage, handling, submission, delivery, or display of health information or other data was wrongful or erroneous. Even unsuccessful claims could result in substantial costs and diversion of management time, attention, and resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations.

In addition, we rely on CROs, our business partners and other third parties to monitor and manage data for some of our ongoing preclinical and clinical programs and control only certain aspects of their activities. If any of our CROs, our business partners or other third parties does not perform to our standards in terms of data accuracy or completeness, data from those preclinical and clinical trials may be compromised as a result, and our reliance on these parties does not relieve us of our regulatory responsibilities. For a detailed discussion, see "—Risks Relating to Our Reliance on Third Parties—We rely on third parties to conduct our preclinical studies and clinical trials and we must work effectively with collaborators to develop our drug candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed." above.

We are subject to risks in relation to acquisitions or strategic partnerships.

From time to time, we may evaluate various acquisitions and strategic partnerships, including in-licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements and increase our near and long-term expenditures;
- difficulties in assimilating operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing drug programs and initiatives in pursuing such a strategic transaction;
- the loss of key personnel and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing drugs or drug candidates and regulatory approvals;
- risks and uncertainties associated with the other party's intellectual property, including potential disputes in relation to the ownership and validity of patents involved in the transaction; and
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

We face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our drug candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our drug candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. For any drug candidates that we may seek to in-license from third parties, we may face significant competition from other pharmaceutical or biotechnology companies with greater resources or capabilities than us, and any agreement that we do enter into may not result in the anticipated benefits. Any collaborations involving our drug candidates are subject to numerous risks, which may include the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to a collaboration;

- collaborators may not pursue development and commercialization of our drug candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in their strategic focus due to the acquisition of competitive drugs, availability of funding, or other external factors, such as a business combination that diverts resources or creates competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a drug candidate, repeat or conduct new clinical trials, or require a new formulation of a drug candidate for clinical testing;

- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our drug candidates;

- collaborators with marketing and distribution rights to one or more of our drug candidates may not commit sufficient resources to their marketing and distribution;

- collaborators may not properly obtain, protect, maintain, defend or enforce our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;

- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialization of our drug candidates, or that result in costly litigation or arbitration that diverts management attention and resources;

- collaborators may experience difficulties in their business operations, financial position or liquidity that would undermine their ability to fulfill contractual obligations that may be material to our business;

- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable drug candidates; and

- collaborators may own or co-own intellectual property covering our drug candidates that results from our collaborating with them, and in such cases, we may not have the exclusive right to commercialize such intellectual property.

As a result, we may not be able to realize the benefit of current or future collaborations, strategic partnerships or the license of our third-party drugs if we are unable to successfully integrate such products with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income

that justifies such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a drug candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our drug candidates or bring them to market and generate product sales revenue, which would harm our business prospects, financial condition and results of operations.

PRC regulations and rules concerning mergers and acquisitions, including the M&A Rules, and other recently adopted regulations and rules with respect to mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the Security Review Rules, issued by the MOFCOM specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire the de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements. In the future, we may grow our business by acquiring potential new drug candidates. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval and filing processes, including obtaining approval or filings from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

Our operations and business plans may be adversely affected by the COVID-19 pandemic.

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand across globally. In March 2020, the World Health Organization characterized the COVID-19 outbreak as a pandemic. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. The COVID-19 outbreak is expected to have an unprecedented impact on the global economy as it has significantly reduced market liquidity and depressed economic activities.

The COVID-19 outbreak has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which may have an indirect impact on the Chinese ophthalmic drug market, and adversely affect our business operations, including the manufacturing and supply chain, sales and marketing and clinical trial operations of us and our licensing partners, and the ability to advance our research and development activities and pursue development of any of our pipeline products. For example, in the Phase I clinical trial of TAB014, a few subjects were not included due to the delay in data collection and analysis caused by the COVID-19 outbreak. Our licensing partners also have similarly experienced delays in their clinical trials due to the outbreak of COVID-19 in their respective territories. In addition, we have briefly experienced delays in the import of equipment and machinery and procurement of raw materials in China due to the COVID-19 outbreak. See "Summary—Recent Developments—Impact of the COVID-19 Outbreak."

As of the Latest Practicable Date, although the PRC government gradually contained the spread of COVID-19 in China, we were uncertain as to when the COVID-19 pandemic would be completely contained globally. Outbreaks may occur again and may result in similar business interruptions and delays in the clinical trials in the future.

There are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak as a pandemic may have, and, as a result, we cannot predict whether COVID-19 will have long-term impact on our business operations. To the extent the outbreak of COVID-19 results in delay and interruptions to our or our licensing partners' clinical trials in the future, such delays may result in increased development costs for our products and drug candidates, which could cause the value of our Company to decline and limit our ability to obtain additional financing.

We may explore various forms of collaboration outside of China, which will expose us to additional risks of conducting business in additional international markets.

We plan to expand our global footprint through organic growth and collaborations. Engaging in international business relationships subject us to additional risks, including:

- efforts to enter into collaboration or license arrangements with third parties in connection with our international sales, marketing and distribution efforts may increase our expenses;

- unexpected changes in laws and regulatory requirements and difficulty of effective enforcement of contractual provisions in local jurisdictions;

- inadequate intellectual property protection such as third parties obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;

- unexpected changes in or imposition of trade restrictions, such as tariffs, sanctions or other trade controls, and similar regulatory requirements;

- compliance with tax, employment, immigration and labor laws for employees traveling abroad;

- the effects of applicable foreign tax structures and potentially adverse tax consequences;

- currency fluctuations, which could result in increased operating expenses and reduced revenue;

- workforce uncertainty and labor unrest;

- failure of our employees and contracted third parties to comply with anti-corruption and anti-bribery laws, such as United States Department of the Treasury's Office of Foreign Assets Control rules and regulations and the United States Foreign Corrupt Practices Act of 1977, as amended, or FCPA; and

- business interruptions resulting from geo-political actions and cultural climate or economic condition, including war and acts of terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

These and other risks may materially adversely affect our ability to attain or sustain any future revenue from international markets.

We may fail to comply with laws, regulations and industry standards, or obtain or renew certain approvals, licenses, permits and certificates required for our business.

A number of governmental agencies or industry regulatory bodies in China impose strict rules, regulations and industry standards governing pharmaceutical and biotechnology research and development activities, which apply to us. In addition, we are also subject to laws and regulations with respect to our overall operations. Pursuant to applicable laws and regulations, we are required to comply with laws and regulations of, or obtain and maintain various approvals, licenses, permits and certificates from, the relevant authorities to operate our business. Some of these approvals, permits, licenses and certificates are subject to periodic renewal and reassessment by the relevant authorities. Such laws, regulations and the standards of such renewal and reassessment may change from time to time. During the Track Record

Period, we failed to timely complete the relevant administrative procedures, such as fire protection filing procedures. We are currently in the process of completing the relevant fire protection filing procedures. As confirmed by competent government authorities, such failures will not affect our normal business operations in all material aspects. Any failure to comply with such laws and regulations or any failure to obtain or renew any approvals, licenses, permits and certificates necessary for our operations may result in termination of ongoing research, administrative penalties imposed by regulatory bodies, the disqualification of data for submission to regulatory authorities or enforcement actions. These may lead to cease of operations and corrective measures requiring capital expenditure or remedial actions, which in the future could materially and adversely affect our reputation, business, financial condition and results of operations.

Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and increase our costs, which could materially reduce our profitability and prospects.

The manufacture of pharmaceutical drugs is a highly exacting and complex process and our business could be materially and adversely affected if we encounter problems in manufacturing our future drugs.

Problems may arise during manufacturing, particularly in technology transfer, scaling up or out, validating the production process, and assuring high reliability of the manufacturing process, for a variety of reasons, including but not limited to:

- equipment malfunction;
- effectiveness of our quality control and quality assurance policies;
- shortages in raw materials that meet regulatory agency standards or specifications;
- delays related to the construction of new facilities or the expansion of our future manufacturing facility, including changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements;
- changes in the types of products produced, manufacturing methods and formulation which could cause the drug candidates to perform differently;
- failure to receive sufficient technical assistance from our business partners in the process of technology transfer;
- physical limitations that could inhibit continuous supply;

- shortages of qualified personnel or key contractors; and
- man-made or natural disasters and environmental factors.

If problems arise during the production of a batch of product, that batch of product may have to be discarded. This may lead to, among other things, increased costs, lost revenue, damage to customer relationships and additional time and expense spent investigating the cause. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. We face additional manufacturing risks in relation to the CMOs we engage and other third parties we may rely on from time to time. See "—Risks Relating to Our Reliance on Third Parties—We rely on third parties (including our licensing partners) to manufacture and supply certain of our drug candidates or key materials for manufacturing our future approved drugs, and if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices, our business could be harmed." Upon occurrence of any of the foregoing, we may be required to delay or suspend our manufacturing activities. We may be unable to secure temporary, alternative manufacturers for our drugs with the terms, quality and costs acceptable to us, or at all. Such occurrences could delay our clinical trials and/or the availability of our products for commercial sale and may harm our market reputation and relationship with business partners. Moreover, we may spend significant time and costs to remedy these deficiencies before we can continue production at our manufacturing facilities.

In addition, the quality of our products, including drug candidates manufactured by us for research and development purposes and drugs manufactured by us for commercial sales, depends significantly on the effectiveness of our quality control and quality assurance, which in turn depends on factors such as the production processes used in our manufacturing facilities, the quality and reliability of equipment used, the qualifications and skills of our staff, and the quality of related training programs and our ability to ensure that our employees adhere to our quality control and quality assurance protocol. However, we cannot assure you that our quality control and quality assurance procedures will be effective in consistently preventing and resolving deviations from our quality standards. Any significant failure or deterioration of our quality control and quality assurance protocol could render our products unsuitable for use and/or not in compliance with the relevant requirements of the GMP. Any such occurrences may have a material adverse effect on our business, financial condition and results of operations.

If our manufacturing facility is not approved by regulators, is damaged or destroyed, or production at such facility is otherwise interrupted, our business and prospects would be negatively affected.

Our Nansha manufacturing facility is designed and built for ophthalmic drugs in compliance with cGMP requirements of China, the United States and the EU with full manufacturing capability and ready for commercial-scale production. In anticipation of our product launches in the coming years, we are also expanding our annual manufacturing capacity within the Nansha manufacturing facility, which is expected to be completed by the

end of 2022. Our Nansha manufacturing facility will be required to obtain and maintain regulatory approvals, including being subject to ongoing, periodic inspection by the NMPA or other comparable regulatory authorities to ensure compliance with GMP regulations. Accordingly, we must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control. We cannot guarantee that we will be able to adequately follow and document our adherence to such GMP regulations or other regulatory requirements. Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect, we may be required to obtain additional approvals, permits, licenses or certificates and we cannot assure you that we will be able to do so.

If our Nansha manufacturing facility is not approved by regulators or damaged or destroyed, or otherwise subject to disruption, it would require substantial lead-time to replace our manufacturing capabilities. In such event, we would be forced to identify and rely partially or entirely on third-party manufacturers for an indefinite period of time. Any new facility needed to replace an existing production facility would need to comply with the necessary regulatory requirements and be tailored to our production requirements and processes. We also would need regulatory approvals before using any products or drugs manufactured at a new facility in clinical trials or selling any products or drugs that are ultimately approved. Any disruptions or delays at our facility or its failure to meet regulatory compliance would impair our ability to develop and commercialize our products or drug candidates, which would adversely affect our business and results of operations.

We may not be able to expand our manufacturing capacity as planned.

In anticipation of our product launches in the coming years, we are expanding our annual manufacturing capacity within the Nansha manufacturing facility, which is expected to be completed by the end of 2022. However, the timing and success of these plans are subject to significant uncertainty. There may be significant changes in the macroeconomics of the pharmaceutical and biopharmaceutical industry, including, among other things, market demand, product and supply pricing trends and customer preferences. Any adverse trends in these respects could result in operational inefficiency and unused capacity in our facilities. We may also experience various unfavorable events in the course of developing our new manufacturing capabilities, including unforeseen delays due to regulatory issues, natural disasters, health epidemics or other similar conditions, cost overruns, and difficulty in finding sufficient numbers of trained and qualified staff.

The success of our business expansion also depends on our ability to advance drug candidates through the development, regulatory approval and commercialization stages. Any delay, suspension or termination in such respects would harm our ability to generate satisfactory returns on our investment in manufacturing expansion, if at all, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We face potential liabilities, in particular, product liability claims or lawsuits could cause us to incur substantial liabilities.

We face an inherent risk of product liability as a result of the clinical trials of our drug candidates, and we will face an even greater risk if we produce, market, promote and commercialize any drug candidates. Any such product liability claims may include allegations of defects in manufacturing, quality assurance, storage, transportation and distribution, defects in design, improper, insufficient or improper labeling of products, insufficient or misleading disclosures of side effects or dangers inherent in the product, negligence, strict liability and a breach of warranties. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our drug candidates. Even successful defense would require significant financial and management resources. There is also risk that third parties we have agreed to indemnify could incur liability. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our drug candidates or any resulting products;
- injury to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- the inability to commercialize our drug candidates; and
- a decline in our Share price.

If we are unable to defend ourselves against such claims in the PRC, among other things, we may be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if our products are found to be defective. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We also maintain product liability insurance covering our clinical trials. In the future, our inability to obtain and

retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we develop. Even if we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Insurance policies may also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, may have a material adverse impact on us.

The drug market is heavily regulated in China. Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, such as a relaxation in regulatory requirements or the introduction of simplified approval procedures which will lower the entry barrier for potential competitors, or an increase in regulatory requirements which may cause difficulty for us to satisfy such requirements, may have a material adverse impact on our business, financial condition, results of operations and prospects. Our licensing partners gain exposure to the China market through license arrangements with us. If China modifies regulations which materially and adversely affects collaboration with foreign pharmaceutical or biopharmaceutical companies, our business, financial condition, results of operations and prospects may be materially and adversely affected as well.

Our generic drug candidates may face intense competition from other competing manufacturers, and if an improved version of an originator drug is developed or if the market acceptance for the originator drug significantly declines, potential sales of our generic drug candidates may suffer.

Generic drugs must meet high standards to receive regulatory approvals and approved generic drugs are generally only sold after patents and exclusivities protecting the brand-name version end. Many branded ophthalmic drugs do not have generic competition in China. As a result, we plan to initially focus on first-to-market generics as we believe speed to market and first-mover advantages in terms of market share and pricing power are critical commercial considerations for this drug class. However, we anticipate that our current or future generic drug candidates may face intense competition from competing manufacturers in China who seek to manufacture the same or similar generic drug candidates we selected. If our competitors succeed in developing and manufacturing competing generic drugs and obtaining regulatory approvals before us or may be able to more effectively control the production costs and offer more competitive price, we may not be able to enjoy significant first-mover advantages, achieve significant market share or maintain competitive position for such candidates.

In addition, post-marketing improvement of an originator drug may occur from time to time. For example, originator companies may develop improved versions of an originator drug as part of a life cycle extension strategy and may obtain regulatory approval of the improved version under a new or supplemental application filed with the applicable regulatory authority. Should the originator company succeed in obtaining an approval of such improved drug, it may capture a significant share of the originator drug market in the applicable jurisdiction and thereby significantly reduce the market for our generic products.

Moreover, originator drugs face competition as technological advances are made or new drugs are introduced. If new products that compete with the originator drugs are approved, sales of the originator products and our generic drugs to such originators may be significantly and adversely impacted. Any of the above developments could have a material adverse effect on our business, financial condition and results of operations.

If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

We are subject to anti-bribery laws in China that generally prohibits companies and their intermediaries or employees from making payments to public officials for the purpose of obtaining or retaining business or securing any other improper advantage. Although we have policies and procedures designed to ensure that we, our employees and our intermediaries comply with anti-bribery laws, there is no assurance that such policies or procedures will protect us against liability under such laws for actions taken by our employees and intermediaries with respect to our business or any businesses that we acquire. Failure to comply with anti-bribery laws could disrupt our business and lead to severe criminal and civil penalties, including imprisonment, criminal and civil fines, loss of our export licenses, suspension of our ability to do business with the government, denial of government reimbursement for our products and/or exclusion from participation in government healthcare programs. Other remedial measures could include further changes or enhancements to our procedures, policies, and controls and potential personnel changes and/or disciplinary actions, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. We could also be adversely affected by any allegation that we violated such laws.

Healthcare providers and ophthalmologists play a primary role in the recommendation and prescription of any products for which we obtain regulatory approval. If we obtain the NMPA approval for any of our drug candidates and begin commercializing those drugs in China, our operations may be subject to applicable anti-kickback, false claims laws, doctor payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China, which could, in the event of noncompliance, expose us to administrative sanctions, criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings. In addition, we are subject to similar healthcare laws in other jurisdictions, some of which may be broader in scope than others and may apply to

healthcare services reimbursed by any source, which may include not only governmental payers, but also private insurers. There are ambiguities as to what is required to comply with any of these requirements, and if we fail to comply with any such requirement, we could be subject to penalties.

Neither the PRC government nor the PRC courts have provided definitive guidance on the applicability of fraud and abuse laws to our business. Law enforcement authorities are increasingly focused on enforcing these laws, and some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. Governmental authorities could conclude that our business practices may not comply with current or future statutes and regulations involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and if we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and have a significant impact on our businesses and results of operations.

If we fail to comply with environmental, health and safety laws and regulations in the future, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations when we carry out our preclinical or clinical trials and operate our manufacturing facilities, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials, and produce hazardous wastes. We generally contract with third parties for the disposal of these materials and wastes, but we cannot eliminate the risk of contamination or injury from these materials. During the Track Record Period, we did not timely obtain the required permits or go through the relevant administrative procedures, such as the pollutant discharge permit for our Nansha manufacturing facility. As of the Latest Practicable Date, we had obtained the relevant permit. As confirmed by the competent government authorities, such failures will not affect our normal business operations in all material aspects. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

Although we maintain work-related injury insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of or exposure to hazardous materials, this insurance may not provide adequate coverage against potential liabilities. In addition, we do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our use or disposal of hazardous materials.

In addition, we may be required to incur substantial costs to comply with environmental, health and safety laws and regulations as we operate our manufacturing facilities. As the requirements imposed by environmental, health and safety laws and regulations may change and more stringent laws or regulations may be adopted, we may have difficulties complying with, or accurately predicting the potentially substantial cost of complying with, these laws and regulations, which may subject us to rectification orders, substantial fines, monetary damages and suspension or cessation of research activities and other business operations. These laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Failure to comply with existing or future laws and regulations related to privacy or data security could lead to government enforcement actions, which could include civil or criminal fines or penalties, private litigation, other liabilities, and/or adverse publicity.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Regulatory authorities in virtually every major target markets in which we operate or intend to operate have implemented and are considering a number of legislative and regulatory proposals concerning personal data protection. For example, regulatory authorities in China have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, China's Cyber Security Law (《中華人民共和國網絡安全法》), which became effective in June 2017, created China's first national-level data protection for "network operators," which may include all organizations in China that provide services over the internet or another information network. Numerous regulations, guidelines and other measures are expected to be adopted under the umbrella of the Cyber Security Law. Drafts of some of these measures have now been published, including the draft rules on cross-border transfers published by the China Cyberspace Administration (國家互聯網信息辦公室) in 2017, which may, upon enactment, require security review before transferring human health-related data out of China. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our practices. In addition, the interpretation and application of data protection laws in China and elsewhere are often uncertain and in flux.

We expect that we will continue to face uncertainty as to whether our efforts to comply with evolving obligations under global data protection, privacy and security laws will be sufficient. Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by

governmental entities, individuals or others. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, result in the delayed or halted transfer or confiscation of certain personal information, require us to change our business practices, increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our current and future relationships with customers, vendors, business partners and other third parties could be negatively affected by any proceedings or actions against us or current or future data protection obligations imposed on them under applicable law.

We face risks related to natural disasters, health epidemics and other outbreaks or other unforeseen catastrophic events.

We are vulnerable to natural disasters, health epidemics, acts of war or terrorism and other calamities. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, environmental accidents, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems and other similar events, which may result in loss of lives, injury, destruction of assets and disruption of our business and operations, including on-going clinical trials and manufacturing activities. We are also susceptible to potential wars or terrorist attacks, which may injure our employees, cause loss of lives, disrupt our business and destroy our markets. Our business could also be adversely affected by the effects of Ebola virus disease, Zika virus disease, H1N1 flu, H7N9 flu, avian flu, SARS, COVID-19 or other epidemics, since such occurrence could subject our employees to extended quarantines and therefore severely disrupt our business operations. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harms the global or regional economy in general and the business of our business partners, customers and suppliers. The occurrence of any such event could materially and adversely affect our business, financial condition, results of operations and prospects.

Off-label use of our future approved drugs could materially harm our business reputation, product brand name, financial condition and expose us to liability.

Off-label drug use refers to the prescription of a product for an indication, dosage or in a dosage form that is not in accordance with regulatory approved usage and labeling. Even though the NMPA and other comparable regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label use, there remains the risk that our future approved drugs be subject to off-label drug use and prescribed in a patient population, dosage or dosage form that has not been approved by competent authorities, which may render our future approved drugs less effective or entirely ineffective and may cause adverse drug reactions. Any of these occurrences can create negative publicity and significantly harm our business reputation, brand name, commercial operations and financial condition. These occurrences may also expose us to liability and cause, or lead to, a delay in the progress of our clinical trials and ultimately result in failure to obtain regulatory approval for our drug candidates.

Our information technology systems, or those used by our CROs, partners or other contractors, consultants and vendors, may fail or suffer security breaches.

We and our CROs, partners or other contractors or consultants manage and maintain applications and data utilizing on-site information technology systems and outsourced vendors. These applications and data encompass a wide variety of critical information including research and development information, legally protected patient health information, personally identifiable information, intellectual property and proprietary information, commercial information and financial information. Our information technology systems and those of our CROs, partners or other contractors, consultants and vendors are vulnerable to events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. In addition, system redundancy may be ineffective or inadequate, and disaster recovery planning may not be sufficient to cover all eventualities.

The risk of a security breach or disruption, particularly through cyber attacks or cyber intrusion by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. We or our CROs, partners or other contractors, consultants and vendors may not be able to anticipate all types of security threats, nor may we or such parties be able to implement preventive measures effective against all such security threats. The techniques used by cyber criminals change frequently, may not be recognized until launched and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations or hostile foreign governments or agencies. We cannot assure you that our data protection efforts and our investment in information technology, or those made by our CROs, partners or other contractors, consultants and vendors, will prevent significant system breakdowns or failure, data leakages, security breaches or other cyber incidents.

The occurrence of any of the foregoing events could have a material adverse impact on us and our business, including, among others, loss or corruption of critical data assets, damage to equipment, and inappropriate disclosure of confidential or proprietary information. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. In addition, the market perception of the effectiveness of our security measures or those of our CROs, partners or other contractors, consultants and vendors could be harmed and, consequently, our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace our information technology systems or alter our outsourcing practice. In addition, we could be subject to disputes, regulatory action, investigation, litigation, fines, penalties and damages, and time-consuming and expensive litigations, including claims for misuse or inappropriate disclosure of data and unfair or deceptive practices. We may not have adequate insurance coverage to compensate for any losses associated with any of the foregoing occurrences.

We and our Directors may be involved in claims, disputes, court orders or other legal proceedings in the ordinary course of business.

From time to time, we and our Directors may be involved in claims, disputes, government investigations, court orders and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, product liability, environmental matters, breach of contract, employment or labor disputes and infringement of intellectual property rights. Dr. Li and the other director of Siu-Fung Ceramics Holdings Limited ("**SFCH**"), a company founded by Mr. Lee Siu Fung Siegfried, the brother of Dr. Li and Ms. Leelalertsuphakun Wanee, once listed on the Main Board of the Stock Exchange and subsequently delisted in December 2001, were publicly criticized by the Stock Exchange on December 5, 2000 in respect of the failure to publish financial results of the company within the required time frame. SFCH attributed such failure to its financial difficulties and the need to allocate limited resources to other tasks. Further, SFCH and three of its Hong Kong incorporated subsidiaries (the "**SFCH Group**"), as well as Siu Fung Concept Limited, were the subject of winding up orders dated May 9, 2000 and August 9, 2000, respectively, when Dr. Li was one of their directors. Given the bankruptcy of an extended family member of Dr. Li and Ms. Leelalertsuphakun, a private examination order was granted by the Court of First Instance of the High Court of Hong Kong for the discovery of documents and oral examination of Dr. Li and Ms. Leelalertsuphakun by the master of the court in respect of the conduct, dealings and property of such member. So far as Dr. Li and Ms. Leelalertsuphakun were aware, none of the above incidents will have any material adverse impact on the assets, business operations or financial positions of the Company. Our Board is aware of the above incidents and is of the opinion that the above incidents will not have any material adverse impact on the assets, business operations or financial positions of the Company. However, any claims, disputes or legal proceedings initiated by us and our Directors or brought against us and our Directors, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation and generate negative publicity. Furthermore, claims, disputes, government investigations or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We also maintain product liability insurance covering our clinical trials. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We may be subject to additional payments to statutory social welfare contribution for our employees.

Pursuant to PRC laws and regulations, we are required to participate in the employee social welfare schemes that are administered by municipal and provincial governments. Such schemes consist of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident funds. As required by PRC laws and regulations, the employer should pay the amount required to contribute for each of our employees directly to the competent authorities. Any failure to make timely and adequate social welfare contribution for its employees may trigger an order of correction from competent authority requiring the employer to make up the full amount of such overdue social welfare contribution within a specified period of time, and the competent authority may further impose fines or penalties. During the Track Record Period, we engaged a third-party human resources company to pay, on behalf of us, the relevant contribution for certain employees. In addition, we didn't make adequate social insurance payment and housing provident fund contribution for certain employees. As a result, we may be required by competent authorities to rectify the non-compliance and could be subject to a fine or penalty. We made provisions of approximately RMB0.8 million and RMB1.0 million, respectively, for the years ended December 31, 2019 and 2020. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident. We cannot assure you that we will not be subject to any penalty, or order to rectify non-compliance in the future. We may incur additional expenses to comply with such laws and regulations.

We have historically received government grants and subsidies, and we may not be able to obtain these incentives in the future.

We have historically benefited from government grants, which represent one-off subsidies we received from government authorities for our research and development activities and capital expenditures on our production line upgrades as well as wage or social insurance subsidies received as a result of the COVID-19 pandemic. These incentives are subject to the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate, revoke or reduce these financial incentives or may amend or terminate the relevant financial incentive policies, generally with prospective effect. As a result, we may be unable to obtain these financial incentives due to our failure to satisfy the conditions for the eligibility of these incentives, or the discontinuation or expiration of, or changes in, the financial incentives currently available to us.

Our leased property is subject to title deficiency or non-compliances.

The lessor of certain of our leased property failed to obtain the building ownership certificate or failed to complete regulatory procedures relating to environmental protection. The lessor is currently in the process of completing the relevant filings and rectifying the procedural non-compliance. As confirmed by competent government authorities, no administrative action would be initiated against the lessor due to such failures and our

operations would not be affected. However, we cannot assure you that any of such leases will not be terminated, become invalid or become unenforceable or our operations will not be disrupted as a result of such title deficiency and non-compliances in the future.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and may, as a result, negatively affect our business, financial condition and results of operations.

We, our Shareholders, Directors, officers, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our Shareholders, Directors, officers, employees and business partners were incompliant with any laws or regulations or became involved in lawsuits, disputes, or other legal proceedings or became subject to administrative measures, penalties or investigations by regulatory authorities, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

Disruptions in the financial markets and economic conditions could affect our ability to raise capital.

Global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors including, extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. In the past, governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms.

In addition, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa and over the conflicts involving Ukraine, Syria and North Korea. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes or the trade related disputes between the United States and China. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

The political relationships between China and other countries may affect our business operations.

During the Track Record Period, we formed collaborations in foreign countries, including the United States and Singapore, and establishing new collaboration partnerships is key to our future growth. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, including international trade relationships, and local conditions in those foreign countries. As a result, China's political relationships with those foreign countries may affect the prospects of maintaining existing or establishing new collaboration partnerships. There can be no assurance that potential collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries. Any tensions and political concerns between China and the relevant foreign countries may adversely affect our business, financial condition, results of operations, cash flows and prospects.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

During the Track Record Period, most of our business operation were located in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth over the past 40 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

We may be restricted from transferring our scientific data abroad.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provides a broad definition of scientific data and relevant rules for the

management of scientific data. According to the Scientific Data Measures, enterprises in China must seek government approval before any scientific data involving a "state secret" may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the PRC government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given the term "state secret" is not clearly defined, if and to the extent our research and development of drug candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our preclinical studies or clinical trials conducted within China) abroad or to our foreign partners in China. If we are unable to obtain necessary approvals in a timely manner, or at all, our research and development of drug candidates may be hindered, which may materially and adversely affect our business, results of operations, financial condition and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is conducted in China and is governed by PRC laws and regulations. Our business operation is supervised by competent regulatory authorities in China. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Additionally, written statutes in the PRC are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has developed a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. As these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. Moreover, we cannot predict the effect of future developments in the PRC legal system and regulatory structure. Such unpredictability towards our contractual, property and procedural rights as well as our rights licensed, approved or granted by the competent regulatory authority could adversely affect our business and impede our ability to continue our operations. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that some rules may have a retroactive effect. Hence, we may not be aware of violation of these policies and rules until after such violation has occurred. Furthermore, the legal protections available to us and our investors under these laws, rules and regulations may be limited.

Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law, which may impose new burdens on us.

The PRC Foreign Investment Law (《中華人民共和國外商投資法》), or the FIL, was enacted by the NPC on March 15, 2019 and became effective on January 1, 2020, which replaces a trio of previous laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. This law has become the legal foundation for foreign investment in the PRC. The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) were promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. However, uncertainties exist with respect to interpretation and implementation of the FIL and its Implementation Rules, which may adversely impact our corporate governance practice and increase our compliance costs. For instance, we might be required by government interpretations or implementing rules of the FIL to adjust the corporate governance of our PRC subsidiary in a five-year transition period. In addition, the FIL imposes information reporting requirements on foreign investors or foreign-invested enterprises. Failure to take timely and appropriate measures to cope with any of these or other regulatory compliance requirements under the FIL may lead to rectification obligations, penalties or other regulatory sanctions on us.

We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the BVI and continued in the Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiary for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our Shareholders or to service any debt we may incur. If our PRC subsidiary incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiary may pay dividends only out of its respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in China, up to the amount of net assets held in our operating subsidiary.

In response to the persistent capital outflow in China and the Renminbi's depreciation against the U.S. dollar in the fourth quarter of 2016, People's Bank of China (中國人民銀行), or PBOC, and the SAFE promulgated a series of capital control measures in early 2017, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by the SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiary to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our investors or other obligations to our suppliers, or otherwise fund and conduct our business.

Our dividend income from our PRC subsidiary may be subject to a higher rate of withholding tax than what we currently anticipate.

The EIT Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-PRC resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), the withholding tax rate on dividends paid by our PRC subsidiary to our Hong Kong subsidiary would generally be reduced to 5%, provided that our Hong Kong subsidiary is a Hong Kong tax resident as well as the beneficial owner of the PRC-sourced income and we have obtained the approval of the competent tax authority. On February 3, 2018, the STA issued the Announcement on Certain Issues Concerning the "Beneficial Owners" in the Tax Treaties (《關於税收協定中"受益所有人"有關問題的公告》), also known as Circular 9, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner.

If our Hong Kong subsidiary holds any equity interest in our PRC subsidiary and does not engage in any substantive business activity in the future, based on the abovementioned principles, PRC tax authorities would not consider our Hong Kong subsidiary as the "beneficial owner" of any dividends paid from our PRC subsidiary and would deny the claim for the reduced rate of withholding tax. Under the current PRC tax law, if our Hong Kong subsidiary is not considered as a "beneficial owner," dividends from our PRC subsidiary to our Hong Kong subsidiary being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to pay dividends in the future.

Restrictions on currency exchange may limit our ability to utilize our revenue effectively.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. A substantial portion of our future revenue is expected to be denominated in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. The Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and foreign currency debt, including loans we may secure for our existing or future onshore subsidiaries. Currently, our PRC subsidiary may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our PRC subsidiary.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

Some of our Directors and management personnel reside in China and substantially all of their assets are located within China. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. On January 18, 2019, the Supreme People's Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and

Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersedes the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, most other western countries or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Any failure by the Shareholders or beneficial owners of our Shares to comply with certain PRC foreign exchange regulations relating to offshore investment activities could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The SAFE has promulgated several regulations requiring PRC residents to register with local qualified banks before engaging in direct or indirect offshore investment activities, including SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

According to the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investments (《國家外匯管理局關於發佈境內機構境外直接投資外匯管理規定的通知》), or SAFE Circular 30, and other regulations, if our Shareholders who are PRC entities do not complete their registration with the competent SAFE, NDRC or MOFCOM branches, our PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiary. In addition, our Shareholders may be required to suspend or stop the investments and complete the registration within a specified time, and may be warned or prosecuted for relevant liability. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restriction.

Pursuant to the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37 and SAFE Circular 30, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. We are committed to complying with and procuring that our Shareholders who are subject to the regulations comply with the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not always be practically available in all circumstances as prescribed in those regulations. In addition, we may not always be fully aware or informed of the identities of our beneficiaries who are PRC nationals or entities, and may not be able to compel them to comply with SAFE Circular 37, SAFE Circular 30 or other related regulations. We cannot assure you that all of our shareholders or beneficiaries will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by SAFE rules or other regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such shareholders to comply with SAFE rules or other regulations may result in restrictions on the foreign exchange activities of our PRC subsidiary and may also subject the relevant PRC resident or entity to penalties under the PRC foreign exchange administration regulations.

Any failure to comply with the PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Circular on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管

理有關問題的通知》), or the Stock Option Rules. In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. Our PRC subsidiary and our employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who participate in our stock incentive plan will be subject to such regulation. We plan to assist our employees to register their share options or shares. However, any failure of our PRC individual beneficial owners and holders of share options or shares to comply with the SAFE registration requirements may subject them to fines and legal sanctions and may limit the ability of our PRC subsidiary to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our Directors and employees under PRC law.

We face uncertainty relating to transfers by a non-resident enterprise of assets of a PRC resident enterprise.

On February 3, 2015, the STA issued the Announcement on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7, which supersedes certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》), or Circular 698, which was previously issued by the STA on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to "non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market," or the Public Market Safe Harbor, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public market would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in "Information about this Prospectus and the Global Offering" in this prospectus, potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

Under China's EIT Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the EIT Law, an enterprise established outside of China with "*de facto* management bodies" within China is considered a "resident enterprise," meaning that it will be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. Under the Circular of the STA on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Actual Standards of Organizational Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) issued by the STA on April 22, 2009, or Circular 82, dividends and other distributions paid by resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when received or recognized by non-PRC resident enterprise shareholders. This circular also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. The implementing rules of the EIT Law define "*de facto* management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In addition, Circular 82 specifies that certain China-invested enterprises will be classified as resident enterprises. On July 27, 2011, the STA issued Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, including which the competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration.

Despite the foregoing, the STA may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the "*de facto* management body" test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes. If the PRC tax authorities determine that our Cayman Islands holding company is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we and our non-PRC subsidiary may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by PRC enterprise would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiary to us will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by PRC enterprise like us. Finally, the EIT Law and its implementing rules issued by PRC tax authorities provide that dividends paid by us to our

non-PRC shareholders and, while less clear, capital gains recognized by them with respect to the sale of our Shares may be subject to tax of 10% for non-PRC resident enterprise shareholders and 20% for non-PRC resident individual shareholders. In the case of dividend payments, such PRC tax may be withheld at source.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiary.

Any loans provided by our offshore holding companies to our PRC subsidiary are subject to PRC regulations and such loans must be registered with the local branch of SAFE. Additionally, the subscription of the registered capital by the shareholders of the PRC subsidiary must be registered with the SAMR or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete registration procedures on a timely basis, if at all, with respect to future loans or the subscription of the registered capital by us to our PRC subsidiary or any of its respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiary or to fund its operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiary's liquidity, its ability to fund its working capital and expansion projects, and its ability to meet its obligations and commitments. As a result, this may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential investors will experience immediate dilution when they purchase our Shares in the Global Offering. If we were to distribute our net tangible assets to our Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible assets value per Share of their investments in the Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares.

There has been no prior public market for our Shares.

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Representatives (for themselves and on behalf of the Underwriters), and the Offer Price may

differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

The liquidity and market price of our Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the Global Offering.

The price and trading volume of our Shares may be volatile as a result of the following factors, as well as others, which are discussed in this "Risk Factors" section or elsewhere in this prospectus, some of which are beyond our control:

- the results of clinical trials of our drug candidates;
- the results of our applications for approval of our drug candidates;
- actual or anticipated fluctuations in our financial position and/or results of operations;
- changes in securities analysts' estimates of our financial position and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- regulatory developments affecting the pharmaceutical industry, healthcare, health insurance and other related matters;
- loss of visibility in the markets due to lack of regular coverage of our business;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- news regarding recruitment or loss of key personnel by us or our competitors;
- our relationships with our suppliers;
- industrial accidents, potential litigation or regulatory investigations;
- the action, business and performance and the market price of the shares of our competitors;
- release or expiry of lock-up or other transfer restrictions on our Shares;

- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and

- changes in general economic conditions or other developments affecting us or our industry.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. These developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Investors may experience difficulties in enforcing their Shareholder rights under Cayman Islands law as the protection afforded to minority shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the BVI and continued in the Cayman Islands and its affairs are governed by its Memorandum, Articles, the Companies Act and the common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, the rights of minority shareholders to initiate actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of minority shareholders' interests may be different from those of Hong Kong or of other jurisdictions where the investors may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or other jurisdictions. A summary of the Companies Act on protection of minority shareholders is set forth in "Appendix III—Summary of the Constitution of Our Company and Cayman Companies Act."

Future or perceived sales of substantial amounts of our Shares could affect their market price.

Prior to the Global Offering, there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders of our Shares after the Global Offering could result in a significant decrease in the prevailing market price of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our Shares and our ability to raise equity capital in the future.

The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be on or around the sixth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

We do not expect to pay dividends in the foreseeable future after the Global Offering.

We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and commercialization of our pipeline drug candidates. As a result, we do not expect to pay any cash dividends in the foreseeable future.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our shareholders. We plan to use the net proceeds from the Global Offering for the research and development and commercialization of our drug candidates, production line expansion of our Nansha manufacturing facility and business development activities, among other things. For details, see "Future Plans and Use of Proceeds—Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

Facts, forecasts and statistics in this prospectus relating to the ophthalmic pharmaceutical industry may not be fully reliable.

Facts, forecasts and statistics in this prospectus relating to the ophthalmic pharmaceutical industry in and outside China are obtained from sources that we believe are reliable, including official government publications as well as the CIC Report that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Underwriters nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this prospectus relating to the ophthalmic pharmaceutical industry in and outside China may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risks and uncertainties and are subject to change and should not be unduly relied upon.

Forward-looking information is subject to risks and uncertainties.

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words "may," "should," "will," "would," "anticipate," "believe," "estimate," "expect," "plans," "prospects," "going forward," "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

Investors should read the entire prospectus and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

Subsequent to the date of this prospectus but prior to the completion of the Global Offering, there may be press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from strict compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. Normally, this means that at least two of our executive Directors must ordinarily be resident in Hong Kong.

Since all our business operations are not principally located, managed or conducted in Hong Kong, our Company does not, and, for the foreseeable future, will not, have two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We have made the following arrangements to maintain effective communication between the Stock Exchange and our Company:

(a) both of our Company's authorized representatives, Dr. Li Xiaoyi, an executive Director and the chairman of our Board, and Ms. Yau Suk Yan, our company secretary, will act as our Company's principal channels of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile and email;

(b) each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(c) each Director has provided his or her mobile phone number, office phone number, fax number and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, he or she will provide the phone number of the place of his or her accommodation to the authorized representatives;

(d) each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;

(e) we have appointed Somerley Capital Limited as the compliance adviser of our Company (the "**Compliance Adviser**"), in compliance with Rule 3A.19 of the Listing Rules, who will also act as an additional channel of communication with the Stock Exchange from the Listing Date to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the Listing Date. The Compliance Adviser will maintain constant contact with the authorized representatives, Directors and senior management of our Company through various means, including regular meetings and telephone discussions whenever necessary. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules;

(f) any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Adviser or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and/or our Compliance Adviser; and

(g) we will also retain legal advisers to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the Listing.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, to engage in certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers in relation to such continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For details, see "Connected Transactions."

EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of the prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report prepared by our Company's auditor with respect to profits and losses of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus and the assets and liabilities of our Company as of the last date to which the financial statements were prepared.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from strict compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in the prospectus must include, among others, the results of the Company in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

According to Rule 18A.06 of the Listing Rules, an eligible biotech company shall comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in that rule shall instead reference to "two financial years" or "two years," as the case maybe.

Accordingly, an application has been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the condition that (i) the particulars of the exemption be set forth in this prospectus, and (ii) this prospectus must be issued on or before April 16, 2021, on the following grounds:

(a) our Company is primarily engaged in the research and development of ophthalmic pharmaceuticals and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;

(b) the Accountants' Report for each of the two financial years ended December 31, 2020 has been prepared and is set out in Appendix I to this prospectus in accordance with Rule 18A.06 of the Listing Rules;

(c) during the two financial years ended December 31, 2020, our Company had not commercialized any products and therefore did not generate any revenue from product sales. The details of the major business activities of our Company have been fully disclosed in the section headed "Business" in this prospectus;

(d) notwithstanding that the financial results set out in this prospectus are only for the two years ended December 31, 2020, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this prospectus pursuant to the relevant requirements;

(e) as Chapter 18A of the Listing Rules provides that the track record period for biotech companies in terms of financial disclosure is two years, strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for us as this would require additional work to be performed by the us and our reporting accountants; and

(f) our Directors are of the view that the Accountants' Report covering the two years ended December 31, 2020, together with other disclosure in this prospectus, has already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company, and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of our Company's business, assets and liabilities, financial position, trading position, management and prospects has been included in this prospectus. Therefore, the exemption would not prejudice the interests of the investing public.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(1)(b) of, and paragraph 27 of the Part A of Appendix I to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus is required to include, among other things, details of the number, description, and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it was given, and their potential dilution effect on the shareholding upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options (the "**Share Option Disclosure Requirements**").

As of the Latest Practicable Date, our Company had granted options under the Pre-IPO Share Option Scheme to 116 grantees, including Directors, senior management, employees and consultants of our Group, to subscribe for an aggregate of 45,732,000 Shares as adjusted after the Share Subdivision, representing 8.6% of the total issued share capital immediately after completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised), on the terms set out in "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme."

Our Company has applied to the Stock Exchange and the SFC for: (i) a waiver from strict compliance with the applicable Share Option Disclosure Requirements; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, respectively, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons, and the exemption would not prejudice the interests of the investing public:

(a) given that 116 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO Share Option Scheme in this prospectus would be costly and unduly burdensome for our Company in light of a significant increase in cost and time for information compilation, prospectus preparation, and printing;

(b) among all the grantees as of the Latest Practicable Date, two are Directors and 11 are other members of senior management of our Company and the remaining 103 grantees are 95 employees and 8 consultants of our Group. Strict compliance with

the applicable Share Option Disclosure Requirements to disclose names, addresses, and entitlements on an individual basis in this prospectus will require number of additional pages of disclosure that does not provide any material information to the investing public;

(c) the grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse impact in the financial position of the Company;

(d) lack of full compliance with the above disclosure requirements would not prevent us from providing our potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(e) material information relating to the options granted under the Pre-IPO Share Option Scheme will be disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Share Option Scheme, the exercise price per Share and potential dilution effect on shareholding. For the avoidance of doubt, the exercise of the options granted under the Pre-IPO Share Option Scheme will not result in any impact on the earnings per Share. The Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of the Company in their investment decision making process has been included in the prospectus.

The Stock Exchange has granted us a waiver under the Listing Rules on the conditions that:

(a) full details of the options granted under the Pre-IPO Share Option Scheme granted to each of (i) the Directors, (ii) members of the senior management, (iii) the consultants, and (iv) other connected persons of the Company (if any) will be disclosed in "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme," on an individual basis, as required under the applicable Share Option Disclosure Requirements;

(b) for the remaining grantees (being the other grantees who are not (i) the Directors, (ii) members of the senior management, (iii) the consultants, or (iv) other connected persons of the Company (if any)), disclosure will be made for, on an aggregate basis, of (1) the aggregate number of grantees and the number of Shares underlying the options granted to them under the Pre-IPO Share Option Scheme, (2) the consideration (if any) paid for the grant of the options granted under the Pre-IPO Share Option Scheme, (3) the exercise period and (4) the range of the exercise price for the options granted under the Pre-IPO Share Option Scheme;

(c) there will be disclosure in this prospectus for the aggregate number of Shares underlying the options granted under the Pre-IPO Share Option Scheme and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date;

(d) the dilutive effect upon full exercise of the options granted under the Pre-IPO Share Option Scheme will be disclosed in "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme";

(e) a summary of the major terms of the Pre-IPO Share Option Scheme will be disclosed in "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme";

(f) the particulars of the waiver and the exemption will be disclosed in the prospectus;

(g) a full list of all the grantees (including those persons whose details have already been disclosed in this prospectus) under the Pre-IPO Share Option Scheme, containing all the particulars as required under the applicable Share Option Disclosure Requirements be made available for public inspection in accordance with the section headed "Appendix V—Documents Delivered to the Registrar of Companies and Available for Inspection";

(h) further information relating to the grantees who have been granted options is provided to the Stock Exchange; and

(i) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has agreed to grant us the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(a) full details of the options granted under the Pre-IPO Share Option Scheme granted to each of (i) the Directors, (ii) members of the senior management, (iii) the consultants, and (iv) other connected persons of the Company (if any) will be disclosed in "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme" as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) for the remaining grantees (being the other grantees who are not (i) the Directors, (ii) members of the senior management, (iii) the consultants, or (iv) other connected persons of the Company (if any), disclosure will be made of (1) the aggregate number of grantees and the number of Shares underlying the options granted to them under the Pre-IPO Share Option Scheme, (2) the consideration (if any) paid for the grant of the options granted under the Pre-IPO Share Option Scheme, (3) the exercise period and (4) the range of the exercise price for the options granted under the Pre-IPO Share Option Scheme;

(c) a full list of all the grantees (including those persons whose details have already been disclosed in this prospectus) under the Pre-IPO Share Option Scheme, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in accordance with the section headed "Appendix V—Documents Delivered to the Registrar of Companies and Available for Inspection"; and

(d) the particulars of the exemption will be disclosed in this prospectus and this prospectus will be issued on or before April 16, 2021.

Further details of the Pre-IPO Share Option Scheme are set forth in "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme."

WAIVER FROM STRICT COMPLIANCE WITH RULE 9.09(b), RULE 10.04 OF THE LISTING RULES AND CONSENT PURSUANT TO PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 9.09(b) of the Listing Rules provides, inter alia, that there must be no dealing in the securities for which listing is sought by any core connected person of a new applicant, from four clear business days before the expected hearing date until listing is granted.

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the applicant may only subscribe for or purchase securities for which listing is sought if no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of securities.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides, inter alia, that no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees, unless any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed without the prior written consent of the Stock Exchange.

Guidance Letter HKEX-GL92-18 (Suitability for Listing of Biotech Companies) provides that existing shareholders are allowed to participate in the initial public offering of a Biotech Company (as defined under Chapter 18A of the Listing Rules) provided that the applicant complies with Rules 8.08(1) and 18A.07 of the Listing Rules in relation to shares held by the public. Further, pursuant to paragraph 5.2 of Guidance Letter HKEX-GL92-18 (Suitability for Listing of Biotech Companies), an existing shareholder holding less than 10% of shares in a Biotech Company may subscribe for shares in the Proposed Listing as either a cornerstone investor or as a placee and an existing shareholder holding 10% or more of shares in a Biotech Company may subscribe for shares in the Proposed Listing as a cornerstone investor.

As further described in the section headed "Cornerstone Investors", GIC, OrbiMed Funds and Golden Valley (each as defined therein) (collectively, the "**Relevant Cornerstone Investors**"), each of which is an existing Shareholder or its close associates, have entered into cornerstone investment agreements with the Company. GIC is also a close associate of a Substantial Shareholder of the Company.

We have applied for a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules, to allow the Relevant Cornerstone Investors, to participate as cornerstone investors in the Global Offering. In the case of subscription by GIC, the Company has also applied for a waiver from strict compliance with Rule 9.09(b) of the Listing Rules. The Stock Exchange has agreed to grant the requested waivers and consents subject to the conditions that:

(a) we will comply with the public float requirements of Rules 8.08(1) and 18A.07 of the Listing Rules;

(b) the Offer Shares to be subscribed by and allocated to the Relevant Cornerstone Investors under the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors in the Global Offering (including being subject to a six-month lock up arrangement following Listing);

(c) no preferential treatment has been, nor will be, given to the Relevant Cornerstone Investors by virtue of their relationship with the Company in any allocation in the Global Offering other than the preferential treatment of assured entitlement under the cornerstone investment which follows the principles set out in Guidance Letter HKEX-GL51-13, that, the cornerstone investment agreement of each of the Relevant Cornerstone Investors does not contain any material terms which are more favorable to them than those in other cornerstone investment agreements; and

(d) details of the allocation of the Offer Shares to the Relevant Cornerstone Investors as cornerstone investors under the Global Offering are disclosed in this prospectus, and details of the allocation will be disclosed in the allotment results announcement of our Company.

For further information about the cornerstone investments of the Relevant Cornerstone Investors, please refer to the section headed "Cornerstone Investors" in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND CONSENT PURSUANT TO PARAGRAPHS 5(1) AND 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the applicant may only subscribe for or purchase securities for which listing is sought if no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of securities.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides, inter alia, that no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees, unless any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed without the prior written consent of the Stock Exchange.

Guidance Letter HKEX-GL92-18 (Suitability for Listing of Biotech Companies) provides that existing shareholders are allowed to participate in the initial public offering of a Biotech Company (as defined under Chapter 18A of the Listing Rules) provided that the applicant complies with Rules 8.08(1) and 18A.07 of the Listing Rules in relation to shares held by the public. Further, pursuant to paragraph 5.2 of Guidance Letter HKEX-GL92-18 (Suitability for Listing of Biotech Companies), an existing shareholder holding less than 10% of shares in a Biotech Company may subscribe for shares in the Proposed Listing as either a cornerstone investor or as a placee and an existing shareholder holding 10% or more of shares in a Biotech Company may subscribe for shares in the Proposed Listing as a cornerstone investor.

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that, without the prior written consent of the Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

Paragraph 13(7) of Appendix 6 to the Listing Rules states that "connected clients" in relation to an Exchange participant include any client of such member who is a company which is a member of the same group of companies as such Exchange participant.

As further described in the section headed "Cornerstone Investors", VMS Zhaoke Investment Fund SP, a close associate of existing Shareholders and a connected client of VMS Securities Limited, which is one of the Joint Bookrunners, have entered into a cornerstone investment agreement with the Company. VMS Zhaoke Investment Fund SP is a discretionary fund which holds investment on behalf of independent third parties.

We have applied for a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraphs 5(1) and 5(2) of Appendix 6 to, the Listing Rules, to allow VMS Zhaoke Investment Fund SP to participate as a cornerstone investor in the Global Offering. The Stock Exchange has agreed to grant the requested waiver and consent subject to the conditions that:

(a) we will comply with the public float requirements of Rules 8.08(1) and 18A.07 of the Listing Rules;

(b) the Offer Shares to be subscribed by and allocated to VMS Zhaoke Investment Fund SP under the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors in the Global Offering (including being subject to a six-month lock up arrangement following Listing);

(c) no preferential treatment has been, nor will be, given to VMS Zhaoke Investment Fund SP by virtue of its relationship with the Company in any allocation in the Global Offering other than the preferential treatment of assured entitlement under the cornerstone investment which follows the principles set out in Guidance Letter HKEX-GL51-13, that, the cornerstone investment agreement of VMS Zhaoke Investment Fund SP does not contain any material terms which are more favorable to it than those in other cornerstone investment agreements; and

(d) details of the allocation of the Offer Shares to VMS Zhaoke Investment Fund SP as a cornerstone investor under the Global Offering are disclosed in this prospectus and will be disclosed in the allotment results announcement of our Company.

For further information about the cornerstone investments of VMS Zhaoke Investment Fund SP, please refer to the section headed "Cornerstone Investors" in this prospectus.

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering and the Preferential Offering, which form part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 12,357,000 Offer Shares and the International Offering of initially 111,210,500 Offer Shares including the Reserved Shares, and subject to reallocation and the Over-allotment Option as set out in the section headed "Structure of the Global Offering." For applicants under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, advisers or representatives or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the Offer Price on or before the Price Determination Date. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to the Offer Price being agreed.

If, for any reason, the Offer Price is not agreed among the Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Price Determination Date, the Global Offering will not proceed and will lapse. See "Underwriting" for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES AND RESERVED SHARES

The procedures for applying for the Hong Kong Offer Shares and the Reserved Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus. Assuming that the Over-allotment Option is exercised in full, the Company may be required to issue up to an additional 18,535,000 new Shares.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption from those authorities.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, (a) the Shares in issue (include the Shares to be converted from Preferred Shares), (b) the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued under the exercise of the Over-allotment Option), (c) the Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option which may be granted under the Pre-IPO Share Option Scheme and (d) the Shares which may be issued upon the exercise of any option which may be granted under the Post-IPO Share Option Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, April 29, 2021. None of our Shares or loan capital of the Company is listed on or dealt in on any other stock exchanges. At present, the Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchanges.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, April 29, 2021, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, April 29, 2021. The Shares will be traded in board lots of 500 Shares each. The stock code of our Shares will be 6622.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after a trading transaction. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares or exercising any rights attaching to them. It is emphasized that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, us, any of our or their respective directors, officers, agents, employees, advisers or representatives, or any other party

involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding or disposing of, or dealing in, our shares or exercising any rights attached to them).

SHARE REGISTRAR AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Walkers Corporate Limited, in the Cayman Islands, and our Company's register of members in Hong Kong will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

DIVIDENDS PAYABLE TO HOLDERS OF SHARES

Unless determined otherwise by our Company, dividends payable in respect of the Shares will be paid to the Shareholders listed on the Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rates:

RMB0.84096	=	HK$1.0
RMB6.5409	=	US$1.0
HK$7.7779	=	US$1.0

No representation is made that any amounts in one currency can be or could have been at the relevant dates converted at the above rate or any other rates, or at all.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English prospectus that are not in the English language and are English translations, the names in their respective original languages shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table, chart or elsewhere between the total shown and the sum of the amounts listed are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Li Xiaoyi (李小羿)	Flat 1, 3/F, Block A Villa Lotto 18 Broadwood Road Hong Kong	Chinese (Hong Kong)
Mr. Dai Xiangrong (戴向榮)	Room 703 1 Tianmu Two Street Nansha District Guangzhou Guangdong Province PRC	Chinese
Non-executive Directors		
Ms. Leelalertsuphakun Wanee (李燁妮)	Flat 3B, Block 1 Julimount Garden 8-12 Fu Kin Street Shatin Hong Kong	Thai
Ms. Tiantian Zhang	APT 20D 333 Melrose Drive, Richardson, Texas 75080 U.S.	American
Ms. Cai Li (蔡俐)	Room 3306, 28 Floor, Building 4 No. 6 Chaoyangmen Outer Street Chaoyang District Beijing PRC	Chinese

Mr. Chen Yu (陳宇)	Room 203 No. 30 Cuiyun New Village Nanchang District Wuxi City Jiangsu Province PRC	Chinese

Independent non-executive Directors

Mr. Wong Hin Wing (黃顯榮)	Flat C, 21st Floor Block 6, Parc Palais 18 Wylie Road Ho Man Tin Kowloon Hong Kong	Chinese (Hong Kong)
Prof. Lo Yuk Lam (盧毓琳)	Unit C, 16/F Glory Heights 52 Lyttelton Road Mid-Levels Hong Kong	Chinese (Hong Kong)
Dr. Tam Lai Fan Gloria (譚麗芬)	Flat 1A, Block 1 12 May Road Midlevels Hong Kong	Chinese (Hong Kong)

Please see "Directors and Senior Management" for further details of our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **Jefferies Hong Kong Limited** Suite 2201, 22/F Cheung Kong Center 2 Queen's Road Central Hong Kong
Joint Representatives	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **Jefferies Hong Kong Limited** Suite 2201, 22/F Cheung Kong Center 2 Queen's Road Central Hong Kong
Joint Global Coordinators	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **Jefferies Hong Kong Limited** Suite 2201, 22/F Cheung Kong Center 2 Queen's Road Central Hong Kong **Haitong International Securities Company Limited** 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong **The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong

Joint Bookrunners and Joint Lead Managers

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Jefferies Hong Kong Limited
Suite 2201, 22/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Fosun Hani Securities Limited
Suite 2101-2105
21/F, Champion Tower
3 Garden Road
Central
Hong Kong

Macquarie Capital Limited
Level 18
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

VMS Securities Limited
49/F One Exchange Square
8 Connaught Place
Central
Hong Kong

Legal advisors to our Company

As to Hong Kong laws:

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to United States laws:

Sidley Austin
39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC laws:

Commerce & Finance Law Offices
6/F NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing
PRC

As to Cayman Islands laws:

Walkers (Hong Kong)
15/F, Alexandra House
18 Chater Road
Central
Hong Kong

Legal advisors to the Underwriters	*As to Hong Kong and United States laws:* **Sullivan & Cromwell (Hong Kong) LLP** 20/F, Alexandra House 18 Chater Road Central Hong Kong *As to PRC laws:* **Tian Yuan Law Firm** 10/F, CPIC Plaza B No. 28 Fengsheng Lane Xicheng District Beijing PRC
Auditor and Reporting Accountants	*Certified Public Accountants* **KPMG** 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10/F, Block B, Jing'an International Center 88 Puji Road Jing'an District Shanghai PRC
Compliance Adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong
Receiving Bank	**China Construction Bank (Asia) Corporation Limited** 28/F, CCB Tower 3 Connaught Road Central Central Hong Kong

Registered Office	Walkers Corporate Limited 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Head Office and Principal Place of Business in the PRC	No. 1 Meide 3rd Road Pearl River Industrial Park Nansha District Guangzhou Guangdong Province PRC
Principal Place of Business in Hong Kong	Unit 716, 7/F, Building 12W Phase 3, Hong Kong Science Park Shatin, Hong Kong
Company's Website	**zkoph.com** *(information on this website does not form part of this prospectus)*
Company Secretary	Ms. Yau Suk Yan *Fellow of the Hong Kong Institute of Certified Public Accountants* Room 1711, Wing Mau House Sui Wo Court, Shatin New Territories Hong Kong
Authorized Representatives	Dr. Li Xiaoyi Flat 1, 3/F, Block A, Villa Lotto 18 Broadwood Road Hong Kong Ms. Yau Suk Yan Room 1711, Wing Mau House Sui Wo Court, Shatin New Territories Hong Kong
Audit Committee	Mr. Wong Hin Wing *(Chairman)* Ms. Cai Li Dr. Tam Lai Fan Gloria

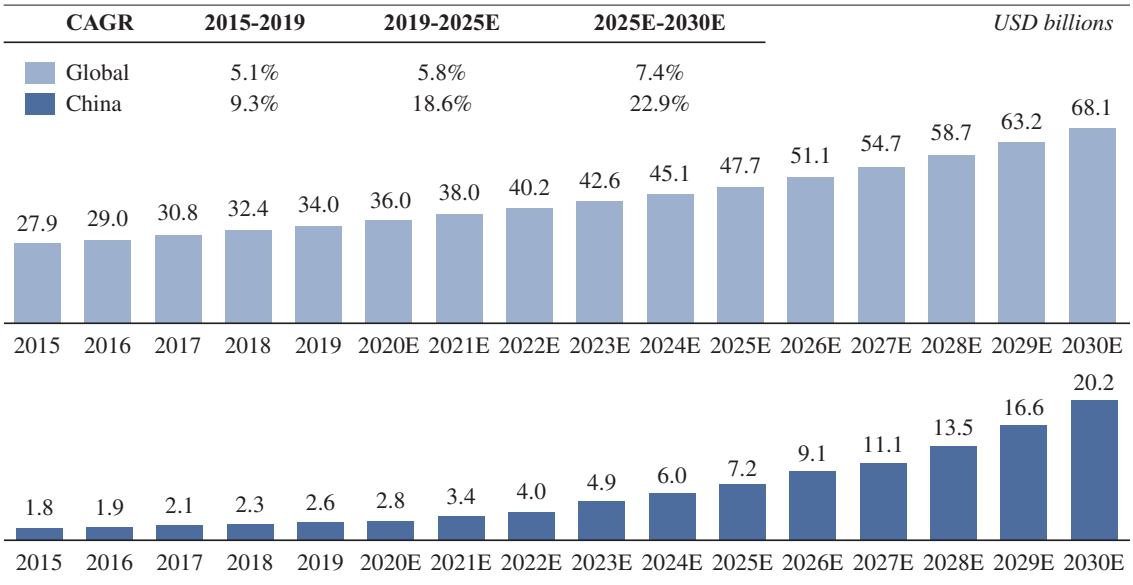
Remuneration Committee	Prof. Lo Yuk Lam *(Chairman)* Ms. Tiantian Zhang Mr. Wong Hin Wing
Nomination Committee	Dr. Li Xiaoyi *(Chairman)* Mr. Wong Hin Wing Prof. Lo Yuk Lam
Principal Share Registrar and Transfer Office	**Walkers Corporate Limited** 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor, Hopewell Center 183 Queen's Road East Wanchai Hong Kong
Principal Bank	**China Construction Bank (Asia) Corporation Limited** 11/F, CCB Centre 18 Wang Chiu Road Kowloon Bay, Kowloon Hong Kong

Certain information and statistics set out in this section and elsewhere in this Prospectus relating to the industry in which we operate are derived from the CIC Report prepared by CIC, an independent industry consultant which was commissioned by us. The information extracted from the CIC Report should not be considered as a basis for investments in the Offer Shares or as an opinion of CIC as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. No independent verification has been carried out on such information and statistics by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties (other than CIC) involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics.

OVERVIEW OF OPHTHALMIC DRUG MARKET IN CHINA

China's ophthalmic drug market is in its early stage of development and now gaining momentum with rapid and exponential growth. The market size of ophthalmic drugs in China grew from US$1.8 billion in 2015 to US$2.6 billion in 2019 at a CAGR of 9.3%. It is expected to further grow to US$7.2 billion in 2025 at a CAGR of 18.6% from 2019, and to US$20.2 billion in 2030 at a CAGR of 22.9% from 2025, outpacing the growth of the global ophthalmic drug market for the same periods. The chart below illustrates the historical and forecast size of China's ophthalmic drug market in comparison with the global ophthalmic drug market:

Market Size of Global and China's Ophthalmic Drug Market, 2015-2030E



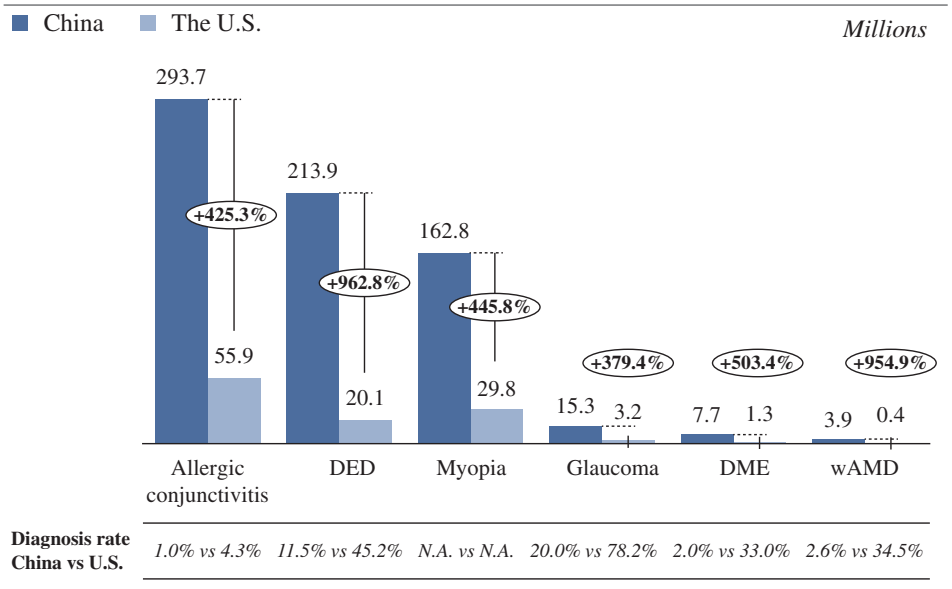
Source: CIC Report

According to CIC, the significant growth in the market size of ophthalmic drugs in China from 2015 to 2019 and the estimated significant growth from 2019 to 2030 is primarily driven by the following factors: (i) a growing ophthalmic disease patient population. wAMD, DME, glaucoma and many other ophthalmic diseases are highly related to age, whilst the Chinese population has shown an obvious aging trend; (ii) enhanced patient affordability. With a rapid increase in per capita income and expanded coverage of medical insurances, patients' affordability for ophthalmic treatment has been significantly enhanced; and (iii) enriched drugs and therapies. Ophthalmic drugs' formulations have become more diverse and patient-friendly. Various delivery routes are developed for ophthalmic drugs to ensure the treatment effect and improve patient experience, such as intravitreal injection, subconjunctival injection and noninvasive gel products.

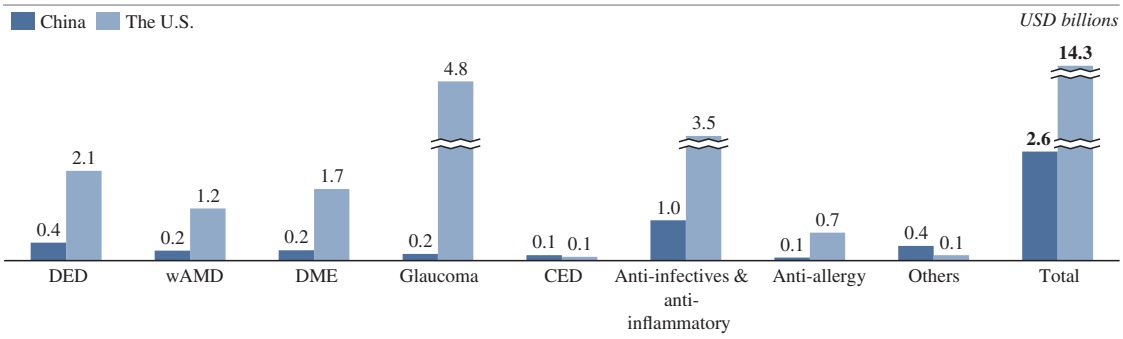
China has a large but currently underserved patient pool with eye diseases. By disease prevalence for biopharmaceutical market, DED, wAMD, DME, glaucoma, myopia and allergic conjunctivitis are major eye diseases in China, among others. In 2019, the prevalence of these diseases in China was remarkedly larger compared to the same conditions in the United States, yet the size of China's ophthalmic drug market was only a fraction (approximately 18%) of the United States, suggesting a huge unmet medical need for ophthalmic drugs in China.

The following charts compare the prevalence and diagnosis rates of DED, wAMD, DME, glaucoma, myopia and allergic conjunctivitis, as well as the ophthalmic drug market size of major ophthalmic indications, in China and the United States in 2019:

Prevalence/Diagnosis Comparison of Major Ophthalmic Diseases between China and the U.S., 2019



Ophthalmic Drugs Market, by Indication, China vs. the U.S., 2019

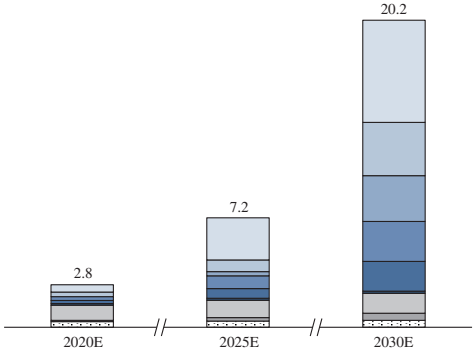


Source: CIC Report

The significant unmet need in China's ophthalmic drug market is attributable to the relatively low diagnosis rates of eye diseases due to the limited access to eye care resources, level of public awareness of ophthalmological diagnosis and treatment, and the lack of better and innovative medications, amongst other factors. In 2019, despite a larger patient population base than the United States, the diagnosis rates of major eye diseases, such as DED, wAMD, DME, myopia and glaucoma and the number of ophthalmologist visits per million population in China were significantly lower as compared to the United States. In addition, in 2019, the number of ophthalmologists per million population was only 64% of that in the United States (38.5 in China versus 60.2 in the United States). Furthermore, China is lagging behind developed countries in the development of ophthalmic drugs. Only seven ophthalmic drugs have been approved in China under new drug registration pathways since 2015, all of which were imported drugs initially developed by multinational pharmaceutical companies and approved before 2015 and previously marketed abroad. By comparison, 17 new ophthalmic drugs have been approved in the United States under new drug registration pathways (under section 505(b)(1) and 505(b)(2) of Federal Food, Drug and Cosmetic Act) since 2015.

The underserved market demand indicates a significant market potential. The following chart sets forth the historical and forecast size of China's ophthalmic drug market by indication, indicating that drugs for DED, wAMD, myopia, DME and glaucoma are projected to be the largest drivers of this market:

Market Size of Ophthalmic Drugs in China by Indication



Drug Category	2020E	2025E	2030E	CAGR 20E-25E	CAGR 25E-30E
Dry eye disease	17.1%	38.5%	33.3%	42.1%	19.4%
Wet age-related macular degeneration	11.0%	10.7%	17.4%	20.2%	35.5%
Myopia	-	3.8%	14.9%	/	61.7%
Diabetic macular edema	8.8%	11.8%	13.0%	28.0%	25.4%
Glaucoma	7.4%	8.9%	9.7%	25.5%	25.1%
Corneal epithelial defect	3.9%	1.7%	0.7%	3.1%	2.6%
Anti-infectives and anti-inflammatory	35.6%	15.9%	6.5%	2.9%	2.7%
Anti-allergy	3.3%	3.1%	2.3%	19.6%	16.0%
Others	13.0%	5.7%	2.2%	2.3%	2.2%
Total	100.0%	100.0%	100.0%	20.8%	22.9%

Source: CIC Report

Market Drivers and Trends in Ophthalmic Drug Market in China

Key growth drivers and trends of China's ophthalmic drug market include the following:

- *Highly attractive demographics for ocular diseases*. Ophthalmic diseases constituting major conditions with respect to prevalence tend to be chronic and increase significantly in incidence with age. Due to the rapidly aging population in China, along with other variables which contribute to the increase in prevalence of ocular diseases such as overuse of electronic devices, air population and other risk factors, China's large patient pool with eye diseases is expected to continue to increase rapidly. Increasing prevalence of eye diseases, together with the broad disease coverage of all age groups, drive the growth of the Chinese ophthalmic pharmaceutical market.

- *Increasing demand for eye care*. The improving living standards and growing public awareness of the economic, occupational, social, psychological burden and loss of independence associated with visual dysfunction, are expected to continue to generate major demand for eye care in China. From 2015 to 2019, the number of eye doctor visits per million population in China increased from 98 to 128, and the number of eye care inpatients increased from 4.2 million to 6.2 million. Driven by the growing demand, together with the maturing eye care infrastructure in China, the rate of diagnosis for major eye diseases, such as DED, wAMD, DME, myopia and glaucoma, is expected to increase exponentially from 2019 to 2030, which is expected to translate into significant increase in expenditure for ophthalmic drugs in China.

- *Increasing availability of effective and innovative drugs*. Tremendous effort has been invested in research and development for ophthalmic drugs in China. Consistent with the worldwide trends, increasing number of ophthalmic drugs with new and user-friendly formulations and dosing schedules which possess advantages over currently approved drug products in China, have been in development. In addition, benefiting from the continuous drug registration reform, an increasing number of innovative drugs and previously unavailable generic drugs are expected to enter the Chinese market at an expedited pace. Moreover, with the fast-growing innovation capabilities of domestic developers, the development efforts on drugs with innovative targets and combination therapies, as well as collaboration opportunities with international pharmaceutical companies on global innovative drugs is expected to increase. The emergence of the foregoing better and innovative drugs should foster remarkable growth of China's ophthalmic drug market.

- *Enhanced patient affordability and governmental reimbursement coverage for ophthalmic drugs*. The annual per capita income in China has grown rapidly, increasing from RMB21,966 in 2015 to RMB30,733 in 2019. This trend is expected to continue, enhancing the willingness and ability of patients to pay for more expensive medications, including innovative drugs with meaningful benefit for ophthalmic diseases. In addition, the expansion of reimbursement coverage for

treatments of various diseases, including eye disorders, further increases the affordability of ophthalmic drugs. For example, all three approved anti-VEGF drugs for wAMD and DME, as well as bimatoprost, latanoprost, travoprost and many other glaucoma drugs, have been added into the NRDL by 2019. The increasing affordability is expected to increase the accessibility of ophthalmic drugs to the general public and drive the growth of China's ophthalmic drug market.

- *Favorable governmental policies*. China's 13th Five-Year National Eye Health Plan (2016-2020) promotes increasing allocation of resources to eye care and reducing costs for eye disease control and management. In addition, the PRC government has instituted a series of policies to encourage development and marketing of innovative drugs, especially domestically developed and manufactured drugs. These policies are expected to accelerate the review and registration approval process for new drugs with potential to address urgent and unmet clinical needs in the ophthalmic area.

Competitive Landscape

China's ophthalmic drug market is fragmented, lacking ophthalmology-focused companies who have the intent and capability to address this specialty domain in a systematic manner. For most market players, ophthalmic drug assets are only a small part of their business. Only a few companies have a drug portfolio covering major eye diseases affecting the front and the back of the eye, most of which are multinational corporations. The following table sets forth our major competitors and their drug assets:

Major Players in the Ophthalmic Drug Market in China, 2019

Company Name	2019 Market Share	Ophthalmology – focused (Ophthalmology unit %)	Major Drugs	Earliest Approval Time	Eye Disease Indication	Eye part	
						Front	Back
Company A[1]	~ 13%	No (~ 10%)	Ranibizumab	2011	wAMD, DME, mCNV, RVO		√
			Dexamethasone and Tobramycin	2013	Ocular inflammation	√	
			Brinzolamide	2014	Glaucoma	√	
			Travoprost	2018	Glaucoma	√	
			Olopatadine	2018	Allergic conjunctivitis	√	
Company B[2]	~ 7%	Yes (~ 100%)	Hyaluronic acid	1997	Dry eye disease	√	
			Levofloxacin	2009	Anti-infection	√	
			Fluorometholone	2007	Anti-inflammation	√	
			Ofloxacin	2007	Anti-infection	√	
Company C[3]	~ 6%	No (~ 35%)	Conbercept	2013	wAMD, DME		√
Company D[4]	~ 3%	No (~ 20%)	Brimonidine	1999	Glaucoma	√	
			Prednisolone	2017	Ocular inflammation	√	
			Dexamethasone	2017	BRVO, CRVO, posterior uveitis, DME		√
			Bimatoprost	2015	Glaucoma	√	
Company E[5]	~ 3%	Yes *(~ 100%)*	Deproteinized Calf Blood Extract	2007	CED, anti-inflammation	√	
			Diclofenac	1996	Anti-inflammation	√	
			Gatifloxacin	2009	Anti-infection	√	
			Ofloxacin	1994	Anti-infection	√	
			Atropine	2009	Iridocyclitis, Mydriatic	√	

Source: Annual reports; CIC Report

(1) Company A is a NYSE-listed company based in Switzerland that is primarily dedicated to drug innovation, pharmaceutical products and consumer health-care solutions in over 100 countries.

(2) Company B is a Tokyo Stock Exchange-listed company based in Japan that primarily engages in research and development, production and marketing of pharmaceuticals and medical devices in over 60 countries.

(3) Company C is a Shenzhen Stock Exchange-listed company based in China that primarily engages in the research and development, production, sales and after-sales service of Chinese patent medicine, chemical drugs and biological products.

(4) Company D is a NYSE-listed company based in Ireland that focuses on developing, manufacturing and commercializing branded pharmaceutical, device, biologic, surgical and regenerative medicine products.

(5) Company E is a Shenzhen Stock Exchange-listed company based in China that is specialized in the development, production and sales of ophthalmic drugs.

Multinational corporations based overseas, or MNCs, and domestic players contributed to approximately 60% and 40%, respectively, of the ophthalmic drugs market in China in 2019 in terms of sales revenue. The following table sets forth the major opthalmic drug markets by indication, the respective market sizes and MCNs' the market shares:

Major ophthalmic drug market	**Market size in China in 2019**	**Market share of overseas market players**
	(US$ millions)	
DED	approximately 430	approximately 75%
wAMD & DME	approximately 490	approximately 70%
Glaucoma	approximately 160	approximately 85%
Anti-allergy	approximately 70	approximately 95%
CED	approximately 130	less than 5%
Anti-infection	approximately 680	approximately 50%
Anti-inflammation	approximately 300	approximately 55%

Source: CIC Report

Entry Barriers

The barriers to entry for the ophthalmic drug market in China include the following:

- *Product development capabilities*. Ophthalmology is a highly specialized field. Unlike other therapeutic areas which have significant organ system interactions and/or overlap, permitting greater mobility of the skill-set from one specialty to another, the eye possesses an elaborate assembly of diverse cells, specialized vasculature, with intricate structural organization which result in different functions. Eye diseases are not only diverse but also involve high complexity. Hence, the essential domain specific skill and knowledge is indispensable for successful development of ophthalmic drugs. Moreover, the development of ophthalmic drugs is often time-consuming and requires long-lasting capital injection, which sets a higher barrier for small or start-up companies to enter the ophthalmic drugs market.

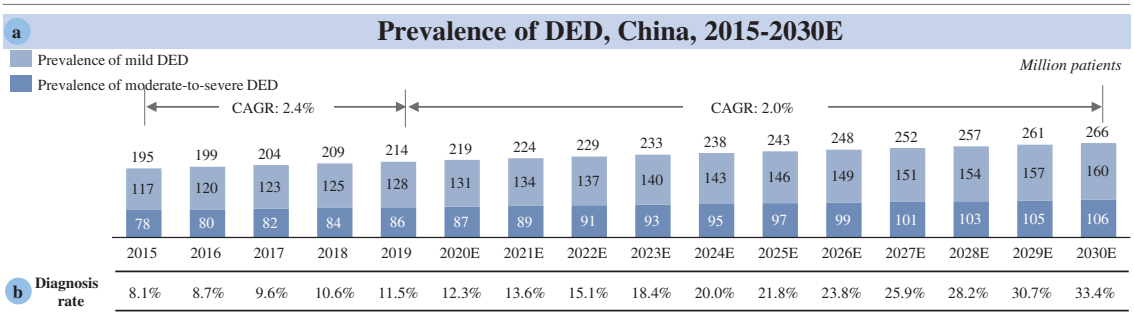
- *Complicated therapeutic system design*. Eye tissues have specific and often heterogeneous biochemical microenvironments depending on the anatomic region. In addition, the permeability properties of various regions of the eye also vary in health and disease. Ophthalmic drug development with respect to successful formulation development and dosage forms is therefore highly complex and varies depending the area of application. Collectively, these features create a significant barrier for the development of effective ophthalmic therapeutic systems.

- *Manufacturing and quality management capabilities*. The success of ophthalmic drugs is closely tied to the manufacturing capabilities. Well-established GMP-standard facilities, experienced production team, validated production process, sufficient capacity and strong quality management are critical. Furthermore, the drug delivery related fill and finish as well as presentation forms for ophthalmic drugs require specialized manufacturing expertise. Companies without flexible and responsive manufacturing capabilities face significant barriers to entry.

- *Brand recognition*. Physicians and hospitals are naturally prone to recommend familiar brands that have been proven safe and effective. Therefore, it may take years of effort and investment for new entrants to build a well-recognized brand with deep engagement in the physicians and hospitals.

DED

DED is one of the most frequent eye diseases in China and globally. Approximately 40% DED patients have moderate-to-severe DED, which is associated with significant pain, limitations in performing daily activities, reduced vitality, poor general health, and often depression. The patient number of DED in China increased from 195 million in 2015 to 214 million in 2019. Due to the rapid aging process and new lifestyles driven by information technology, the number of DED patients is expected to further grow to 266 million in 2030. The following chart illustrates the prevalence and diagnosis rate of DED in China:



Source: CIC Report

Treatment Paradigm and Development Trend

In China and globally, drug therapy is the primary option for DED treatment. Contact lens and duct plugs are applied to a lesser extent. For severe DED patients who haven't achieved improvement with the foregoing treatments, surgeries are required.

Under the drug therapy, artificial tears and lubricants are most frequently used for DED in China. However, they can provide only temporary symptom relief without addressing the underlying disease causes, and their efficacy is often limited to mild DED. For moderate-to-severe DED, more effective ophthalmic drugs targeting the underlying pathophysiological causes of DED are used in the global market, including anti-inflammatory agents such as topical CsA and other immunomodulators, mucin and/or tear secretagogues. The following table sets forth a comparison of major types of approved drugs for moderate-to-severe DED worldwide:

Major Approved DED Drug

Drug Type	Topical CsA	Other Immuno-modulators –	Mucin Secretagogue	Mucin and Tear Secretagogue
Representative Drug	Restasis (Initially approved in the United States in 2003)	Xiidra (Initially approved in the United States in 2016)	Rebamipide (Initially approved in Japan in 2012)	Diquas (Initially approved in Japan in 2010)
2019 Global Sales	Restasis: US$1.2 billion[(1)]	Xiidra: US$0.3 billion[(2)]	Not available	US$0.2 billion
Mechanism of Action	Anti-inflammation	Anti-inflammation	Increase tear film stabilization	Increase aqueous glands secretion
Availability in China	Sinqi's Cycloome: approved in June 2020, a generic to Restasis[(3)]	No approved drug	No approved drug	Approved in 2017

(1) The unit price of Restasis in the United States is US$10.35 (0.05%, 0.4ml), with annual treatment cost of US$3,500 based on the label.

(2) The unit price of Xiidra in the United States is US$9.79 (5%, 0.2ml), with annual treatment cost of US$3,500 based on the label.

(3) The unit price of Cycloome is US$4.2 (0.05% 0.4ml), with annual treatment cost of US$420 based on the label.

Source: FDA, EMA, NMPA, CIC Report

Topical CsA Drugs

DED is a complex ocular surface multifactorial disease characterized by tear film instability and hyperosmolarity, and inflammation is the key pathological result of such tear film abnormality. Moderate-to-severe cases are typically treated with anti-inflammatory drugs in addition to artificial tears and lubricants. On global market, topical CsA drugs have become the standard of care for moderate-to-severe DED. In addition, they are the best-selling anti-inflammation drug class for DED treatment with global sales over US$1.2 billion in 2019, accounting for 40% of the global DED drug market. There are three marketed topical CsA drugs approved for moderate-to-severe DED outside of China, namely Restasis, Ikervis and Cequa, none of which have been approved in China.

In China, the current anti-inflammatory agents for DED primarily include non-disease specific corticosteroids and nonsteroidal anti-inflammatory drugs. Compared with topical CsA, these drugs have efficacy limitations in addressing various inflammatory pathways involved in the initiation and progression of DED. The first topical CsA drug approved in China, Sinqi's Cycloome, a generic to Restasis, was just approved by the NMPA in June 2020.

Comparison of Our DED Drug Pipeline and Competing DED Drugs in China

In China, as of the Latest Practicable Date, Cycloome was the only marketed topical CsA drug in China. As of the same date, there were six clinical-stage DED drug candidates registered with the NMPA. The following table illustrates the comparison of the DED drugs registered with the NMPA in China as of the Latest Practicable Date:

Approved anti-inflammatory drugs for DED in China

Name	Compound	Formulation	Dosage	Company	Mechanism	Approval Date	Price (USD)	Registration Pathway	
Cycloome (兹润)	0.05% CsA	Emulsion	Twice daily	Sinqi	Calcineurin inhibitor	2020/06	~4.2 (0.05% 0.4ml)	Class 3[6]	Generic drug

Clinical-stage DED drug candidates in China

Name	Compound	Formulation	Dosage	Company	Category	Mechanism	Treatment	Phase	First posted date	Registration Pathway
CsA ophthalmic gel	0.05% CsA	Eye Gel	Once daily	Our Group	Small molecule drug	Calcineurin inhibitor	Anti-inflammatory	III	2020/6/22	New drug pathway[1]
CsA eye drop	0.09% CsA	Solution	Twice daily	Sun Pharma Global FZE	Small molecule drug	Calcineurin inhibitor	Anti-inflammatory	III	2020/9/7	Imported[2]
HBM9036	Tanfanercept	Eye drop	Twice daily	Harbour BioMed Therapeutics Limited	Biologics	TNF-α inhibitor	Anti-inflammatory	III	2020/11/11	Imported
SHR8028	0.1% CsA	Solution	Twice daily	Hengrui	Small molecule drug	Calcineurin inhibitor	Anti-inflammatory	III	2021/1/28	Class 2[5]
SMR001	Recombinant human nerve growth factor	Eye drop	Three times daily	Sinobioway Medicine	Biologics	Nerve growth factor	Nerve growth	I	2020/10/10	Class 1[6]
EG017[3]	Non-steroidal androgen receptor agonists	Tablets	Once daily	Ningbo Xijian Pharmaceutical	Biologics	Cyclooxygenase inhibitor	Hormone regulation	I	2020/5/6	Class 1[6]
Rebamipide	Rebamipide	Eye drop	Four times daily	Hengrui Medicine/ Chengdu Suncadia Medicine	Small molecule drug	Mucous protein promoting factor	Mucin secreta-gogue	Others[4]	2017/1/12	Class 3[7]

(1) We plan to register the CsA ophthalmic gel under the Class 2 new drug pathway.

(2) Approved in the United States under the brand name of Cequa in 2019.

(3) EG017 is a non-steroidal androgen receptor agonist designed to treat stress urinary incontinence and DED by adjusting level of sex hormones. The target patient group of EG017 is limited to middle-aged and elderly women who do not consider childbearing.

(4) Others indicates that the drug candidate is at clinical stage but does not disclose its development phase information on the official website of the CDE.

(5) Refers to improved drugs that have never been marketed within or outside China.

(6) Refers to innovative new drugs that have never been marketed within or outside of China.

(7) Refers to domestic drugs which imitate innovative drugs that are marketed outside of China but not in China.

Source: NMPA; the Company; CIC Report

In addition to Cycloome, there were three CsA candidates in the Phase III clinical trials. Our CsA ophthalmic gel is the only topical CsA in hydrogel formulation enabling a once-daily dosing schedule, which has great dosage convenience and compliance advantages over other drug candidates. The following table illustrates a comparison of Restasis (the reference drug of Sinqi's Cycloome), Cequa (Sun Pharma's 0.09% CsA eye drop), SHR8028 (Hengrui's 0.1% CsA eye drop) and our CsA ophthalmic gel:

	Emulsion	Solution		Gel
Product	Restasis, 0.05% CsA	Cequa, 0.09% CsA	SHR8028, 0.1% CsA	CsA ophthalmic gel, 0.05% CsA
Developer	Allergan (acquired by AbbVie)	Sun Pharma	Hengrui	Our Group
Approval	2003 (United States)	2019 (United States)	N/A	N/A
Frequency	Twice daily	Twice daily	Twice daily	Once daily
Sales in 2019	US$1.2 billion	Not available	Not available	Not applicable
Availability in China	• Restasis is not approved in China • Sinqi's Cycloome, a generic drug of Restasis, was the only marketed CsA drug in China	Phase III clinical trial	Phase III clinical trial	Phase III clinical trial

Source: Clinical Ophthalmology; European Journal of Pharmaceutics and Biopharmaceutics; CIC Report

As DED is a multifactorial disease with heterogeneous mechanism, topical CsA drugs are not effective in improving DED signs and symptoms in all patients. CIC estimates that 20% to 30% of moderate-to-severe DED patients globally have inadequate response to topical CsA. We also have three DED drug candidates in preclinical stage with mechanisms and clinical benefits differentiated from CsA ophthalmic gel, with details set forth as below:

Name	Compound	Formulation	Mechanism
RGN-259[(1)]	0.1% Thymosin β4 peptide	Eye drop	Anti-inflammation and corneal repairment
IC-265[(2)]	Syk tyrosine kinase inhibitor	Eye drop	Anti-inflammation and reduction of redness
CsA/rebamipide combination	CsA and rebamipide	Eye drop	Anti-inflammation and tear film stabilization

(1) In-licensed by our Group in Greater China, currently in Phase III clinical trials conducted by RegeneRx, our licensing partner, in the United States.

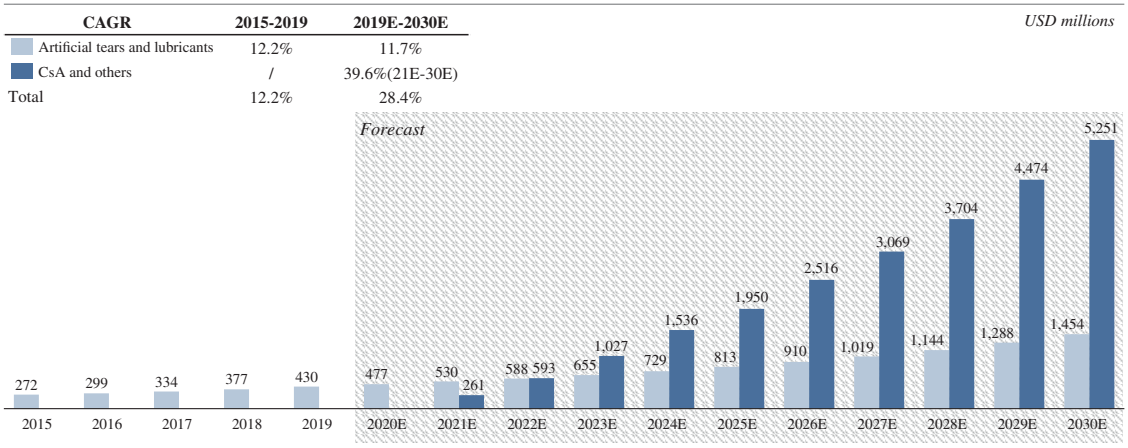
(2) In-licensed by our Group in Greater China and certain Southeast Asia countries, currently in Phase II clinical trials conducted by IACTA, our licensing partner, in the United States.

RGN-259 and IC-265 are expected to address DED patients with corneal defects and allergic component, respectively, whom are estimated to account for 15% and 15% of all the DED patients in China, respectively. CsA/rebamipide combination is expected to address patients with inadequate response to topical CsA drugs.

Market Size of DED Drugs in China

The market size of DED drugs grew from US$272 million in 2015 to US$430 million in 2019 at a CAGR of 12.2%. Driven by the introduction of new drugs including CsA and enlarging patient pool, the DED drug market is forecast to increase significantly to US$6.7 billion in 2030, at a CAGR of 28.4% from 2019. The following chart sets forth the historical and forecast size of the DED drug market in China by drug type for the periods indicated:

Market Size of DED, China, 2015-2030E

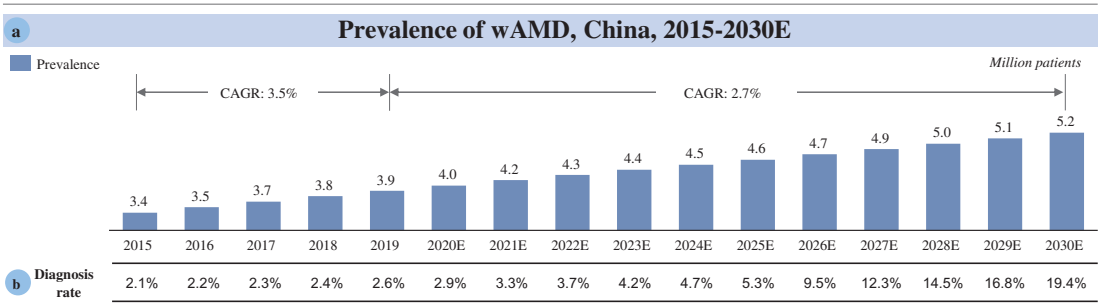


Source: CIC Report

WET AMD

Age-related macular degeneration, or AMD, is a disorder of the macula, the center part of the retina and responsible for clear vision, and can progress rapidly. Wet AMD, or wAMD, is an advanced subtype of AMD primarily caused by abnormal growth of new blood vessels under the retina, resulting in fluid leakage to the overlying retina and in turn leading to visual distortion and often acute vision loss. wAMD is a leading cause of severe vision loss and blindness in people over 50 years old in China and globally.

In China, the number of wAMD patients grew from 3.4 million in 2015 to 3.9 million in 2019. Driven by the accelerating aging population, the number of wAMD patients is expected to further grow to 5.2 million in 2030. In addition, the diagnosis rate of wAMD is expected to increase from 2.6% in 2019 to 19.4% in 2030. The following chart illustrates the prevalence and diagnosis rate of wAMD in China:



Source: CIC Report

Treatment Paradigm and Development Trend

Anti-VEGF drugs administered via intravitreal injection are current standard of care for treating and stabilizing wAMD in China and globally. Physical therapies, such as photodynamic therapy or laser photocoagulation, are used to a much lesser extent in China.

Despite their efficacy and favorable safety profile, current anti-VEGF drugs have to be administered by intravitreal injection under a strict schedule in order to maintain anti-permeability effect. This typically starts with three monthly injections, followed by maintenance injections at label-required intervals for the next four to five years. The intravitreal injection is a special operation procedure that has to be performed at hospitals or clinics. Treatment burden from the frequent physician office visits for this invasive procedure, and the high cost of the branded drugs (approximately RMB4,000 per injection), can be prohibitive on the mostly elderly patients and their caretakers, resulting in poor compliance and further vision loss. Under-treatment of wAMD is particularly common in China where anti-VEGF medication is administered on average only 2.8 injections a year per wAMD patient. All of the foregoing indicates substantial unmet medical needs for non-invasive wAMD treatment.

Comparison of Our wAMD Drug Pipeline and Competing wAMD Drugs in China

As of the Latest Practicable Date, there were three anti-VEGF drugs approved for wAMD in China, namely, Lucentis (ranibizumab), Lumitin (conbercept) and Eylea (aflibercept), all of which are administered via intravitreal injections, or IVT. The sales of these three drugs totaled approximately US$395 million in 2019 in China. The following table sets forth details of these three approved drugs in China:

Drug name	Compound	Company	Approval Year	NRDL inclusion	Sales in 2019 (mn USD)(1)	Price	Dosage /Schedule
Lucentis	Ranibizumab	Novartis	2011	2017	~ 210	RMB3,950 / 0.2mL	0.5mg IVT Once monthly
Lumitin	Conbercept	Kanghong	2013	2017	~ 165	RMB4,160 / 0.2mL	0.5mg IVT Initial dose: once monthly/ 3 months; Maintenance: once every 3 months
Eylea	Aflibercept	Bayer/ Regeneron	2018	2019	~ 20	RMB4,100 / 0.1ml	2mg IVT Initial dose: once monthly/ 3 months; Maintenance: once every 2 months

(1) Totaled sales for all approved indication in China, including wAMD, DME, RVO and CNV.

Source: NMPA; CIC Report

Additionally, although Avastin (bevacizumab) is only approved for oncology treatment to date, there has been increasing off-label use of Avastin for wAMD treatment globally. According to CIC, physicians also prescribe Avastin for treatment of wAMD in China, but the sale is less than 5% of all drugs for wAMD in the past. The WHO Essential Medicines List has also listed bevacizumab for eye disease treatment.

As of the Latest Practicable Date, there were 18 clinical-stage drug candidates registered with the NMPA for the treatment of wAMD, all of which are anti-VEGF agents, including TAB014, the first bevacizumab-based antibody indicated for wAMD in China. In addition to clinical-stage TAB014, we are also developing PAN-90806, an anti-VEGF drug in a novel eye drop formulation currently in preclinical stage in China. The following table sets forth a comparison of our wAMD drug candidates (TAB014 and PAN-90806) and clinical-stage wAMD drug candidates in China as of the Latest Practicable Date:

Clinical-stage wAMD Drug Candidates in China

Drug name	Compound	Target	Administration Route	Dosage/Schedule	Sponsor / Collaborator	Phase	First Posted Date
TAB014(1)	Biologics mAb	VEGF	Intravitreal injection	N/A	TOT BIOPHARM/ Our Group	I	2018/3/21
LY09004	Biologics Fusion protein	VEGF	Intravitreal injection	2mg Initial loading dose: once monthly/3 months; Maintenance period: once every 2 months for 5 times	Luye Pharma (Boan Biotech)	III	2020/11/03
Faricimab	Biologics BsAb	VEGF-A and Ang-2	Intravitreal injection	6mg Initial loading dose: once monthly/3 months; Maintenance period: once every 2 or 3 or 4 months for 12 months, possibly additional 12 months	Roche	III	2020/1/13
Brolucizumab (RTH258)	Biologics mAb	VEGF-A	Intravitreal injection	6mg; Initial loading dose: once monthly/2 months; Maintenance period: once every 2/3 months till 10th/11th month	Novartis	III	2019/10/25
QL1205	Biologics mAb	VEGF	Intravitreal injection	0.5 mg Once monthly/13 months	Qilu Pharmaceutical	III	2019/7/17
QL1207	Biologics Fusion protein	VEGF	Intravitreal injection	2mg Initial loading dose: once monthly/3 months; Maintenance period: once every 2 months, totally 8 times within 12 months	Qilu Pharmaceutical	III	2019/5/20
MW02	Biologics mAb	VEGF	Intravitreal injection	1mg/1.5mg Once monthly/13months	KanVax	II/III	2020/12/25
HB002.1M	Biologics Fusion protein	VEGF	Intravitreal injection	0.5mg/2mg Once monthly/2 months	Huabo Biopharm	II	2020/6/9
BAT5906	Biologics mAb	VEGF	Intravitreal injection	2.5mg/4mg Once monthly/3 months, possibly additional 9 months	Bio-Thera	II	2020/5/9
CM082	Small molecule	VEGFR/ PDGFR	Oral usage (tablet)	25mg/50mg Initial loading dose: once on 1st day, twice daily from 3rd day for 14 days; withdrawal period: 2 weeks; possibly additional dose till disease progresses or adverse event appears	Canaanji Medical Science And Technology	II	2018/10/17
SCT510A	Biologics mAb	VEGF	Intravitreal injection	0.625mg Once monthly/3 months	SinoCellTech	I	2020/10/23
MG021	Biologics mAb	VEGF	Intravitreal injection	N/A	North China Pharmaceutical	I	2020/7/23
601A	Biologics mAb	VEGF	Intravitreal injection	N/A	3SBio	I	2020/1/22
RC28-E	Biologics Fusion Protein	VEGF/ FGF2	Intravitreal injection	0.5mg/1mg/2mg Initial loading dose: once monthly/3 months; Maintenance period: possibly once monthly/9 months	RemeGen	I	2020/1/15
SOLOT-Eye	Biologics mAb	VEGF	Intravitreal injection	N/A	Stainwei Biotech Inc.	I	2018/11/1
JY028	Biologics mAb	VEGF	Intravitreal injection	N/A	Eastern biotech, Jingyitaixiang	I	2018/7/2
TK001	Biologics mAb	VEGF	Intravitreal injection	0.5mg/1mg/1.5mg Once monthly/3 months	Jiangsu T-mab BioPharma	I	2017/6/16
IBI302	Biologics Fusion protein	VEGF and complement proteins	Intravitreal injection	2mg/4mg Initial loading dose: once monthly/2 months; Maintenance period: possibly once monthly/3 months	Innovent	Ib	2020/4/26

(1) In-licensed by our Group in China.

Source: NMPA; the Company; CIC Report

Our Preclinical-stage Drug Candidate Indicated for wAMD in China

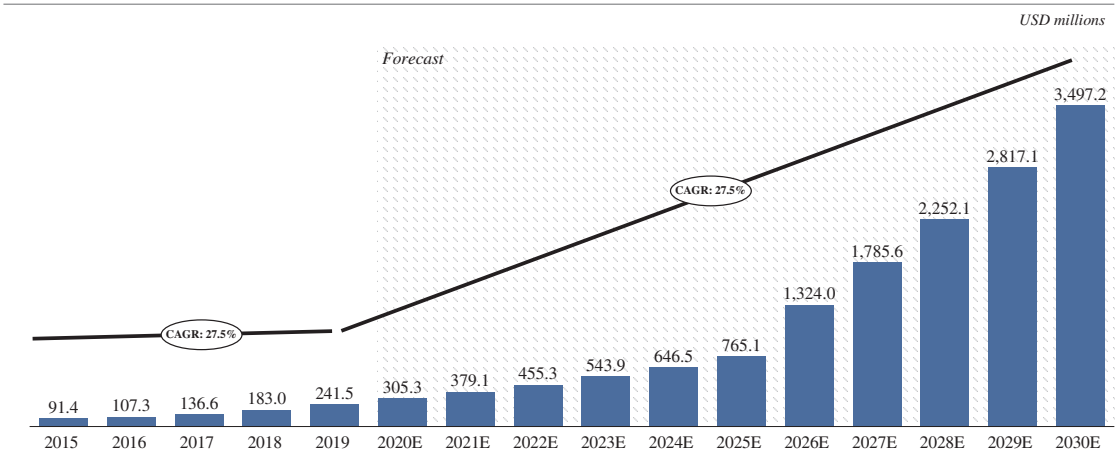
Name	Compound	Formulation	Target	Administration Route
PAN-90806	Small molecule drug	Eye drop	VEGFR2	Topical delivery

Among all 19 drug candidates listed above, 17 requires intravitreal injections. Only CM082 under development by Canaanji Medical Science and Technology and PAN-90806 are exploring innovative formulations and administration routes. However, studies have shown that, compared with topical delivery that directly target the site of action, oral-administered drugs encounter much greater difficulties in reaching the back of the eye, and may cause systemic and off-target side effects which would be avoid by local delivery. The clinical trial on CM082 in the United States has been halted due to safety concern.

Market Size of wAMD Drugs in China

The market size of wAMD drugs in China increased from US$91.4 million in 2015 to US$241.5 million in 2019 at a CAGR of 27.5%. The wAMD drug market in China is expected to increase significantly to US$3,497.2 million in 2030 at CAGR of 27.5% from 2019. The following chart sets forth the historical and forecast size of the wAMD drug market in China for the periods indicated:

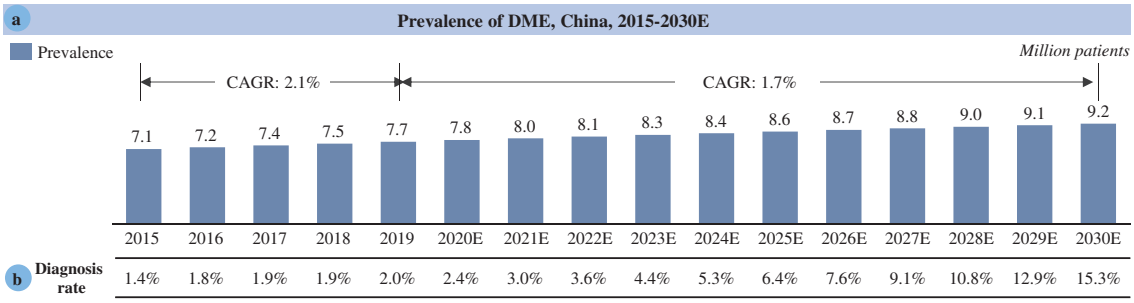
Market Size of wAMD Drugs, China, 2015-2030E



Source: CIC Report

DME

DME is a subtype of diabetic retinopathy, a complication of diabetes. Inflammation is a major underlying mechanism of DME, which results in fluid leakage and accumulation in the macula and in turn causes visual impairment or even severe vision loss. DME is the leading cause of blindness in diabetic patients worldwide. In China, the number of DME patients grew from 7.1 million in 2015 to 7.7 million in 2019. Driven by the increasing aging population and constantly rising number of diabetic patients, the number of DME patients is expected to further grow to 9.2 million in 2030. In addition, the diagnosis rate of DME in China is expected to increase from 2.0% in 2019 to 15.3% in 2030. The following chart illustrates the prevalence and diagnosis rate of DME in China:



Source: CIC Report

Treatment Paradigm and Development Trend

In China, anti-VEGF drugs with anti-permeability effect are the first-line treatment for DME. Anti-inflammatory steroids are generally used as second-line agents. The following table illustrates a comparison of available DME treatments in China:

Treatments		Description	Application scope	Disadvantages	Evaluation
Drug therapy	Intravitreal injection of Anti-VEGF agents	• VEGF is a natural glycoprotein in endothelial cells that plays a dominant role in AMD progression • VEGF inhibitors have demonstrated improved visual and anatomic outcomes compare with other therapies	• Almost all DME types • More recommended for patients with more severe diabetes retinopathy	• Multiple injections required by label, resulting high treatment burden and low patient compliance • High treatment cost (RMB~4,000 per injection)	• First line clinical treatment for DME • Most effective and safe medication now
	Steroids	• Intravitreal implant of glucocorticoid usually responds to more inflammation types	• All DME types	• Low patient compliance • More severe complications, IOP and cataract included	• Second line clinical treatment for DME
Non-drug therapy	Laser photocoagulation	• Laser photocoagulation could help improve retinal oxygenation, and significantly help recover central vision in the short term	• Focal/ grid laser is only recommended for non-center-involved DME	• Higher recurrence rate • Limited application • Efficacy is poor compared with anti-VEGF drugs	• Not a primary treatment option
	Surgery	• Pars plana vitrectomy	• DME patients with vitreomacular traction syndrome	• Highly risky • Limited application	• Not a primary treatment option

Source: AAO; EURETNA; CIC Report

Currently in China, there is no approved drug with dual effect of anti-permeability and anti-inflammation, which causes great treatment burden and high treatment costs for patients to receive intravitreal injections or implant separately of anti-VEGF and anti-inflammatory drugs.

Comparison of Our DME Drug Pipeline and Competing DME Drugs in China

In China, the three anti-VEGF drugs approved for wAMD were also approved for DME. Ozurdex, a biodegradable intravitreal implant, is the only approved anti-inflammatory corticosteroid for DME treatment in China while off-label use of other intravitreal corticosteroids has the risk of cataract progression, elevation of intraocular pressure and endophthalmitis. The following table sets forth the details of drugs approved for DME in China as of the Latest Practicable Date:

Drug Treatment	Drug Name	Compound	Company	Mechanism	Approval Year	NRDL Inclusion Year	Sales in 2019 (mn USD)(1)	Price	Adminis-tration Route	Dosage /Schedule
Anti-VEGF	Lucentis	Ranibizumab	Novartis	Anti-permeability	2018	2019	~ 210	RMB3,950 / 0.2mL	Intravitreal injection	0.3mg Once monthly
	Lumitin	Conbercept	Kanghong	Anti-permeability	2019	2019	~ 165	RM4,160 / 0.2mL	Intravitreal injection	0.5mg Initial dose: once monthly/ 3 months; Maintenance: once every 3 months
	Eylea	Aflibercept	Bayer/ Regeneron	Anti-permeability	2018	2019	~ 20	RMB4,100 / 0.1ml	Intravitreal injection	2mg Initial dose: once monthly/ 5 months; Maintenance: once every 2 months
Anti-inflammation	Ozurdex	Dexametha-sone	Allergan	Anti-inflammation	2017	2019	~ 6	RMB4,000 / 0.7 mg	Intravitreal implant	N/A

(1) Totaled sales for all approved indication in China, including wAMD, DME, RVO and CNV.

Source: NMPA; CIC Report

As of the Latest Practicable Date, there were seven clinical-stage DME drug candidates registered with the NMPA, all of which were anti-VEGF drugs administered via intravitreal injection primarily addressing the permeability issue of DME. We are developing two drug candidates for DME, which are currently in preclinical stage, including (i) ZK002, a protein employing a novel mechanism of action of anti-permeability and anti-inflammation effects; and (ii) PAN-90806, an anti-VEGF drug candidate in a novel eye drop formulation. The following table sets forth details of a comparison of our DME drug pipeline with clinical-stage DME drug candidates in China as of the Latest Practicable Date:

Clinical-stage DME Drug Candidates

Drug Name	Compound	Target	Administration Route	Dosage/Schedule	Sponsor / Collaborators	Phase	First Posted Date
Brolucizumab (RTH258)	Biologics mAb	VEGF-A	Intravitreal injection	6mg; Initial loading dose: once monthly/2 months; Maintenance period: once every 2/3 months till 10th/11th month	Novartis	III	2019/7/29
Faricimab	Biologics BsAb	VEGF-A and Ang-2	Intravitreal injection	6mg Initial loading dose: once monthly/5 months; Maintenance period: once every 2 months/19 months	Roche	III	2019/7/26
RC29-E	Biologics Fusion protein	VEGF/FGF2	Intravitreal injection	0.5mg/1mg/2mg Initial loading dose: once monthly/3-5 months; Maintenance period: possibly once monthly/9 months	RemeGen	II	2020/12/15
9MW0813	Biologics Fusion protein	VEGF	Intravitreal injection	2mg N/A	Mabwell/Kanvax	I	2020/12/14
BAT5906	Biologics mAb	VEGF	Intravitreal injection	2.5mg/4mg Initial loading dose: once monthly/6 months; Maintenance period: possibly once monthly/6 months	Bio-Thera	I	2020/5/11
601A	Biologics mAb	VEGF	Intravitreal injection	N/A	3SBio	I	2019/4/10
QL1207	Biologics Fusion protein	VEGF	Intravitreal injection	2mg Initial loading dose: once monthly/5 months; Maintenance period: once at an interval of 2 months	Qilu Pharmaceutical	I	2018/12/7

Our Preclinical-stage Candidates Indicated for DME in China

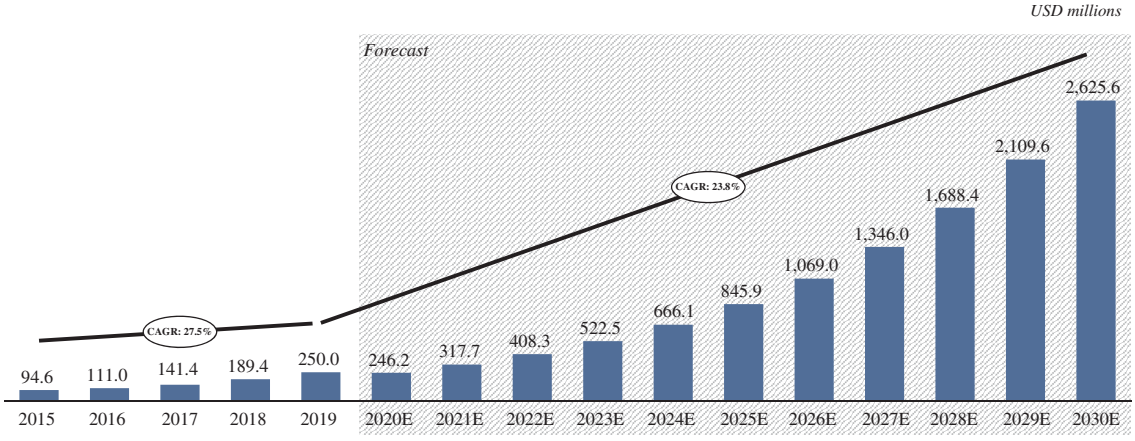
Name	Compound	Administration Route	Mechanism
ZK002	Peptide protein	Intravitreal injection	Anti-permeability and anti-inflammation
PAN-90806	Small molecule drug	Topical delivery (eye drop)	Anti-permeability

Source: NMPA; the Company; CIC Report

Market Size of DME Drugs in China

The market size of DME drugs in China increased from US$94.6 million in 2015 to US$250.0 million in 2019 at a CAGR of 27.5%. The DME drug market in China is expected to increase significantly to US$2.6 billion in 2030 at CAGR of 23.8% from 2019. The following chart sets forth the historical and forecast size of the DME drug market in China for the periods indicated:

Market Size of DME Drugs, China, 2015-2030E



Source: CIC Report

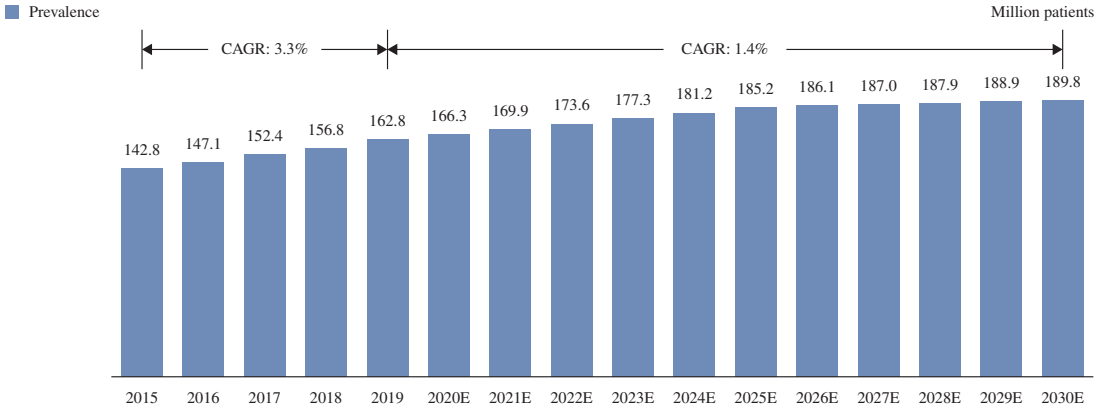
MYOPIA

Myopia, or near-sightedness is a common condition in which objects nearby are clear and those farther away are blurry. It occurs because the light rays entering the eye bend (refract) incorrectly ("refractive error"), and focus the images in front of the retina instead on the retinal surface. Typically, myopia occurs when the eye ball is longer than normal and the focusing element in the front of the eye (*i.e* the cornea) is steeper causing the light to bend excessively.

When myopia is severe, it leads to an increased risk of sight-threatening conditions, such as retinal detachment, choroidal degeneration, and glaucoma. Since myopia typically develops at young age and is closely associated with years of schooling or educational attainment, it is crucial and urgent to implement effective measures to prevent myopia onset and slow myopia progression in children and adolescents aged from 6 to 22.

In China, the prevalence of myopia in children and adolescents aged from 6 to 22 grew from 142.8 million in 2015 to 162.8 million in 2019, and is expected to further grow to 189.8 million in 2030. Thus, myopia has and would continue to be a major public health concern. The following chart illustrates the prevalence of myopia in children and adolescents in China:

Prevalence of Myopia in Children and Adolescents (Age 6-22), China, 2015-2030E



Source: CIC Report

Treatment Paradigm and Development Trend

While wearing prescription lenses, namely, spectacle eyeglasses or contact lenses, remains the mainstream method of vision correction in myopic children and adolescents, its efficacy in delaying the progression of myopia is limited. Anticholinergic drugs are one of the few effective drugs to control myopia progression. However, there are only two anticholinergic drugs approved by the NMPA around 30 years ago for use as myopia treatments, namely tropicamide eye drops and raceanisodamine eye drops, both are rarely used in clinical practice due to side effects such as elevated IOP and allergy. Atropine is a promising anticholinergic agent with extensive studies in recent years. Low-concentration atropine has been shown to be safe and consistently effective, and more effective than prescription lenses, in myopia control. The following table sets forth a comparison of major anticholinergic agents, spectacle eyeglasses and contact lenses:

Category	Method	Mean Difference in Refraction Change[(1)], Diopter/year	Mean Difference in Axial Length Change[(1)], mm/year	Disadvantage	Advantage
Topical drugs	**Atropine**			• Potential for adverse events and side effects due to high doses • Rebound effects after cessation	• Slow refractive error and axial length change • Lower concentration may provide myopia control while minimizing side effects
	• High-dose	0.68	-0.22		
	• Moderate-dose	0.53	-0.22		
	• Low-dose	0.53	-0.15		
Contact lenses	• Orthokeratology contact lenses • Soft bifocal contact lenses • Gas permeable contact lenses	-0.06 ~ -0.03	-0.14 ~ 0.02	• Only symptomatic relief, cannot delay the progression • Strict compliance requires an adaptation period • Increased risk of microbial keratitis and dry eye syndrome	• Provide a wider field of view and cause less vision distortions and obstructions than spectacles
Spectacles	Bifocal and multifocal spectacles	0.26	-0.08	• Only symptomatic relief, cannot delay the progression • Peripheral vision can be distorted • Constant pressure on nose and behind ears	• Require very little cleaning and maintenance • Decreased risk of eye infections

(1) In terms of refractive error, a positive mean difference therefore indicates that the first intervention is better (less myopia progression). In terms of axial length, a negative mean difference indicates the first intervention is better (less axial elongation).

Source: AAO Network Meta-analysis; Adolescent Health, Medicine and Therapeutics; CIC Report

Competition of Atropine Drugs for Myopia Treatment in China

Atropine is the only anticholinergic recommended in Appropriate Technical Guidelines for Prevention and Control of Myopia in Children and Adolescents (兒童青少年近視防控適宜技術指南) in China. According to the World Society of Pediatric Ophthalmology and Strabismus (WSPOS) Myopia consensus statement, atropine is the most beneficial intervention for myopia progression control.

Compared with the high-concentration atropine with more occurrence of side effects, low-concentration atropine has been shown to be well tolerated and more effective in myopia control with an excellent safety profile. Hence it is poised to be the standard of care. As of the Latest Practicable Date, there was no commercialized atropine drug for myopia worldwide. The following table sets forth global atropine drug pipeline for myopia in children and adolescents:

Drug name	Sponsor/ Collaborator	Target Age Group	Phase	Regulatory Authority	First Posted Date
NVK-002[(1)]	Nevakar Inc.	Age 3-17	III	FDA	11/22/2017
SYD-101	Sydnexis, Inc.	Age 3-14	III	FDA	4/18/2019
Atropine 0.1% and 0.01% Ophthalmic Solution	Eyenovia Inc	Age 3-12	III	FDA	5/8/2019
Atropine sulfate eye drops	Sinqi	Age 6-12	III	NMPA	5/28/2020
OT-101	Ocumension Therapeutics	Age 3-15	III	FDA	2/25/2021
DE-127	Santen Pharmaceutical Co., Ltd.	Age 6-11	II	Singapore Health Sciences Authority	11/6/2017

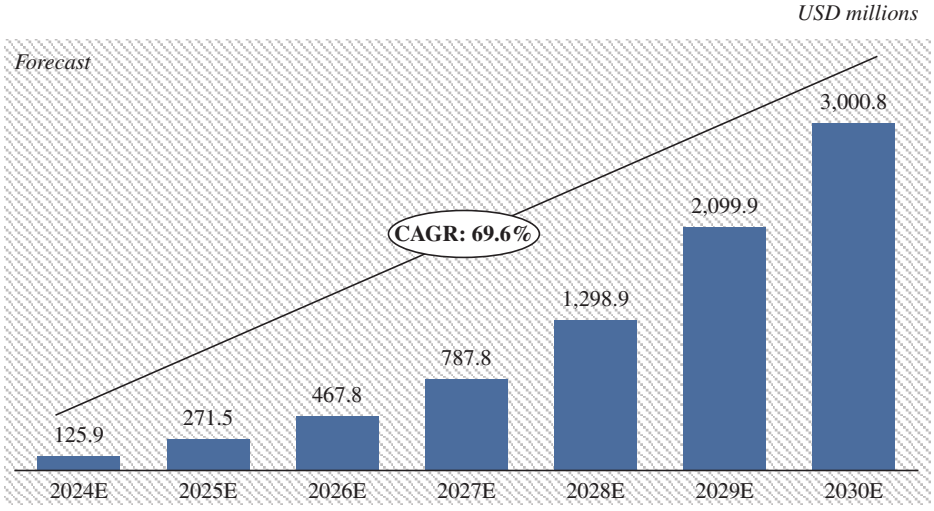
(1) In-licensed by our Group in Greater China and certain other Asian countries.

Source: Adolescent Health, Medicine and Therapeutics; CIC Report

Market Size of Myopia Drugs in China

Due to lack of effective pharmaceutical drugs, the myopia drug market is a major white space in China's ophthalmic drug market historically. Driven by the large patient population and the introduction of innovative and effective myopia medications, especially atropine, the market size of myopia drugs in China is expected to increase from US$125.9 million in 2024 (the first myopia drug is expected to be approved in China in 2024) to US$3.0 billion in 2030, representing a CAGR of 69.6%. The following chart sets forth the forecast size of the myopia drug market in China for the periods indicated:

Market Size of Myopia Drugs, China, 2024E-2030E

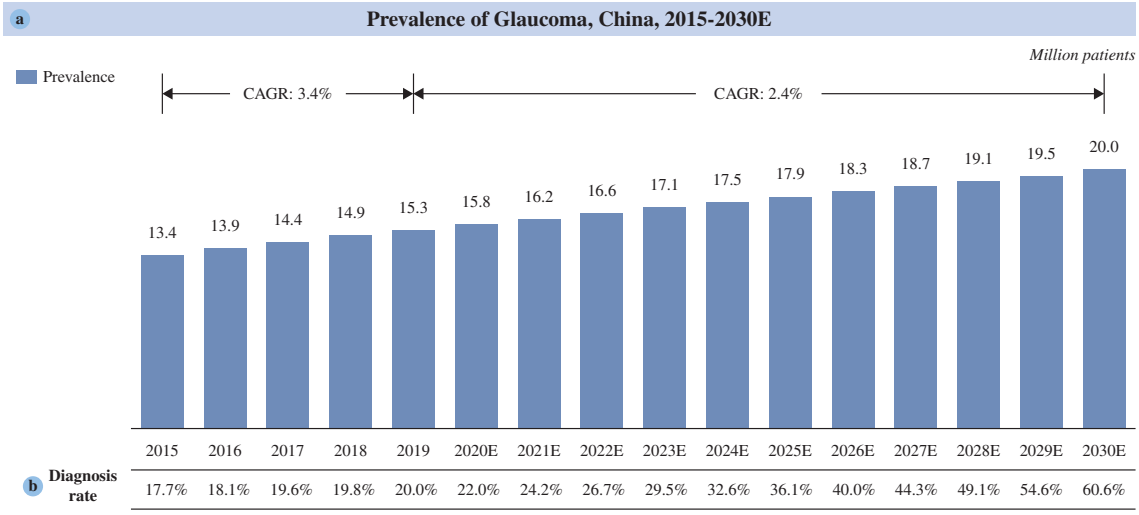


Source: CIC Report

GLAUCOMA

Glaucoma, the second-leading cause of blindness worldwide, is a chronic and progressive disease associated with high intraocular pressure, or IOP, resulting in optic nerve damage. The IOP is determined by the balance of the rate of fluid production versus fluid drainage in the eye. Substantially all the glaucoma cases are primary glaucoma, which can be generally classified into two types, open-angle glaucoma and angle-closure glaucoma. In China, approximately 40% of the primary glaucoma cases are open-angle glaucoma.

In China, the number of glaucoma patients grew from 13.4 million in 2015 to 15.3 million in 2019. Driven by the accelerating aging population, the number of glaucoma patients in China is expected to further grow to 20.0 million in 2030. In addition, the diagnosis rate of glaucoma is expected to increase significantly from 20.0% in 2019 to 60.6% in 2030. The following chart illustrates the prevalence and diagnosis rate of glaucoma in China:



Source: CIC Report

Treatment Paradigm

Traditionally, glaucoma treatments have begun with pharmacological intervention, proceeding to laser therapy and surgery when necessary. The primary treatment strategy of glaucoma medication is directed at lowering IOP to a target level, by inducing either increased drainage and/or decreased fluid production. For open-angle glaucoma, prostaglandin analogs, or PGAs, and β blockers are usually considered as the first-line therapies in China. For angle-closure glaucoma, non-drug therapies including laser treatment and surgery are mainstream treatments. β blocker monotherapy is also used to lower IOP for angle-closure glaucoma after glaucoma surgery. The following table illustrates a comparison of major glaucoma treatments in China:

Comparison of Glaucoma Treatments Low frequency High frequency

Drug therapy						
Treatment	Mechanism	IOP* reduction	Dosage	Market Share in China	Clinical Use	
					Open-angle Glaucoma	Angle-closure Glaucoma(1)
PGAs	• Increase aqueous outflow through the trabecula or uveoscleral outflow pathway	25-35%	Once daily	~ 40%	1st line	2nd line (postsurgical)
β blockers	• Decrease aqueous production: block adrenalin receptor on ciliary body	20-30%	Once/twice daily	~ 15-20%	1st line	1st line (postsurgical)
α2 agonists	• Decrease aqueous production • Increase aqueous outflow	14-28%	Two to three times daily	~ 15-20%	1st or 2nd line	1st or 2nd line
CAIs	• Decrease aqueous production: both topical and oral	15-26%	Topical: two to three times daily Oral: twice daily	~ 15-20%	2nd or 3rd line	2nd or 3rd line
Cholinergic agents	• Increase aqueous outflow: narrow the pupil and reduce iris at atrium	20-30%	Three times daily	~ 5%	3rd line	3rd line

Note: * Elevated intraocular pressure (IOP) is a major risk factor of glaucoma. As a result, most treatment strategies are directed a reducing IOP.

Non-drug therapy	Description	Clinical Use
Laser treatment	The next step for those patients who have not achieved adequate pressure control with eye drop medications. The laser treatment lowers pressure by increasing the drainage of the fluid from the eye.	Main treatment for angle-closure glaucoma
Surgery	The final step for those patients who have not achieved adequate pressure control with either medications or laser treatment.	

(1) Non-drug therapies including laser treatment and surgery are mainstream treatments for angle-closure glaucoma.

Source: NICE 2017; AAO Eyewiki; Glaucoma Research Foundation; Remedi Seniorcare; CIC Report

Comparison of Our Glaucoma Drug Pipeline and Competing Glaucoma Drugs in China

Current top-selling glaucoma drugs in China include monotherapies of PGA drugs and β blockers, as well as fixed-dose combination eye drops which combine PGAs and β blockers in a single dosage form. Under medical guidelines, the monotherapy eye drops are recommended as first-line therapy, while the fixed-combination eye drops are used in patients with progression or who have failed to achieve the target IOP after receiving the monotherapy drugs. As compared with administration of PGAs and β blockers separately, the fixed-dose combination eye drops reduce the total number of drops with more convenience and improved compliance, lower the washout effect resulting from subsequent instillation, and has less ocular surface exposure and toxicity. The following table sets forth a comparison of top-selling monotherapies of PGAs and β blockers and fixed-dose combination drugs approved for glaucoma in China:

Top-selling Monotherapies for Glaucoma in China

Treatment	Name	Component	Company	First approval Year Globally	Approval Year in China	Dosage	Preservative	Price (USD)	China Sales, 2019 (mn USD)	Market Share in China (2019)
PGA	Travatan	Travoprost	Alcon	2001	2004	Once daily	✓	~31 / 2.5ml	~ 30	~ 15-20%
	Xalatan	Latanoprost	Pfizer	1996	1999	Once daily	✓	~31 / 2.5ml	~ 15	~ 10%
	Lumigan	Bimatoprost	Allergan	2001	2005	Once daily	✓	~24 / 3ml	~ 4	~ 2.5%
β blocker	/	Timolol Maleate	Wujing	2006	2006	Once to twice daily	✓	~3 / 5ml	~ 8	~ 5%

Top-selling Fixed-dose Combination Drugs for Glaucoma in China

Treatment	Name	Component	Company	First Approval Year Globally	Approval Year in China	Dosage	Preservative	Price (USD)	China Sales, 2019 (mn USD)	Market Share in China, 2019
PGA + β blocker	Xalacom	Latanoprost + Timolol	Pfizer	2001	2008	Once daily	✓	~33 / 2.5ml	~ 3	~ 2%
	DuoTrav	Travoprost + Timolol	Alcon	2006	2014	Once daily	✓	~45 / 2ml	< 1	< 1%
	Ganfort	Bimatoprost + Timolol	Allergan	2006	2013	Once daily	✓	~54 / 3ml	~ 2	~ 1-2%

Source: AAO; Khouri et al.; CIC Report

We are developing seven drug candidates for glaucoma in China, including one β blocker monotherapy to decrease fluid production, three PGA monotherapies to increase fluid outflow and three fixed-dosed combination therapies addressing both pathophysiologic mechanisms. Our β blocker candidate was the only clinical-stage β blocker in China as of the Latest Practicable Date. In addition, our PGA monotherapy bimatoprost, and two of our fixed-dose combination therapy candidates (bimatoprost/timolol and travoprost/timolol) are potentially the first such generic drugs in China. As of the Latest Practicable Date, in China, our Bimatoprost candidate is the one of the five Bimatoprost candidates that submitted ANDAs. Our Bimatoprost Timolol candidate was the only Bimatoprost Timolol that submitted a ANDA. The table below sets forth a comparison of our glaucoma drug pipeline and other clinical-stage glaucoma drug candidates in China.

Clinical-stage Glaucoma Drug Candidates in China

Category	Drug Name	Compound	Formulation	Sponsor/Collaborator	Phase	First Posted Date
β blocker monotherapy	Levobetaxolol hydrochloride eye drop	Levobetaxolol hydrochloride	Eye drop	Our Group	III	2019/3/12
Fixed-dose combination	DE-111A	Tafluprost/ timolol maleate	Eye drop	Santen	III	2018/11/26
PGA monotherapy	Latanoprost eye gel	Latanoprost	Eye gel	Sinqi	Others	2014/4/2
CAIs	Acetazolamide sustained-release capsule	Acetazolamide	Capsule	Zhongshuai Pharmaceutical Sci & Tech Co., Ltd.	Others	2019/12/24

Our Other Glaucoma Candidates

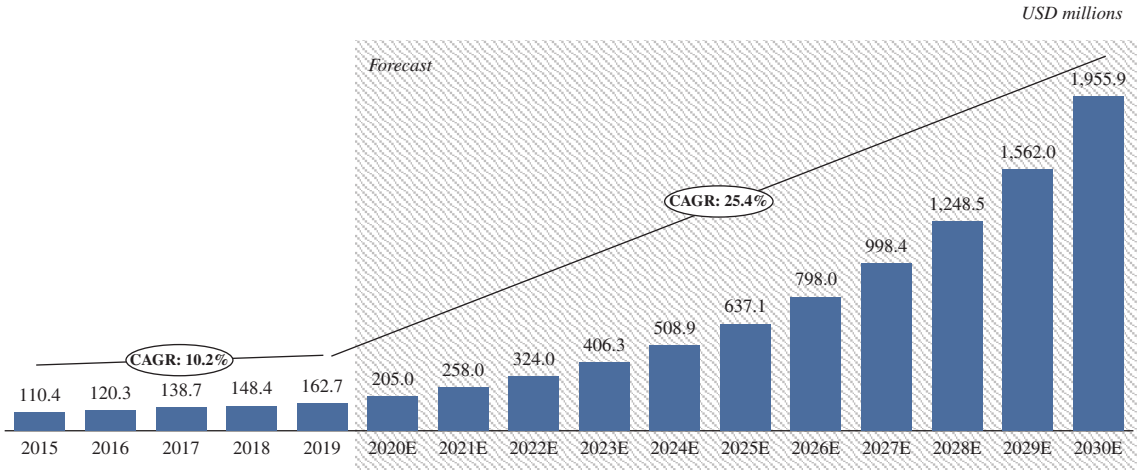
Category	Name/Compound	Formulation	Registration Pathway	Global Sales (2019 mn USD)
PGA monotherapy	Bimatoprost	Eye drop	Generic drug	~1,000
	Latanoprost	Eye drop	Generic drug	~700
	Travoprost	Eye drop	Generic drug	~650
Fixed-dose combination	Bimatoprost/Timolol	Eye drop	Generic drug	~200
	Latanoprost/Timolol	Eye drop	Generic drug	~140
	Travoprost/Timolol	Eye drop	Generic drug	~150

Source: NMPA; the Company; CIC Report

Market Size of Glaucoma Drugs in China

The market size of glaucoma drugs in China increased from US$110.4 million in 2015 to US$162.7 million in 2019 at a CAGR of 10.2%. The glaucoma drug market in China is expected to increase significantly to US$2.0 billion in 2030 at CAGR of 25.4% from 2019. The following chart sets forth the historical and forecast size of the glaucoma drug market in China for the periods indicated:

Market size of Glaucoma Drugs, China, 2015-2030E



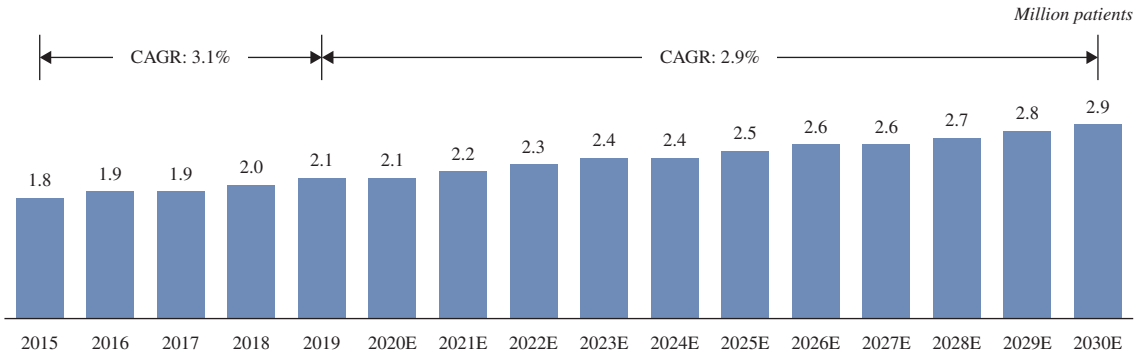
Source: CIC Report

CED

CED is the partial or complete loss of epithelial cells in the cornea, which could lead to inflammatory responses on the ocular surface, or even stromal keratopathy, hindering visual functions. CED may be caused by multiple conditions such as mechanical traumas, infection and/or inflammation affecting the ocular surface due to diseases such as diabetes and DED, or neurotrophic abnormalities that lead to decreased production of tears, post-surgery corneal damages and side effects from preservatives in ophthalmic drugs.

The number of CED patients in China increased from 1.8 million in 2015 to 2.1 million in 2019 and is expected to further increase to 2.9 million in 2030. The following chart illustrates the historical and forecast prevalence of CED in China:

Prevalence of CED, China, 2015-2030E



Source: CIC Report

Treatment Paradigm and Development Trend

The treatment options for CED in China include artificial tears, growth factor drugs, deproteinized calf blood extract, anti-inflammation drugs, bandage lenses and surgeries if required. The following table illustrates a comparison of major CED treatments in China:

Current mainstay treatment for CED in China

Drug therapy							
Treatment	**Mechanism**	**Patients**			**Limitations**	**Usage**
		Mild	Moderate	Severe		
Artificial tears	• Keep eyes lubricated and provide the outer surface with moisture	✓			• Do not resolve the underlying disease process, often only temporarily relieving the symptoms	• Mild patient only
Growth factor drugs	• Growth factor drugs are usually based on growth factor proteins such as epithelial growth factor (EGF) and basic fibroblast growth factor (bFGF)	✓	✓		• The treatment for severe CED is unmatured now, still under development	• Current main treatment
Deproteinized calf blood extract	• Help nourish corneal tissue, stimulate cytothesis and facilitate re-epithelialization	✓	✓	✓	• Efficacy in combination therapy with anti-inflammatory drugs and antibiotics is unclear	• Current main treatment
Others	Anti-inflammatory • NSAID for mild symptoms, and glucocorticoid for moderate to severe symptoms Anti-infection • Prevent infection with antibiotics	✓	✓	✓	• No promotion in cell proliferation	• Selectively applied through close observation of the level of corneal epithelial defect
Non drug therapy						
Bandage contact lens	• Prevent moisture from escaping and facilitate drug absorption		✓		• No promotion in cell proliferation	• If artificial tear cannot relive the symptoms
Surgery	• Including Amniotic membrane transplantation, surgical lid closure, limbal stem cell transplants, and etc.			✓	• Risky and could induce complications including infection and hemorrhage	• Only performed when patients fail to respond to drug therapies and bandage contact lens

Source: China CED Expert Consensus; Novel Therapy to Treat CED; CIC Report

Growth factor drugs and deproteinized calf blood extract drugs are widely prescribed for CED treatment. However, long-term use of growth factor drugs may cause abnormal growth of scar tissues and blood vessels (*i.e.*, angiogenesis), and high-concentration deproteinized calf blood extract may have toxic effects. Anti-inflammation drugs could suppress the inflammation in corneal epithelium and can be used for all stages of CED. However, they do not have corneal healing effect. As a result, there is a substantial unmet medical need for new treatments that may facilitate epithelial wound healing without chronic toxicity or causing abnormal tissue growth.

Comparison of ZKY001 and Competing CED Drugs in China

The current top-selling drugs for CED in China are primarily re-epithelialization drugs. As of the Latest Practicable Date, our ZKY001 was the only clinical-stage CED drug candidate in China. It is not a growth factor and do not cause angiogenesis results. It employs an innovative mechanism for CED treatment through anti-inflammatory effects plus stimulation of epithelial cell migration. The following table sets forth a comparison of ZKY001 and current top-selling re-epithelialization CED drugs in China:

Top-selling Drugs for CED in China

Compound	Drug name (Formulation)	Company	Mechanism	Approval Year	Sales in China 2019 (USD mn)	Price in China (USD)	Side effect (if any)
Recombinant human epidermal growth factor derivative (rh-EGF)	Yibei (Gel)	Guilin Pavay gene	• Promote cell repair and regeneration on mesoderm and ectoderm	2005	~40	~6/5g	• Slight tingling
	Jinyinshu (Eye Drop)	Shenzhen Watsin Genetech	• Promote cell regeneration on corneal epithelium	2004	~4	~5/3ml	N/A
Deproteinized Calf Blood Extract	Sugaojie (Gel)	Shenyang Sinqi Pharmaceutical	• Promote the uptake and utilization of glucose and oxygen by eye tissues and cells	2007	~30	~6/5g	• Allergic
	Sugaojie (Eye Drop)	Shenyang Sinqi Pharmaceutical		2007	~2	~17/20 pieces/ 0.4ml	• Allergic • Eye irritation
Recombinant bovine basic fibroblast growth factor (rb-bFGF)	Beifushu (Eye Drop)	Essex Bio-Pharmaceutical	• Promote cell repair and regeneration on mesoderm and ectoderm	2019	N/A	~4/5ml	N/A

Clinical-stage CED Drug Candidate

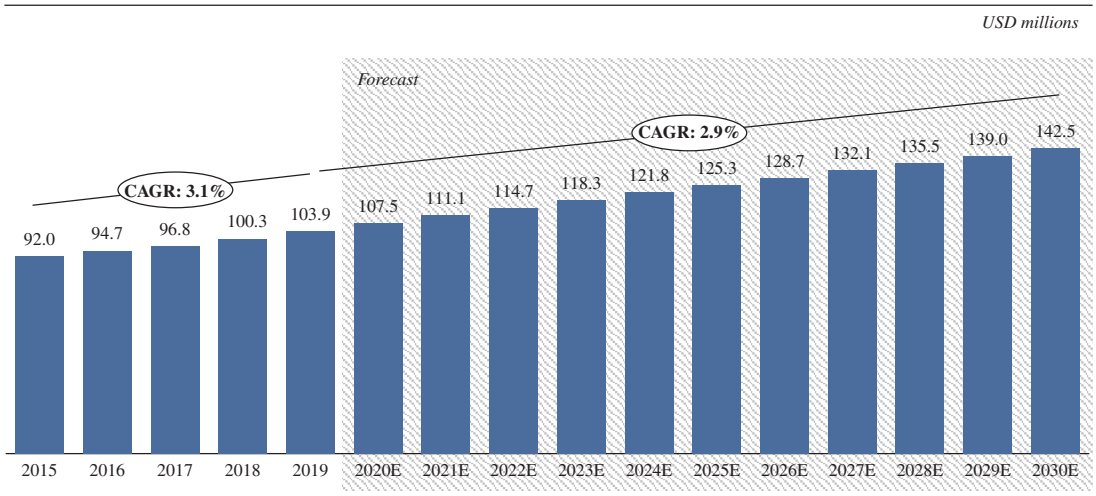
Drug Name	Compound	Sponsor / Collaborator	Phase	First Posted Date	Mechanism
ZKY001	A functional fragment of Thymosin β4	Our Group	Phase II	2020/3/27	Anti-inflammation plus stimulation of epithelial cell migration

Source: NMPA; CIC Report

Market Size of CED Drugs in China

The market size of CED drugs in China increased from US$92.0 million in 2015 to US$103.9 million in 2019, and is expected to increase to US$142.5 million in 2030. The following chart sets forth the historical and forecast size of the CED drug market in China for the periods indicated:

Market Size of CED Drugs, China, 2015-2030E



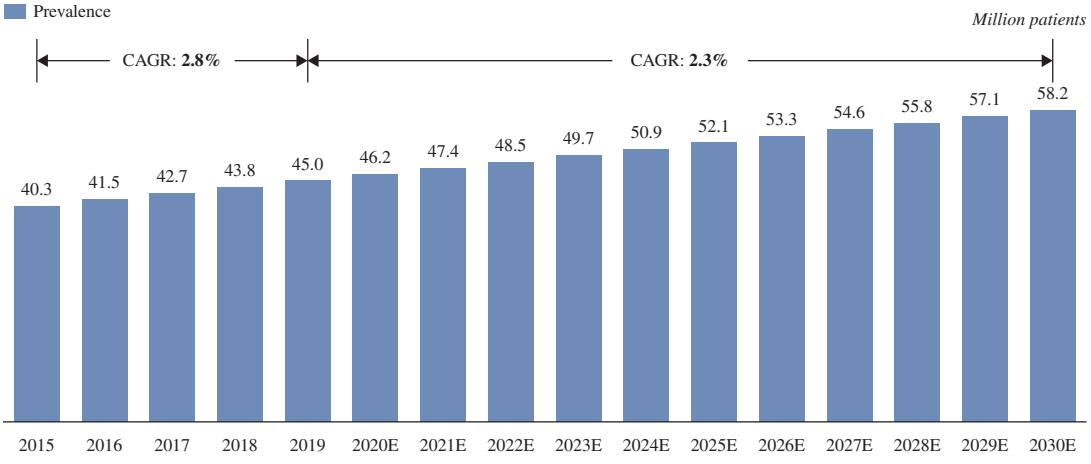
Source: CIC Report

PTERYGIUM

Pterygium is an ocular surface disease in which the conjunctiva on the cornea grows to form a fibrous tissue. which is believed to be associated with high-ultraviolet radiation or dusty, hot, dry, windy and smoky environments.

The number of pterygium patients in China increased from 40.3 million in 2015 to 45.0 million in 2019 and is expected to further increase to 58.2 million in 2030. The following chart illustrates the prevalence of pterygium in China:

Prevalence of Pterygium, China, 2015-2030E



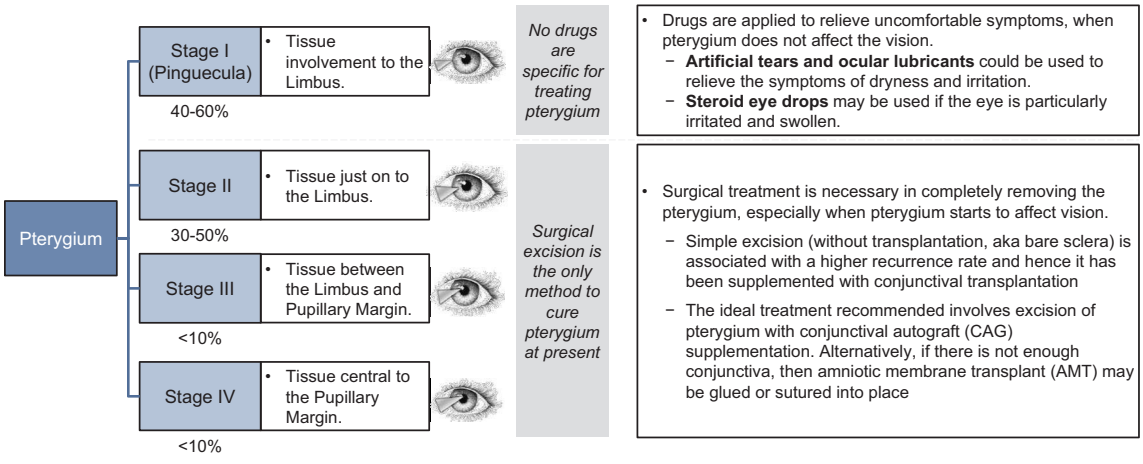
Source: CIC Report

Treatment Paradigm and Unmet Medical Needs

Pterygium is a proliferative disorder of the ocular surface and a pathological condition. The most important conditions of pterygium that require treatment include involvement of, or threat to, the visual axis, loss of vision from astigmatism, restriction of eye movement and atypical appearance suggesting dysplasia. In addition, pterygium can be a concern to patients because of the increasing size of fibrovascular proliferation, associated irritations and cosmetic issues.

However, the treatment options for this disease are very limited. When pterygium does not affect the vision, artificial tears and lubricants, and steroid eye drops can be administered. Surgical treatment can remove pterygium if pterygium starts to affect vision. However, pterygium may recur even if it has been surgically removed. Consequently, more effective drugs that can manage fibrovascular proliferation condition in pterygium without the need for surgeries are in urgent demand. The following diagram sets forth the current treatment options for pterygium:

Treatment path and options of pterygium



Source: AAO; CIC Report

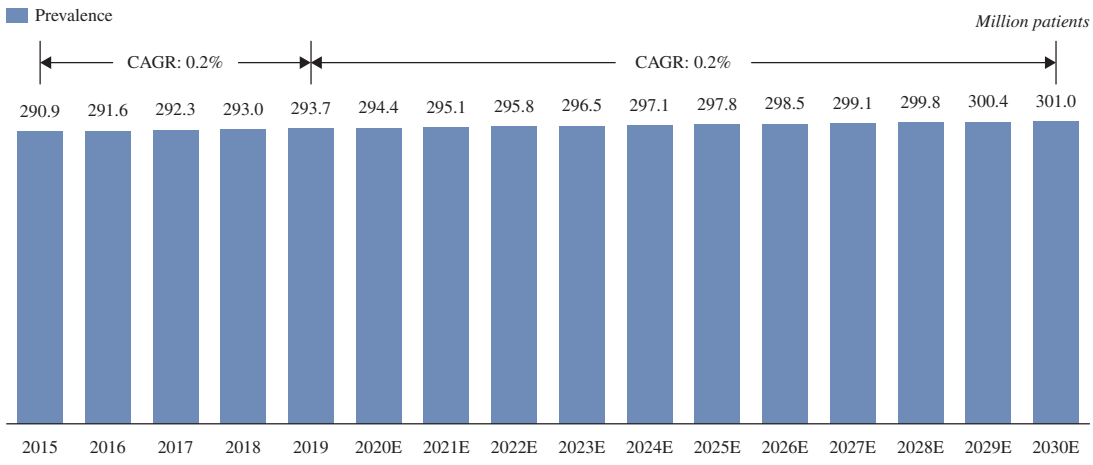
Market of Pterygium Drugs and Competition in China

As of the Latest Practicable Date, there was no drug registered with NMPA for the treatment of pterygium, indicating that ZK002 might be the first one to break the Chinese market. We believe this is a vast market considering the large patient population in China.

ALLERGIC CONJUNCTIVITIS

Allergic conjunctivitis is a common eye disease usually caused by conjunctival hypersensitivity to allergen. The prevalence of allergic conjunctivitis in China increased from 290.9 million in 2015 to 293.7 million in 2019, and is expected to increase to 301.0 million in 2030, driven by the influence of air pollution and environment change. The following chart illustrates the prevalence of allergic conjunctivitis in China:

Prevalence of Allergic Conjunctivitis, China, 2015-2030E



Treatment Paradigm and Development Trend

In China, antihistamine in combination with master cell stabilizers are the first choice in treating allergic conjunctivitis, especially for severe conditions. The two types of drugs can also be used separately as monotherapy. However, antihistamine is limited in use as it is only recommended for seasonal and perennial allergic conjunctivitis. Mast cell stabilizers are only suitable for interictal periods, namely, the periods when allergic conjunctivitis is inactive. Although the combination of these two drugs substantially mitigates such shortcomings, they cannot relieve itching as a result of infections or improper contact lens wear. The following table sets forth the major marketed allergic conjunctivitis drugs in China:

Top-selling Drugs for Allergic Conjunctivitis in China

Mechanism	Compound	Drug Name	Formulation	Company	Approval Year	Sales in China 2019 (USD mn)	Price in China (USD)	Advantages	Disadvantages
Antihistamine & Mast cell stabilizers	Olopatadine	Patanol	Eye drop	ALCON	2007	~30	~14/5ml	• Safe to be used together with other oral medicines that also treat allergies • Recommended in all types of conjunctivitis	• Not help relieve itch related to infections or contact lens wear.
		Zheng Xin	Eye drop	HB.CHUANGJIAN PHA	2008	~6	~13/5ml		
	Azelastine	Zhong Sheng	Eye drop	GD. ZHONGSHENG	2009	~12	~6/6ml	• Works as quickly as within 3 minutes to relieve itchy eyes and can last up to 8 hours.	• Not for long-term use • Not help relieve itch related to infections or contact lens use
		Azep	Eye drop	MYLAN	2009	~2	~7/6ml		
Antihistamine	Emedastine	Emadine	Eye drop	ALCON	2007	~13	~5/5ml	• Useful in treating mild AC	• Recommended in seasonal and perennial allergic conjunctivitis only
Mast cell stabilizers	Pemirolast	Alegysal	Eye drop	SANTEN	2007	~2	~3/5ml	• Most useful for relief of mild and moderate symptoms	• Only suitable for interictal period

Source: CIC Report

Comparison of Our Allergic Conjunctivitis Drug Pipeline and Competing Drugs in China

As of the Latest Practicable Date, there was only one clinical-stage drug candidate indicated for allergic conjunctivitis, which is cetirizine ophthalmic solution, an antihistamine agent. We are developing two drug candidates indicated for allergic conjunctivitis, namely IC-270 and an epinastine HCl generic. IC-270 combines IC-265 (a Syk kinase inhibitor) with an antihistamine agent, and epinastine HCl generic is a combination of an antihistamine agent and mast cell stabilizer. The table below sets forth a comparison of our allergic conjunctivitis drug candidates and the clinical-stage candidate registered with the NMPA for this indication:

Clinical-stage Allergic Conjunctivitis Drug Candidate

Drug Name	Compound	Sponsor/Collaborator	Phase	First Posted Date	Mechanism
ZERVIATE	Cetirizine ophthalmic solution	Eyevance Pharmaceuticals, LLC./Excelvision/ Ocumension	III	2020/10/13	Antihistamine

Our Preclinical-stage Allergic Conjunctivitis Candidates in China

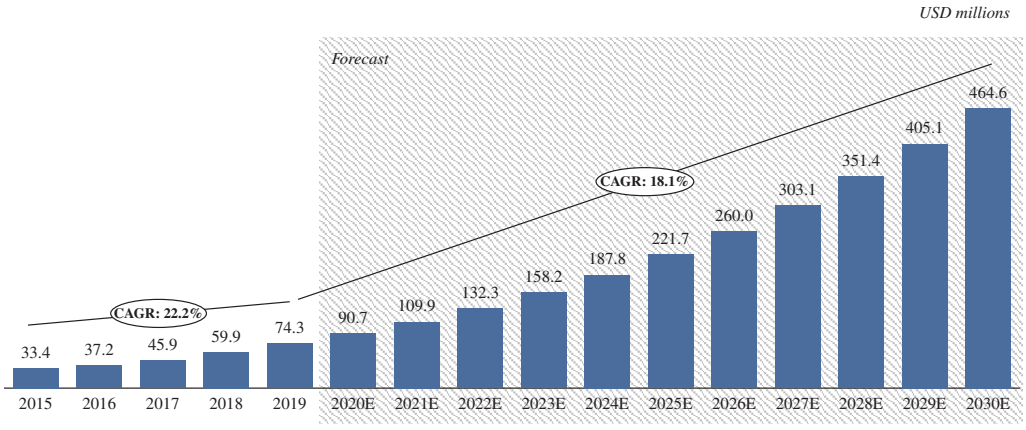
Name	Compound	Mechanism	New Drug or Generic
IC-270	• IC-265 (Syk kinase inhibitor) • Antihistamine	Dual-acting of anti-inflammation and antihistamine effect	New Drug
Epinastine HCl	Epinastine HCl	Dual-acting of antihistamine and mast cell stabilizer	Potentially first Epinastine HCl generic

Source: NMPA, the Company, CIC Report

Market Size of Allergic Conjunctivitis Drugs in China

The market size of allergic conjunctivitis drugs in China increased from US$33.4 million in 2015 to US$74.3 million in 2019 at of CAGR of 22.2%, and is expected to increase to US$464.6 million in 2030 at CAGR of 18.1%, driven by rapid development of ophthalmic diagnosis and treatment technology and increasing availability of new drugs. The following chart sets forth the historical and forecast size of the allergic conjunctivitis drug market in China for the periods indicated:

Market Size of Drugs for Allergic Conjunctivitis, China, 2015-2030E



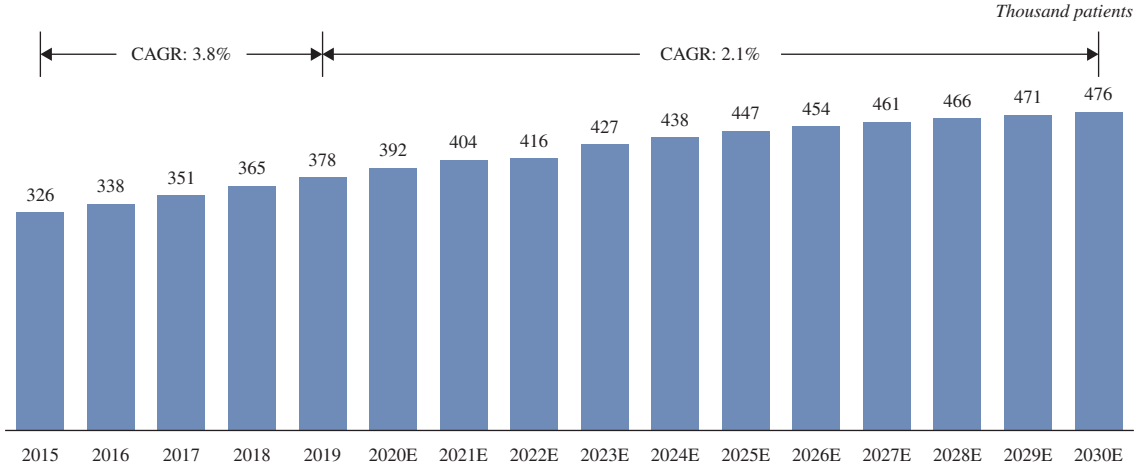
Source: CIC Report

VMT

VMT is symptomatic VMA. VMA is a medical condition where the vitreous gel of the eye adheres to the retina in an abnormally strong manner, which can lead to VMT if the adhesion is strong enough to cause pulling on the macula. This condition causes distortion of the retinal tissue resulting in decreased vision and sometimes cause retinal tear. VMT usually happens in people older than 50.

In China, the number of VMT patients increased from 0.3 million in 2015 to 0.4 million in 2019, and is expected to further increase to 0.5 million in 2030, driven by the accelerating aging population. The following chart illustrates the prevalence of VMT in China:

Prevalence of VMT, China, 2015-2030E



Source: CIC Report

Treatment Paradigm and Unmet Medical Needs

Vitrectomy surgery is the only available treatment for VMT to date in China. However, this surgery usually performed after the patient's vision has been affected or deteriorated significantly. In addition, the patient is subjected to the procedure related surgical risks which include bleeding, pain, post-operative inflammation, infection and/or irritation. As a result, there is a significant market potential for non-surgical therapy for treating VMT.

Market of VMT Drugs and Competition in China

As of the Latest Practicable Date, there was only one clinical-stage drug candidate for VMT treatment in China. The following table sets forth our VMT drug candidate and the clinical-stage drug candidate in China:

Drug name	Compound	Formulation	Mechanism	Sponsor/Collaborator	Phase	First posted date
JZB32	Recombinant human Ocriplasmin	Injection	Proteolytic enzyme	Chengdu Zeyan Biotech/ Jingfeng Medical	I	2020/09/07
Resolv ER[(1)]	Resolvine Intravitreal Injection	Injection	Disrupting hydrogen bonds by delivering concentrated urea	Our Group	Preclinical stage	N/A

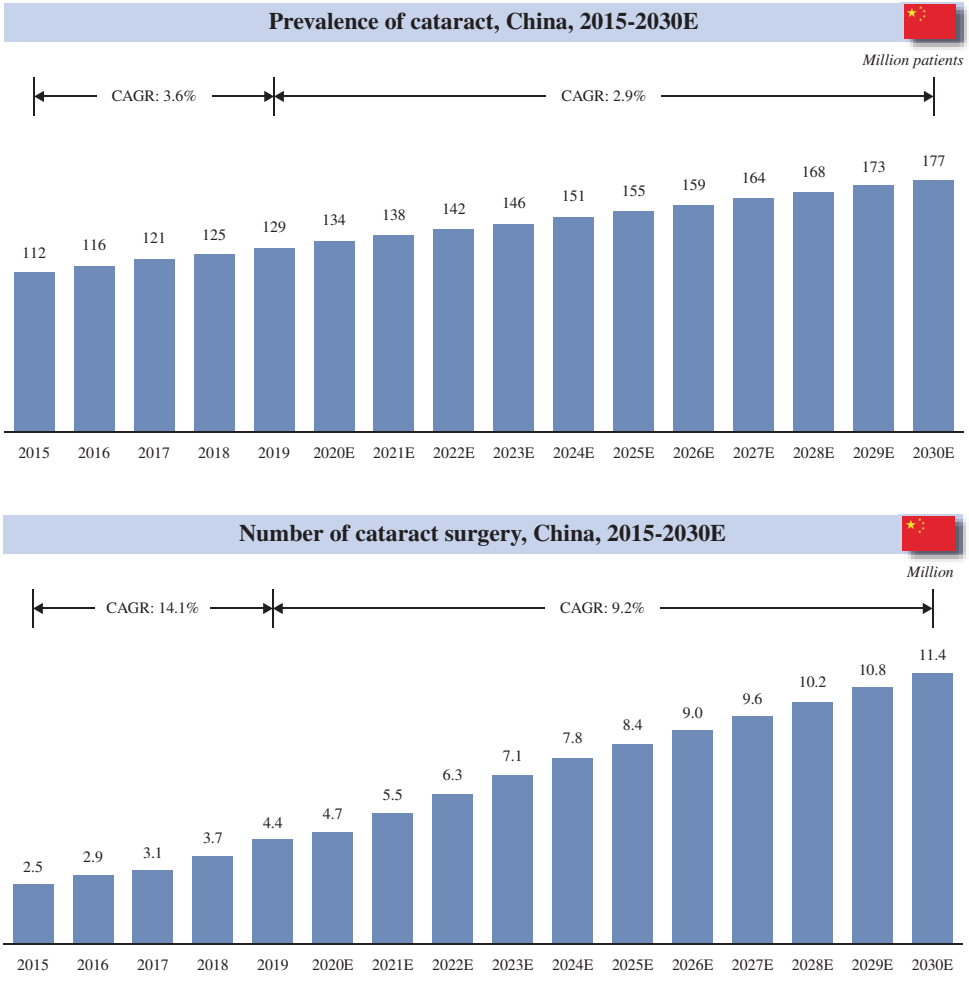
(1) In-licensed by us, in the Phase I clinical stage in the United States.

Source: CIC Report

POST-CATARACT SURGERY INFLAMMATION AND INFECTION

Postoperative inflammation and infection following cataract surgery is presumed to be caused by bacteria, fungi or, on rare occasions, parasites that enter the eye during the perioperative period. Symptoms following cataract surgery vary slightly. Their symptoms depend on whether the infection occurs early (six weeks or less) or late (months or years) after surgery. Early symptoms include a dramatic decrease in vision in the affected eye, eye pain that worsens after surgery, red eyes and swollen eyelids. Late symptoms tend to be milder than early symptoms, which include blurred vision, increased sensitivity to bright light and mild eye pain. The postoperative inflammation drug market, especially, the drug market for inflammations post cataract surgery, is expected to continue to grow as the cataract surgery rate continues to rise and the access to cataract treatment continues to improve.

The total number of patients receiving cataract surgery in China increased from 2.5 million in 2015 to 4.4 million in 2019, representing a CAGR of 14.1%. A large number of such patients have postoperative inflammation following the cataract surgery. The following chart illustrates the prevalence of cataract and cataract surgery volume in China:



Source: CIC Report

The current standard of care in China for treating post-cataract surgery inflammation and infection is primarily use of anti-inflammatory and antibiotic agents. Further, cataract surgery patients are often elderly and can have compromised cognitive function, osteoarthritis in their hands and poor eyesight due to the cataract surgery. These complexities can lead to poor compliance by, for example, failing to administer eye drops according to the prescribed schedule, attempting to administer but failing to direct eye drops into the eye, or not finishing the treatment regimen. The following table sets forth a comparison of steroid/antibiotic combination eye drops marketed in China:

Generic name	Representative Products		Number of other manufacturers	Earliest NMPA approval date	NRDL inclusion
	Product name	Manufacturer			
Steroid/antibiotic combination					
Dexamethasone/Tobramycin	Tobradex	Alcon	8	2001	√
Dexamethasone/Neomycin	Fredex	Bausch Health	6	2002	×
Loteprednol/Tobramycin	Loteprednol Etabonate	Bausch Health	0	2012	×
Fluoroethylenes/Gentamicin	Di Li Shu	Tianjin Kingyork	0	2005	√

Source: CIC Report

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned CIC, an Independent Third Party, to conduct a detailed analysis and to prepare an industry report on the global and PRC ophthalmic drug markets. The CIC Report has been prepared by CIC independent from our influence. We have agreed to pay CIC a fee of RMB1,040,000 for the preparation of the CIC Report which we consider is in line with the market rates. Except as otherwise noted, all data and forecasts in this section are derived from the CIC Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the CIC Report which may qualify, contradict or have an impact on the information disclosed in this section.

CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including but not limited to the National Bureau of Statistics, the NMPA, the FDA, National Health Commission of the People's Republic of China, the International Monetary Fund, World Health Organization. The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to continue driving the growth of the market during the forecast period, such as the increasing number of eye disease incidences mainly owing to aging population, strengthened public awareness of eye care, enhanced patient affordability, enriched drugs and therapies, among others; and (iv) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

OVERVIEW OF LAWS AND REGULATIONS

This section summarizes the principal laws and regulations in the PRC that are relevant to our business.

DRUG REGULATORY REGIME

Major Regulatory Authorities

The drug industry in the PRC is mainly administered by three governmental agencies: the National Medical Product Administration (國家藥品監督管理局) (the "**NMPA**"), a department under the State Administration for Market Regulation (國家市場監督管理總局), the National Health Commission (國家衛生健康委員會) (the "**NHC**") and the National Healthcare Security Administration (國家醫療保障局) (the "**NHSA**").

The NMPA, which inherits the drug supervision function from its predecessor the China Food and Drug Administration, or the CFDA, is the primary drug regulator responsible for almost all of the key stages of the life-cycle of pharmaceutical products, including non-clinical researches, clinical trials, marketing approvals, manufacturing, advertising and promotion, distribution and pharmacovigilance.

The NHC, formerly known as the National Health and Family Planning Commission, is China's chief healthcare regulator. It is primarily responsible for drafting national healthcare policy and regulating public health, medical services, and health contingency system, coordinating the healthcare reform, and overseeing the operation of medical institutions and practicing of medical personnel.

The NHSA, a new authority established in May 2018, is responsible for drafting and implementing policies, plans and standards on medical insurance, maternity insurance and medical assistance; administering healthcare fund; formulating a uniform medical insurance catalogs and payment standards on drugs, medical disposables and healthcare services; formulating and administering the bidding and tendering policies for drugs and medical disposables.

Reform of the Drug Approval System

On August 9, 2015, the State Council promulgated the Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (《關於改革藥品醫療器械審評審批制度的意見》) (the "**Reform Opinions**"), which established a framework for reforming the evaluation and approval system for drugs and medical devices and equipment. The Reform Opinions indicated enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs.

On March 4, 2016, the General Office of the State Council promulgated the Guiding Opinions on Promoting the Sound Development of the Medical Industry (《關於促進醫藥產業健康發展的指導意見》), which aims to accelerate the development of innovative drugs and biological products with major clinical needs, to speed up the promotion of green and intelligent pharmaceutical production technologies, to strengthen scientific and efficient supervision, and to promote the development of industrial internationalization.

On May 26, 2016, the General Office of the State Council promulgated the Pilot Plan for the Drug Marketing Authorization Holder Mechanism (《藥品上市許可持有人制度試點方案》), which provides a detailed pilot plan for the drug marketing authorization holder mechanism (the "**MAH System**"). Under the MAH System, drug research and development institutions or scientific research personnel in the pilot regions may serve as drug applicants for registration and submit applications for drugs clinical trials and marketing.

On October 8, 2017, the General Office of Chinese Communist Party's Central Committee and the General Office of the State Council jointly issued the Opinion on Strengthening the Reform of the Drug and Medical Device Review and Approval Process to Encourage Drug and Medical Device Innovation (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (the "**Innovation Opinion**"), which seek to streamline the clinical trial process and shorten the time line. The Innovation Opinion provided for special fast-track approval for new drugs and devices in urgent clinical need, and drugs and devices for rare diseases.

On December 21, 2017, the CFDA promulgated the Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation (《關於鼓勵藥品創新實行優先審評審批的意見》), which further clarified that a fast track clinical trial approval or drug registration pathway will be available to innovative drugs.

On May 17, 2018, the NMPA and NHC jointly promulgated the Circular on Issues Concerning Optimizing Drug Registration Review and Approval (《關於優化藥品註冊審評審批有關事宜的公告》), which further simplified and accelerated the clinical trial approval process.

Regulations in relation to the Registration of New Drugs

Non-Clinical Research

The non-clinical safety evaluation study for drugs for the purpose of applying for marketing approval shall be conducted in accordance with the Administrative Measures for Good Laboratories Practice (《藥物非臨床研究質量管理規範》), which was promulgated on August 6, 2003 and revised on July 27, 2017 by the CFDA. On April 16, 2007, the CFDA issued the Circular on Measures for Certification of Good Laboratory Practice (《藥物非臨床研究質量管理規範認證管理辦法》), which sets forth the requirements for an institution to apply for a Certification of Good Laboratory Practice to undertake drug non-clinical research.

Clinical Trial Application

According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》) (the "**Registration Measures**"), which was promulgated on January 22, 2020 and took effect on July 1, 2020, the Center for Drug Evaluation under the NMPA (the "**CDE**") is responsible for the application of conducting new drug clinical trials. According to Registration Measures, drug clinical trials shall be divided into Phase I clinical trial, Phase II clinical trial, Phase III clinical trial, Phase IV clinical trial, and bioequivalence trial. In accordance with the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》) issued on July 24, 2018, if a clinical trial applicant does not receive any negative or questioned opinions from the CDE within 60 business days after the date when the trial application is accepted and the fees are paid, the applicant can proceed with the clinical trial in accordance with the trial protocol submitted to the CDE.

After obtaining the clinical trial authorization from the NMPA, the applicant must register the clinical trial at the Drug Clinical Trial Information Platform for public disclosure in accordance with the Announcement on Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》), which came into effect on September 6, 2013. The applicant shall complete the initial registration within one month after obtaining the clinical trial authorization and complete follow-up registrations before the first subject's enrollment in the trial.

Conduction of Clinical Trial and the Communication with CDE

Clinical trials must be conducted in accordance with the Announcement on Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》), which was promulgated by the NMPA and NHC on April 23, 2020 and took effect on July 1, 2020, which also sets forth the requirements for conducting the clinical trial, including preparation of clinical trials, clinical trial protocol, duties of the sponsor and investigators and protection of the trial subjects.

The drug clinical trial institution refers to institutions that have the conditions to conduct clinical trials in accordance with the requirements of the Good Clinical Practice for Drug Trials (the "**GCP**") and relevant technical guidelines for clinical trials according to the Regulations for the Administration of Drug Clinical Trial Institutions (《藥物臨床試驗機構管理規定》), which was promulgated by the NMPA and NHC on November 29, 2019 and came into effect on December 1, 2019.

According to the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs, where the application for clinical trial of new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for the communication session to the CDE to discuss with the CDE the key technical questions including the design of Phase III clinical trial protocol. According to the Administrative Measures for Communication on the Research, Development and Technical Evaluation of Drugs (《藥物研發與技術審評溝通交流管理辦

法》), promulgated by the NMPA on September 30, 2018, during the research and development periods and in the registration applications of, among others, the innovative new drugs, the applicants may propose to conduct the communication session with the CDE. The communication session can be classified into three types. Type I meetings are convened to address key safety issues in clinical trials of drugs and key technical issues in the research and development of breakthrough therapeutic drugs. Type II meetings are held during the key research and development periods of drugs, mainly including meetings before the Investigational New Drug (the "**IND**"), meetings upon the completion of Phase II trials and before the commencement of Phase III trials, meetings before submitting a marketing application for a new drug, and meetings for risk evaluation and control. Type III meetings refer to meetings not classified as Type I or Type II.

Regulations relating to International Multi-Center Clinical Trials and Acceptance of Overseas Clinical Trial Data

On January 30, 2015, the CFDA promulgated the Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial) (《關於發佈國際多中心藥物臨床試驗指南(試行)的通告》) (the "**IMCT Guidelines**"), which took effect on March 1, 2015, to provide guidance for the regulation of application, implementation and administration of international multi-center clinical trials in China. Pursuant to the IMCT Guidelines, international multi-center clinical trial applicants may simultaneously perform clinical trials in different centers using the same clinical trial protocol. Where the applicant plans to make use of the data derived from the international multi-center clinical trials for application to the CFDA for approval of New Drug Application (the "**NDA**"), such international multi-center clinical trials shall satisfy the requirements set forth in the PRC Drug Administration Law (《中華人民共和國藥品管理法》) and its implementation regulations and relevant laws and regulations.

On July 6, 2018, the NMPA issued the Technical Guiding Principles for the Acceptance of the Overseas Clinical Trial Data of Drugs (《接受藥品境外臨床試驗數據的技術指導原則》) (the "**Guiding Principles**"), which provides that overseas clinical data can be submitted for all kinds of registration applications in China, including the clinical trial authorization and NDA. The Guiding Principles clearly list the basic principles and requirements on the acceptance of overseas clinical trial data, and distinguish different levels of acceptance based on the quality of the data itself and different circumstances. The Guiding Principles require that the applicant shall ensure that the overseas clinical trial data are truthful, complete, accurate and traceable, and the generating process of the overseas clinical trial data shall comply with the relevant requirements of the Good Clinical Practice of the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use.

New Drug Application

Pursuant to Registration Measures, upon completion of clinical trials, determination of quality standards, completion of validation of commercial-scale production processes, and preparation for acceptance of verification and inspection for drug registration, the applicant may apply to the NMPA for approval of NDA. The NMPA then determines whether to approve

the application according to applicable laws and regulations. The applicant must obtain approval of NDA before the drugs can be manufactured and sold in the China market. According to Registration Measures, for (1) drugs which are used for the treatment of severe life-threatening diseases currently lacking effective treatment and the data of clinical trials can confirm the efficacy and forecast the clinical value of the drugs; (2) drugs which are urgently needed for public health and data of clinical trials can reveal the efficacy and forecast the clinical value of the drugs; (3) vaccines which are urgently needed to deal with major public health emergencies or other vaccines which the NHC deems to be urgently needed, and the benefit is assessed outweigh the risk, such drugs can apply for conditional approval.

Different categories vary in the requirements of drug registration, which in turn leads to the Company adopting different clinical protocol designs.

According to the Chemical Drug Registration Classification and Application Materials (《化學藥品註冊分類及申報資料要求》) issued on June 29, 2020:

Category 1 drugs shall contain new compounds with clear structure and pharmacological effects and clinical value, excluding the drugs in Category 2.1. For the new compound preparations containing new compounds with clear structure and pharmacological effects, the application shall be filed as Category 1.

Category 2 drugs should be optimized on the basis of known active ingredients, which should have obvious clinical advantages over the former. Known active ingredients refer to the active ingredients of drugs that have been marketed in China or abroad. If a drug of this category meets several requirements, it shall be stated at the time of application.

Category 3 and Category 4 drugs have the same active ingredients, dosage form, specification, indications, route of administration and dosage as the reference formulation and have demonstrated quality and efficacy as being consistent with the reference formulation. Specifications and dosage of Categories 3 drugs may not match the reference formulations where sufficient research data are available to justify reasonableness.

In the Category 5 drugs, Category 5.1 drugs are innovative drugs and improved drugs. The improved drugs shall be optimized on the basis of known active ingredients and have obvious clinical advantages over those before the improvement; Category 5.2 drugs are generics, which shall be proved to be consistent with the quality and efficacy of reference drugs, and the technical requirements are the same as chemical drugs in Category 3 and Category 4. For overseas-manufactured generic drugs researched and developed synchronously in China and abroad, the application shall be filed according to Category 5.2 for chemical drugs. If clinical trials are applied for, the supporting documents for permitting the marketing of the drugs are not required.

For the addition of indications for drugs that have been approved overseas but not approved in China, the application shall be filed according to the drug clinical trials and marketing authorization application channels.

Reclassification of Drugs

On March 4, 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Drugs (《化學藥品註冊分類改革工作方案》) (the "**Drug Reclassification Plan**"), which outlined the reclassifications of drug applications. Under the Drug Reclassification Plan, Category 1 refers to new drugs that have not been marketed anywhere in the world. Improved new drugs that are not marketed anywhere in the world fall into Category 2. Generic drugs, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China, fall into Category 3. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4. Category 5 drugs are drugs which have already been marketed abroad but are not yet approved in China. The Chemical Drug Registration Classification and Application Data Requirements (《化學藥品註冊分類及申報資料要求》) which was promulgated by NMPA on June 29, 2020, and took effect on July 1, 2020, reaffirmed the principles of the classification of chemical drugs set forth by the Reform Plan for Registration Category of Chemical Medicine, and made minor adjustments to the subclassifications of Category 5. According to such rule, Category 5.1 are innovative chemical drugs and improved new chemical drugs while Category 5.2 are generic chemical drugs, all of which shall have been already marketed abroad but not yet approved in China.

Registration of Generic Drugs

Clinical trials regarding the generic drugs are required to be conducted in accordance with the Registration Measures. According to the Registration Measures, where a generic drug or any other eligible circumstance assessed by an applicant to be unnecessary or impossible for conducting clinical drug trial and meeting the conditions for exempting clinical drug trial, the applicant may directly file an application for drug marketing authorization. A generic drug shall be consistent with the quality and efficacy of the reference preparation. An applicant shall apply mutatis mutandis to the relevant technical guiding principles, select reasonable reference preparations. According to the Circular on Implementation of Record-filing Management of Bioequivalence Trials of Chemical Drug (《關於化學藥生物等效性試驗實行備案管理的公告》), the management of bioequivalence trials of chemical drug has been changed from examination and approval to record-filing. The NMPA shall conduct analysis and technical evaluation of the record-filing materials submitted by an applicant for registration. Where the record-filing materials have obvious defects or high safety risks, the NMPA shall notify the applicant in a timely manner and terminate the bioequivalence trial.

Pursuant to the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs (《關於開展仿製藥質量和療效一致性評價的意見》) issued by the General Office of the State Council and promulgated on February 6, 2016 and the Announcement of Relevant Matters Concerning Implementing the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs (《關於落實<國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見>的有關事項的公告》) issued by the NMPA and promulgated in May 2016, generic drugs approved for marketing before the implementation of the new registration classification of chemical drugs, including domestic generic drugs, imported generic drugs and the indigenous varieties of the original developed

drugs, shall carry out consistency evaluation. In principle, the consistency evaluation should be completed before the end of 2018 for the oral solid preparations of generic chemicals approved for sale before October 1, 2007 listed in the National Essential Drug List (2012 version) (《國家基本藥物目錄(2012年版)》). For any other generic drugs approved for marketing before the implementation of the new classification of registration of chemical drugs, after a drug produced by a pharmaceutical enterprise passes the consistency evaluation, other pharmaceutical enterprises shall complete the consistency evaluation for their identical drugs within three years in principle; no registration will be granted in case of failure to do so as required within the prescribed time limit.

Pursuant to the Circular on Relevant Matters Concerning Consistency Evaluation for Quality and Curative Effect of Generic Drugs (《關於仿製藥質量和療效一致性評價有關事項的公告》) further promulgated by NMPA on December 28, 2018, the time limit for evaluation of the varieties included in the National Essential Drug List (2018 version) will no longer be set uniformly. For generic drugs, including essential drug varieties, approved for marketing before the implementation of new registration and classification of chemical drugs, after the first variety has passed the consistency evaluation, the same variety of other drug manufacturers should complete the consistency evaluation within 3 years in principle. If it is not completed within the time limit, the enterprise may apply to the local provincial drug regulatory authority for an extension of the evaluation if it is deemed to be clinically necessary and in short supply in the market. After research and identification organized by the provincial drug regulatory department as well as the health administrative department, an appropriate extension may be granted. If the registration is not completed within the prescribed time limit, it shall not be re-registered.

Pursuant to the Circular on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs of Chemical Injections (《國家藥監局關於開展化學藥品注射劑仿製藥質量和療效一致性評價工作的公告》) issued by NMPA on May 12, 2020, according to which, for the generic drugs of chemical injections that have been marketed, consistency evaluation should be carried out for the varieties that have not been approved according to the principle of consistency quality and efficacy with the original drugs. The Drug Marketing Authorization Holder shall select the reference preparations according to the catalogue of reference preparations for generic drugs issued by the NMPA, and carry out the consistency evaluation and R&D application.

On June 29, 2020, the NMPA issued the Registration Category of Biological Products and the Data Requirements for Declaration (《生物製品註冊分類及申報資料要求》), which took effect on July 1, 2020 stipulated that the therapeutic biological products should be classified into 3 categories, in which Category 1 refers to therapeutic biological products that have not been marketed anywhere in the world; Category 2 refers to improved new therapeutic biological products; and, Category 3 refers to therapeutic biological products that have been marketed in China or abroad.

Prioritized Examination and Approval for Registration of Certain Drugs

On November 11, 2015, the CFDA promulgated the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》), which provides that a fast track clinical trial approval or drug registration pathway can be available for the applications for certain drugs, including the registration of innovative new drugs treating HIV, cancer, serious infectious diseases and orphan diseases; registration of pediatric drugs, etc.

On July 7, 2020, the NMPA promulgated the Announcement on Promulgating Three Documents Including the Working Procedures for the Evaluation of Breakthrough Therapy Designation Drugs (for Trial Implementation) (《國家藥監局關於發佈<突破性治療藥物審評工作程序(試行)>等三個文件的公告》), which stipulates that during clinical trial period, innovative drugs or modified new drugs that are used to prevent and treat the disease that is serious life-threatening or severely affecting the quality of life and there is no effective prevention and treatment method, or compared with existing treatment methods that have sufficient evidence to show that they have obvious clinical advantages, then any applicant can apply for breakthrough therapeutic drug programs during Phase I and II clinical trials, but usually no later than the commencement of Phase III clinical trials.

In addition, on May 23, 2018, the NMPA and NHC jointly promulgated the Circular on Issues Concerning Optimizing Drug Registration Review and Approval (《關於優化藥品註冊審評審批有關事宜的公告》), which further simplified and accelerated the drug approval process.

Special Examination and Approval Procedures

On November 18, 2005, the CFDA promulgated the Procedures of the CFDA for the Special Examination and Approval of Drugs (《國家食品藥品監督管理局藥品特別審批程序》), which stipulates that in the case of any threatening or actual public health emergency, the CFDA shall take a series of measures to facilitate the approval procedures so that the drugs needed in responding to the public health emergency can be approved as soon as possible.

Marketing Authorization Holder System

Under the authorization of the Standing Committee of the National People's Congress, the General Office of the State Council issued the Pilot Plan for the Drug Marketing Authorization Holder System (《藥品上市許可持有人制度試點方案》) on May 26, 2016, which provides a detailed pilot plan for the marketing authorization holder system, or MAH System, for drugs in 10 provinces (cities) in China and ended on November 4, 2018.

Pursuant to the PRC Drug Administration Law, which was promulgated on September 20, 1984 by the Standing Committee of the National People's Congress and recently revised on December 1, 2019, the MAH system will be applicable throughout the country. Under the MAH System, domestic drug research and development institutions and enterprises eligible to be

holders of drug registrations. The legal representative and the key person-in-charge of a drug marketing authorization holder shall be fully responsible for the quality of drugs. And holders of drug registrations shall establish a pharmaceutical quality assurance system, equipped with specialized staff solely responsible for the quality of medicines management.

Sampling and Collecting Human Genetic Resources Filing

On June 10, 1998, the Ministry of Science and Technology and the Ministry of Health promulgated the Interim Administrative Measures on Human Genetic Resources (《人類遺傳資源管理暫行辦法》), which established the rules for protecting and utilizing human genetic resources in the PRC. According to the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) issued by the Ministry of Science and Technology on July 2, 2015 and the Circular on Implementing the Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources (《關於實施人類遺傳資源採集、收集、買賣、出口、出境行政許可的通知》) issued by the Ministry of Science and Technology on August 24, 2015, the sampling and collection of human genetic resources though clinical trials by a foreign-invested sponsor shall be required to be filed with the China Human Genetic Resources Management Office through the online system. On October 26, 2017, the Ministry of Science and Technology promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) simplifying the approval of sampling and collecting human genetic resources for the purpose of marketing a drug in the PRC.

The Regulations of the PRC on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》) promulgated by the State Council on May 28, 2019 and implemented on July 1, 2019, further stipulates that in order to obtain marketing authorization for relevant drugs and medical devices in China, no approval is required in international clinical trial cooperation using China's human genetic resources at clinical institutions without exporting of human genetic resource materials. However, the two parties shall file the type, quantity and usage of the human genetic resource to be used with the administrative department of science and technology under the State Council before clinical trials.

Administrative Protection and Monitoring Periods for New Drugs

According to the Implementing Rules for PRC Drug Administration Law (《中華人民共和國藥品管理法實施條例》) issued on March 2, 2019 and the Drug Reclassification Plan, the NMPA may, for the purpose of protecting public health, provide for an administrative monitoring period of five years for new Category 1 drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs. During the monitoring period of a new drug, the NMPA will not accept other applications for new drugs containing the same active ingredient.

Regulations in relation to the Manufacturing of Drugs

Drug Manufacturing Permit

Pursuant to the PRC Drug Administration Law, a drug manufacturer must obtain a Drug Manufacturing Permit from the NMPA before it starts to manufacture drug products. Prior to granting such permit, the relevant government authority will inspect the applicant's production facilities, and decide whether the sanitary conditions, quality assurance system, management structure and equipment within the facilities have met the required standards. Each Drug Manufacturing Permit is valid for a period of five years and the manufacturer is required to apply for renewal of the permit within six months prior to its expiration date and will be subject to reassessment by the authority in accordance with then prevailing legal and regulatory requirements for the purposes of such renewal.

In accordance with the guidelines on Renewal of Drug Manufacturing Permit issued through Guangdong Government Affairs Service Website, the applicant shall (i) meet the requirements for operating a pharmaceutical production enterprise as specified in the Measures for the Supervision and Administration of Drug Production(《藥品生產監督管理辦法》), (ii) observe the laws and regulations on drug supervision and administration, including the PRC Drug Administration Law and the Measures for the Supervision and Administration of Drug Production, (iii) meet the requirements of the NMPA on the supervision and implementation of GMP, and (iv) operate the production quality control system normally.

The procedures for the renewal are as follows: (i) the relevant implementing authority shall receive the application for this renewal submitted by the applicant; (ii) where the application falls within the scope of acceptance, and the application materials meet the requirements as publicized in the guide or meet the requirements after supplementation and correction, the relevant authority shall accept the application and issue an acceptance letter to the applicant; (iii) where the application meets the requirements for examination and approval, the application shall be transferred to the department leaders for approval; (iv) where the application meets the requirements for approval, the renewed license shall be issued.

Good Manufacturing Practice

Pursuant to the Certification Measures for Good Manufacturing Practice for Drugs (《藥品生產質量管理規範認證管理辦法》) issued by the CFDA on August 2, 2011, when establishing a pharmaceutical manufacturer or a new factory or expanding the production scope, the drug manufacturer must apply for Good Manufacturing Practice certification (the "**GMP certification**"). The drug manufacturer that has obtained the GMP certificate should reapply for the GMP certificate 6 months prior to its expiration data. Pursuant to the PRC Drug Administration Law, the GMP certification is canceled but drug manufacturers are still required to comply with the GMP rules.

The drug manufacturer must conduct the manufacturing process according to the Good Manufacturing Practice for Drugs (《藥品生產質量管理規範》) (2010 version) issued by the Ministry of Health on January 17, 2011, which sets forth the requirements on the manufacturer's organization and staff qualifications, manufacture premises and facilities, equipment, hygiene conditions, manufacture management, product management, maintenance of sales records and the procedure of handling customer complaints and adverse reaction reports.

Contract Manufacturing of Drugs

Pursuant to the Administrative Regulations for the Contract Manufacturing of Drugs (《藥品委託生產監督管理規定》) (the "**Contract Manufacturing Regulations**") issued by the CFDA on August 14, 2014 and took effect on October 1, 2014, in the event a drug manufacturer in China that has obtained a drug marketing authorization temporarily lacks manufacturing conditions as a result of technology upgrade or is unable to ensure market supply due to insufficient manufacturing capabilities, it can entrust the manufacturing of that drug to another domestic drug manufacturer. Such contract manufacturing arrangements needs to be approved by the provincial branch of the CFDA. The Contract Manufacturing Regulations prohibit the contract manufacturing arrangement of certain special drugs, including narcotic drugs, psychoactive drugs, biochemical drugs and active pharmaceutical ingredients.

According to the PRC Drug Administration Law, a drug manufacturer can entrust the manufacturing of its drug to another qualified drug manufacturer. Entrusted manufacturing of blood products, narcotic drugs, psychotropic drugs, medical toxic drugs, and pharmaceutical precursor chemicals is prohibited, unless otherwise stipulated by the drug administrative department of the State Council.

The PRC Drug Administration Law specifies that drug marketing authorization holders may produce drugs by themselves or entrust drug manufacturers with the production of such drugs. A drug marketing authorization holder that intends to manufacture drugs on its own shall obtain a drug manufacturing permit; if it intends to manufacture drugs on a commissioned basis, it shall entrust a qualified drug manufacturer. Drug marketing authorization holders and the commissioned manufacturers shall enter into an entrustment agreement and a quality agreement, and strictly perform the obligations under such agreements. Blood products, anesthetics, psychotropic pharmaceuticals, toxic pharmaceuticals for medical treatment, and pharmaceutical precursor chemicals may not be produced through entrustment, except as otherwise prescribed by the department of drug supervision and administration of the State Council.

Two Invoice System

In order to further optimize the order of purchasing and selling pharmaceutical products and reduce circulation steps, as required at the executive meeting of the State Council dated April 6, 2016 and under the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the

General Office of the State Council on April 21, 2016, the Two Invoice System will be fully implemented in the PRC. According to the Notice on Opinions on the Implementation of the "Two Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《印發關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)的通知》) ("Two Invoice System Notice") which was issued on December 26, 2016, the "Two Invoice System" refers to the system that requires one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other invoice to be issued from pharmaceutical distributors to medical institutions. The wholly-owned or holding commercial company (only one commercial company is permitted in the whole country) or the domestic general agent for overseas drugs (only one domestic agent is permitted in the whole country) established by a pharmaceutical manufacturer or a group enterprise integrating science, industry and trade may be regarded as a manufacturer. The allocation of drugs between a pharmaceutical distribution group enterprise and its wholly-owned (holding) subsidiaries or among its wholly-owned (holding) subsidiaries may not be regarded as a process for which an invoice should be issued, but one invoice is allowed to be issued at most.

According to the Two Invoice System Notice and the Several Opinions of the General Office of the State Council on Further Reforming and Improving the Policies on Drug Production, Circulation and Use (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》) issued on January 24, 2017, the Two Invoice System will be promoted in pilot provinces (autonomous regions and municipalities directly under the Central Government) involved in the comprehensive medical reform program and pilot cities for public hospital reform on a priority basis, while other regions are encouraged to implement such system, so that such system can be promoted in full swing nationwide in 2018.

Regulations in relation to Intellectual Properties

Patent

Patents in the PRC are mainly protected under the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the Standing Committee of the National People's Congress on March 12, 1984 and most recently amended on December 27, 2008, and its Implementation Rules (《中華人民共和國專利法實施細則》), which were promulgated by the State Council on June 15, 2001 and most recently amended on January 9, 2010. The Patent Law and its Implementation Rules provide for three types of patents, "invention," "utility model" and "design." "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the whole or part of the shape, pattern, their combination, or the combination of color and shape or pattern, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is 20 years, and the duration of a patent right for "utility model" or "design" is 10 years, from the date of application.

On October 17, 2020, the Standing Committee of the National People's Congress promulgated the Decision on Revising the Patent Law of the PRC, which will take effect on June 1, 2021. The new Patent Law of the PRC provides that the duration of a patent right for "design" is 15 years, from the date of application. Besides, the new Patent Law of the PRC provides a patent term extension for new drugs, according to which, new drugs may enjoy a compensation for duration of patent rights which is up to 5 years, and the total patent term after the compensation period may not exceed more than 14 years from the date of marketing approval of the new drugs.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**"), promulgated by the Standing Committee of the National People's Congress on August 23, 1982 and most recently amended on April 23, 2019 and took effect on November 1, 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the Standing Committee of the National People's Congress in September 1993, most recently amended on April 23, 2019, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, businesses are prohibited from infringing others' trade secrets by: (1) acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other means; (2) disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the item (1) above; (3) disclosing, using, or allowing another person use a trade secret in its possession, in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential; (4) abetting a person, or tempting another person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation of the requirements of the right holder for keeping the trade secret confidential. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed

to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) issued by the Ministry of Industry and Information Technology (the "**MIIT**") on August 24, 2017 and took effect on November 1, 2017. MIIT is the main regulatory authority responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Regulations on Product Liability and Tort

According to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》) promulgated in April 12, 1986 and amended in August 27, 2009, a defective product which causes property damage or physical injury to any person may subject the manufacturer or vendor of such product to civil liability for such damage or injury.

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018, is the principal governing law relating to the supervision and administration of product quality, which clarified liabilities of the manufactures and sellers. Manufactures shall not be liable when they are able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

According to the Tort Liability Law of the PRC (《中華人民共和國侵權責任法》), promulgated by the Standing Committee of the National People's Congress on December 26, 2009 and effective from July 1, 2010, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage. The producers or the sellers shall be liable under tort if they fail to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus causing damages. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th NPC, which became effective on January 1, 2021 and simultaneously replaced the Tort Law of the PRC and the General Principles of the Civil Law of the PRC, according to which, a patient may make a claim against the drug marketing authorization holder, a medical institution or producer for any damage arising from defects of drugs.

Regulations in relation to Foreign Investment

Foreign Direct Investment

The Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**"), which was promulgated by the Standing Committee of the National People's Congress on March 15, 2019 and came into effect on January 1, 2020, provides that the foreign investment refers to the investment activities in China carried out directly or indirectly by foreign natural persons, enterprises or other organizations, including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to Foreign Investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will grant national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council.

Foreign investment in China is subject to the Industry Catalogue Encouraging Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》) issued on June 30, 2019 and took effect on July 30, 2019, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)》) (2020年版) issued on June 23, 2020 and took effect on July 23, 2020, which together comprise the encouraged foreign-invested industries catalog and the special administrative measures for the access of foreign investments to the restricted or the prohibited foreign-invested industries. The latter sets out restrictions such as percentage of shareholding and qualifications of senior management. According to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which took effective on January 1, 2020, foreign investments that are not subject to special access administrative measures and are only required to complete an online filing to the commerce departments and the market supervision departments.

Foreign Exchange Administration

The principal law governing foreign currency exchange in the PRC is the PRC Administrative Regulations on Foreign Exchange (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Regulations**"), which was promulgated by the State Council on January 29, 1996 and most recently revised on August 5, 2008. According to the Foreign Exchange Regulations, international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the State Administration of Foreign Exchange of the PRC (外匯管理局) (the "**SAFE**") or its local counterpart and other relevant PRC governmental authorities.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), which came into effect on June 1, 2015 and replaced the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) promulgated by the SAFE on August 29, 2008. Under Circular 19, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account, i.e., a bank account opened by a foreign-invested enterprise where the foreign shareholder(s) are required to remit and deposit the amount of respective capital contributions, for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). Meanwhile, the use of such RMB should still comply with the restrictions set in the Circular 19 that it cannot be directly or indirectly used for making payments beyond the business scope of the enterprise or payments prohibited by national laws and regulations, investing in securities unless otherwise provided by laws and regulations, granting the entrust loans in RMB (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) repaying the bank loans in RMB that have been lent to a third party, and paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

The Provisions on the Administration of Foreign Exchange in Foreign Direct Investments by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), or the FDI Provisions, which were promulgated by the SAFE on May 10, 2013 and became effective on May 13, 2013 and were amended on October 10, 2018, regulate and clarify the administration over foreign exchange administration in foreign direct investments.

On June 9, 2016, the SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**Circular 16**"). According to the Circular 16, enterprises registered in China could settle the external debts in foreign currencies

to RMB at their own discretion. The SAFE Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital and external debts), which is applicable to all enterprises registered in China. It reiterated that the RMB funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the company's scope of business, and shall not be used for domestic securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such RMB funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so; and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

Circular 37

The Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**"), was promulgated by the SAFE and came into effect on July 4, 2014. Under Circular 37, PRC residents, individuals or institutions are required to register with the bureau of foreign exchange administration before they invest in a special purpose vehicle (the "**SPV**") with legitimate assets or equity interests inside and outside the PRC. In addition, any PRC resident that is a shareholder of an offshore SPV is required to amend its SAFE registration in a timely manner after any major changes of the offshore SPV being made, such as any increase or decrease of capital, stock right assignment or exchange, or merger or division. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the subsequent foreign exchange activities of the relevant PRC residents, including the remitting back of dividends and profits. PRC residents who invest in an SPV with legitimate assets or equity interests inside and outside the PRC prior to the implementation of the Circular 37, but fail to conduct the foreign exchange registration of overseas investments, must submit an explanatory statement and state the reasons for doing so to the SAFE. The SAFE may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by the PRC resident that applies for complementary registration, administrative penalties could be imposed in accordance with relevant laws.

According to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the SAFE on February 13, 2015 and came into effect on June 1, 2015, registrations under Circular 37 will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and that has opened the capital account information system at the local foreign exchange regulatory authority. Foreign exchange regulatory authorities will perform indirect regulation over the direct investment-related foreign exchange registration via the banks.

Dividend Distribution

The SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) on January 26, 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Other Regulations in relation to Our Business

Enterprise Income Tax

According to the PRC Enterprise Income Law (《中華人民共和國企業所得税法》) (the "**EIT Law**"), which was promulgated on March 16, 2007 and latest amended on December 29, 2018, the income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%. The Regulation on the Implementation of Enterprise Income Tax Law (《中華人民共和國企業所得税法實施條例》) (the "**EIT Rules**"), was promulgated on December 6, 2007, came into effect on January 1, 2008, and amended on April 23, 2019. Pursuant to the PRC EIT Law and the EIT Rules, a PRC resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the PRC. A non-resident enterprise having offices or establishments inside the PRC is subject to enterprise income tax for the income derived in the PRC and the income derived from outside the PRC but with actual connection with such offices or establishments in the PRC. A non-resident enterprise without offices or establishments in the PRC or a non-resident enterprise whose earning income is not connected with its offices or establishments in the PRC will only be subject to tax on its PRC-sourced income. The income for such enterprise will be taxed at the reduced rate of 10%.

Pursuant to the EIT Law and the EIT Rules, income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt income. Moreover, pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), which were issued by the State Taxation administration (the "**SAT**") on August 21, 2006 and came into effect on December 8, 2006, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to PRC law; however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforementioned enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the

distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforementioned enterprise, the tax levied shall be 10% of the distributed dividends. Meanwhile, the Announcement of the State Administration of Taxation on Certain Issues Concerning the "Beneficial Owners" in the Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》), promulgated by the SAT on February 3, 2018 and came into effect on April 1, 2018, has stipulated some factors that are unfavorable to the determination of "beneficial owner".

In addition, under the Circular of the SAT on Relevant Issues concerning the implementation of Dividend Clauses in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT and came into effect on February 20, 2009, all of the following requirements should be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a PRC resident enterprise: (i) such tax resident who obtains dividends should be a company as provided in the tax treaty; (ii) the equity interests and voting shares of the PRC resident enterprise directly owned by such a tax resident reach a specified percentage; and (iii) the capital ratio of the PRC resident enterprise directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 consecutive months prior to acquiring the dividends.

Regulations on PRC enterprise income tax on indirect transfer of non-resident enterprises

On February 3, 2015, the SAT issued the Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》) (the "**Circular 7**"). Circular 7 stipulates that when a non-resident enterprise transfers the assets (including equity interests) in an overseas holding company which directly or indirectly owns PRC taxable properties, including shares in a PRC company (or PRC Taxable Assets), for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognized to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the Enterprise Income Tax Law, unless the overall arrangements relating to an indirect transfer of PRC Taxable Assets fulfill one of the conditions as stipulated under the Circular 7.

Further according to the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得税源泉扣繳有關問題的公告》) issued by the SAT on October 17, 2017 and revised on June 15, 2018, the "income from property transfer" shall include the income from the transfer of equity interests and equity investment assets (hereinafter referred to as "equities"). The balance after deducting the net value of equities from the income from equity transfer is the taxable income from equity transfer. When calculating the income from equity transfer, an enterprise shall not deduct the amount that may be distributed from the shareholders' retained proceeds that are attributable to such equities, such as the undistributed profits of the invested enterprise.

Environmental Protection

The PRC Environmental Protection Law (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), which was promulgated by the Standing Committee of the National People's Congress on December 26, 1989, whose amendments was made on April 24, 2014 and came into effect on January 1, 2015, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to adopt environmental protection measures in its operations and establish an environmental protection responsibility system. Enterprises that are in violation of the Environmental Protection Law may be subject to a warning, payment of damages, imposition of a fine, or limitation or suspension of production depending on the seriousness of the case. If a criminal offense is committed, the offender may be subject to criminal penalties.

The PRC Law on Environment Impact Assessment (《中華人民共和國環境影響評價法》), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2002 and latest amended on December 29, 2018, the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and other relevant environmental laws and regulations, enterprises which plan to construct projects shall engage qualified professionals to provide the assessment reports, assessment form, or registration form on the environmental impact of such projects. The assessment reports, assessment form, or registration form shall be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated on January 22, 2015 and came into force on March 1, 2015. Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

Regulations on Fire Protection

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**"), was adopted in April 1998 and latest amended on April 23, 2019. The Fire Prevention Law provides that fire control design and construction of a construction project shall comply with the State's fire control technical standards for construction projects. Developers, designers, builders, project supervisors, etc shall be responsible for the quality of the fire control design and construction of the construction project pursuant to the law. The development project fire safety design examination and acceptance system shall be implemented for development projects which are required to have fire safety design in accordance with the national fire protection technical standards for project construction.

Employee Stock Option Plans

On February 15, 2012, the SAFE issued the Circular on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Share Option Rules**"). Under the Share Option Rules, the PRC citizens or residents habitually residing in the PRC continuously for over one year, with a few exceptions, and who have been granted, restricted shares or share options by an overseas listed company according to its employee share option or share incentive plan, are required to appoint a qualified PRC agent, register with the SAFE or its local counterparts and complete certain other procedures related to the shareholding plan, share option plan or other similar share incentive plans. Concurrent with registration with the SAFE or its local counterparts, the qualified PRC agent is required to obtain an approval from the SAFE for an annual allowance for the foreign exchanges in connection with shareholding or the exercise of a share option, and an approval for opening a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with share purchases or share option exercises, returned principals or profits upon sale of shares, dividends issued on the stock and any other income or expenditures approved by the SAFE. Currently, foreign exchange income of the participating PRC residents received from the sale of share and dividends distributed by the overseas listed company are required to be fully remitted into such special domestic foreign currency account before distribution to such participants. In addition, the PRC agents are required to amend or deregister the registrations with the SAFE or its local counterparts in case of any material change in, or termination of, the share incentive plans within the time periods provided by the Share Option Rules.

Labor and Social Insurance

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and took effect on January 1, 1995, and most recently amended on December 29, 2018. The PRC Labor Contract Law (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**"), which was promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and took effect on January 1, 2008, whose amendments was made on December 28, 2012 and

took effect on July 1, 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Under applicable PRC laws and regulations, including the PRC Social Insurance Law (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010, took effect on July 1, 2011 and amended on December 29, 2018, and the Regulations on the Administration of Housing Accumulation Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, and most recently amended on March 24, 2019, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, employment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

OVERVIEW

We are an ophthalmic pharmaceutical company dedicated to the research, development and commercialization of therapies that address significant unmet medical needs in China. Leveraging our deep domain expertise, we have built a comprehensive ophthalmic drug pipeline of 25 candidates that covers most major ocular indications affecting the front and the back of the eye, through either in-house development or in-licensing. We have also established an advanced ophthalmic manufacturing facility and are assembling an experienced marketing team in anticipation of near-term product launch. Our goal is to become a leader in China and the neighboring ASEAN marketplace.

Our Group was founded by Lee's Pharm with a view to building up an independent platform for development of ophthalmic drugs. Our Company was incorporated in January 2017 and is the holding company of our Group. We mainly carry out our operations through our wholly owned subsidiary, Zhaoke Guangzhou. For further details of the incorporation and major shareholding changes of our Group, see "—Corporate History." Prior to the establishment of our Group, Lee's Pharm Group was engaged in the development of ophthalmic pharmaceutical products, where 17 out of 25 of our drug candidates were initially in-licensed or developed by Lee's Pharm Group and were subsequently assigned to us in 2019. For further details of Lee's Pharm Group's involvement in the development of our drug candidates, please see "—Business."

The Listing constitutes a spin-off of our Group from the Lee's Pharm Group under Practice Note 15. The proposal in relation to the Spin-off was submitted by Lee's Pharm to the Stock Exchange for approval pursuant to Practice Note 15 and the Stock Exchange has confirmed that Lee's Pharm may proceed with the Spin-off. For further details of the Spin-off, see "—Spin-off of Our Group from Lee's Pharm."

KEY MILESTONES

The following is a summary of our Group's key corporate and business development milestones.

Year	Event
January 2016	We obtained the IND approval for CsA ophthalmic gel from the NMPA.
January 2017	The Company was incorporated in the BVI.
February 2017	We obtained the IND approval for ZKY001 from the NMPA.
December 2017	We initiated a Phase II clinical trial for CsA ophthalmic gel.

Year	Event
April 2018	We obtained a drug manufacturing permit for our manufacturing site in Nansha, Guangzhou, the PRC.
October 2018	We initiated a Phase I clinical trial for the safety and systemic pharmacokinetics of ZKY001 and enrolled the first patient.
December 2018	We successfully completed the Phase I clinical trial for ZKY001.
June 2019	We completed the Series A Financing and raised approximately US$50 million.
November 2019	We successfully completed the Phase II clinical trial for CsA ophthalmic gel.
October 2020	We obtained an exclusive license from Nevakar to develop, manufacture, register, import and commercialize NVK-002 in Greater China, South Korea and certain countries in Southeast Asia. We submitted an abbreviated NDA to the NMPA for our bimatoprost timolol eye drop.
November 2020	We initiated a Phase II clinical trial for ZKY001 and a multi-center Phase III clinical trial for CsA ophthalmic gel and enrolled the first patient. We completed the Series B Financing and raised approximately US$145 million.
December 2020	We obtained an exclusive license from PanOptica to develop and commercialize PAN-90806 in the ophthalmology area in the Greater China and certain other Southeast Asian countries.

CORPORATE HISTORY

Our Company

Our Company was incorporated in the BVI on January 20, 2017 to become the holding company of our Group. Upon incorporation, 300,000 shares with a par value of US$10.00 each were allotted and issued to Lee's Pharm International, a wholly owned subsidiary of Lee's Pharm.

On September 8, 2017, 299,999 shares of our Company held by Lee's Pharm International were canceled and the remaining one share was re-designated to one share with par value of US$1.00.

On March 1, 2019, our Company further issued and alloted 367,999 shares to Lee's Pharm International, upon completion of which Lee's Pharm International held 368,000 shares of our Company. On the same date, 32,000 shares of our Company were alloted and issued to Wealthy Chance, an employee shareholding platform of Lee's Pharm Group, for a total consideration of US$1,600,000. Upon completion of the allotment and issue, our Company was owned as to 92% by Lee's Pharm International and 8% by Wealthy Chance.

In June 2019, our Group completed the Series A Financing and attracted some high-quality investors. For details, please see "—Pre-IPO Investments—Series A Financing."

On April 29, 2020, our Company continued in the Cayman Islands as an exempted company with limited liability.

In October 2020, our Company repurchased 22,520 shares from Lee's Pharm International, as settlement of the upfront payment as agreed in the License Agreement, the detailed of which are set out in "Connected Transactions—Non-exempt Continuing Connected Transactions—Product Licensing." Upon completion of the share repurchase, our Company was held as to 48.5% by Lee's Pharm International, and ceased to be a subsidiary of Lee's Pharm.

In November 2020, our Group completed the Series B Financing and attracted further high-quality investors. For details, please see "—Pre-IPO Investments—Series B Financing."

Zhaoke Guangzhou

Zhaoke Guangzhou is a limited liability company established under the laws of the PRC on June 16, 2016 and is the principal operating subsidiary of our Group. At the time of its establishment, Zhaoke Guangzhou was wholly owned by Zhaoke Pharmaceutical (HK) Limited, a subsidiary of Lee's Pharm. On October 18, 2018, Zhaoke Pharmaceutical (HK) Limited transferred its entire equity interest in Zhaoke Guangzhou to Zhaoke HK, a wholly owned subsidiary of our Company, for a consideration determined with reference to the then valuation of Zhaoke Guangzhou. Upon completion of such transfer, Zhaoke Guangzhou became an indirect wholly owned subsidiary of our Company.

Zhaoke HK

Zhaoke HK is a limited liability company incorporated under the laws of Hong Kong on July 24, 2017 with a share capital of HK$10,000 divided into 10,000 ordinary shares. Zhaoke HK has been wholly owned by our Company since its incorporation and is an investment holding company.

PRE-IPO INVESTMENTS

Series A Financing

Pursuant to a series A preferred share subscription agreement entered into by, among others, our Company and the Series A Investors dated May 23, 2019 and amended on June 11, 2019, the Series A Investors agreed to subscribe a total of 334,280 Series A Preferred Shares for an aggregate consideration of US$50,000,000, which was determined after arm's length negotiations between the parties and taking into account the product portfolio and the research and development progress of the product candidates of our Company immediately prior to entering into the agreement. The consideration of the Series A Financing has been fully settled in cash as of June 21, 2019.

Series B Financing

Pursuant to a series B preferred share subscription agreement entered into by, among others, our Company and the Series B Investors dated October 9, 2020, the Series B Investors agreed to subscribe a total of 317,210 Series B Preferred Shares for an aggregate consideration of US$145,000,497.57, which was determined after arm's-length negotiations between the parties and taking into account the product portfolio and the research and development progress of the product candidates of our Company immediately prior to entering into the agreement. The consideration of the Series B Financing had been fully settled in cash as of November 17, 2020.

Details of the Pre-IPO Investments

The details of the Pre-IPO Investments and the shareholding structure of the Company immediately after the completion of the Pre-IPO Investments and upon completion of the Listing (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised) are set out below:

Name of Shareholders	Ordinary shares	Series A Preferred Shares acquired	Consideration paid at Series A Financing	Series B Preferred Shares acquired	Consideration paid at Series B Financing	Date on which the consideration was fully settled	Aggregate number of ordinary Shares and preferred Shares as of the Latest Practicable Date (as adjusted after the Share Subdivision)	Aggregate ownership percentage as of the Latest Practicable Date	Shareholding percentage in the Company upon Listing[1]
			(US$)		*(US$)*				
Lee's Pharm International	345,480	–	–	–	–	–	138,192,000	33.6%	25.8%
Wealthy Chance	32,000	–	–	–	–	–	12,800,000	3.1%	2.4%
Coyote Investment	–	167,140	25,000,000	–	–	June 14, 2019	66,856,000	17.3%	13.3%
Pte. Ltd.	–	–	–	10,938	4,999,891.06	October 29,	4,375,200		
("**Coyote**")						2020			
Panacea Venture	–	66,856	10,000,000	–	–	June 13, 2019	26,742,400	8.1%	6.2%
Healthcare	–	–	–	16,408	7,500,293.70	October 23,	6,563,200		
Fund I, L.P.						2020			
("**Panacea**")									
Smart Rocket Limited	–	66,856	10,000,000	–	–	June 21, 2019	26,742,400	6.5%	5.0%

Name of Shareholders	Ordinary shares	Series A Preferred Shares acquired	Consideration paid at Series A Financing	Series B Preferred Shares acquired	Consideration paid at Series B Financing	Date on which the consideration was fully settled	Aggregate number of ordinary Shares and preferred Shares as of the Latest Practicable Date (as adjusted after the Share Subdivision)	Aggregate ownership percentage as of the Latest Practicable Date	Shareholding percentage in the Company upon Listing[1]
			(US$)		*(US$)*				
Bio Success Investments Limited	–	–	–	10,938	4,999,891.06	October 23, 2020	4,375,200	1.1%	0.8%
Vertex Profit International Limited ("**KHL**")	–	33,428	5,000,000	–	–	June 14, 2019	13,371,200	3.2%	2.5%
Lee's Healthcare Industry Fund L.P. ("**Lee's Healthcare Fund**")	–	–	–	5,469	2,499,945.53	October 22, 2020	2,187,600	0.5%	0.4%
COFL Holdings Limited ("**HH COFL**")	–	–	–	76,568	35,000,151.62	October 23, 2020	30,627,200	7.4%	5.7%
TPG Asia VII SF Pte. Ltd. ("**TPG Asia**")	–	–	–	76,568	35,000,151.62	October 23, 2020	30,627,200	7.4%	5.7%

Name of Shareholders	Ordinary shares	Series A Preferred Shares acquired	Consideration paid at Series A Financing	Series B Preferred Shares acquired	Consideration paid at Series B Financing	Date on which the consideration was fully settled	Aggregate number of ordinary Shares and preferred Shares as of the Latest Practicable Date (as adjusted after the Share Subdivision)	Aggregate ownership percentage as of the Latest Practicable Date	Shareholding percentage in the Company upon Listing[1]
			(US$)		*(US$)*				
Innovative Team Holdings Limited ("**Loyal Valley**")	–	–	–	41,565	18,999,860.28	October 27, 2020	16,626,000	4.0%	3.1%
OrbiMed Partners Master Fund Limited	–	–	–	15,314	7,000,213.17	November 17, 2020	6,125,600	1.5%	1.1%
OrbiMed Genesis Master Fund, L.P.	–	–	–	5,469	2,499,945.53	November 17, 2020	2,187,600	0.5%	0.4%
OrbiMed New Horizons Master Fund, L.P.	–	–	–	6,563	3,000,026.06	November 17, 2020	2,625,200	0.6%	0.5%
Aier Eye International (Hong Kong) Limited ("**Aier**")	–	–	–	30,627	13,999,969.23	October 21, 2020	12,250,800	3.0%	2.3%
Neoma Holding Limited ("**FountainVest**")	–	–	–	10,938	4,999,891.06	October 23, 2020	4,375,200	1.1%	0.8%
Sage Partners Master Fund	–	–	–	4,375	1,999,865.00	October 22, 2020	1,750,000	0.4%	0.3%

Name of Shareholders	Ordinary Shares	Series A Preferred Shares acquired	Consideration paid at Series A Financing	Series B Preferred Shares acquired	Consideration paid at Series B Financing	Date on which the consideration was fully settled	Aggregate number of ordinary Shares and Preferred Shares as of the Latest Practicable Date (as adjusted after the Share Subdivision)	Aggregate ownership percentage as of the Latest Practicable Date	Shareholding percentage in the Company upon Listing[1]
			(US$)		*(US$)*				
R&D Business Partner Limited	–	–	–	2,188	1,000,161.06	October 23, 2020	875,200	0.2%	0.2%
Poly Platinum Enterprises Limited ("**GBA**")	–	–	–	3,282	1,500,241.59	October 23, 2020	1,312,800	0.3%	0.2%
Other public shareholders	–	–	–	–	–	–	–	–	23.1%
Total[2]	**377,480**	**334,280**	**50,000,000**	**317,210**	**145,000,497.57**	**–**	**411,588,000**	**100%**	**100%**

Notes:

(1) Based on the assumption that each of the Preferred Shares will be automatically converted into one Share upon the Global Offering becoming unconditional and without taking into account any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Scheme. As of the Latest Practicable Date, none of the share options granted under the Pre-IPO Share Option Scheme was exercised.

(2) The percentage figures included in this table have been subject to rounding adjustments. Therefore, figure shown as total may not be an arithmetic aggregation of the figures above.

Principal Terms of the Pre-IPO Investments

The table below summarizes the principal terms of the Pre-IPO Investments:

	Series A Financing	Series B Financing
Date of agreement	May 23, 2019 (as amended on June 11, 2019)	October 9, 2020
Cost per Preferred Share as adjusted after the Share Subdivision (approximation)	US$0.37	US$1.14
Discount to the mid-point of the Offer Price Range[(1)]	81.9%	44.8%
Funds raised by the Group (approximation)	US$50 million	US$145 million
Corresponding valuation of our Company (approximation)	US$110 million	US$470 million[(2)(3)]
Lock-up period	Each of the existing holders of ordinary Shares, Series A Preferred Shares and Series B Preferred Shares is subject to a lock-up period of 180 days commencing on the date of the final prospectus of the Company.	
Use of proceeds and whether they have been fully utilized	We utilize the proceeds to finance our research and development activities and fund our daily operations. As of the Latest Practicable Date, all the net proceeds from the Series A Financing and approximately 13.9% of the net proceeds from the Series B Financing had been utilized by our Group.	
Strategic benefits of the Pre-IPO Investors brought to our Company	Our Directors were of the view that (i) our Company would benefit from the additional capital provided by the Pre-IPO Investors and their knowledge and experience, and (ii) the Pre-IPO Investments demonstrated the Pre-IPO Investors' confidence in the operation and development of our Group.	

Notes:

(1) Assuming the Offer Price is fixed at HK$16.09, being the mid-point of the indicative Offer Price range, and based on the number of Shares in issue upon the completion of the Share Subdivision and the Global Offering assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the share options granted under the Pre-IPO Share Option Scheme.

(2) The valuation of the Company increased significantly during the period between our Series A Financing and Series B Financing, primarily because our Group has achieved several major commercial and R&D milestones during this period, demonstrating strong R&D and execution capabilities in our operations as compared to our peers. Such milestones include, among others, (i) the completion of Phase II clinical trial for CsA ophthalmic gel in the PRC, (ii) filings of ANDA with NMPA for three in-house developed generic product candidates, namely bimatoprost and epinastine HCl; and (iii) in-licensing of certain novel ophthalmic products. The implied valuation of Series B taking into account shares then expected to be issued pursuant to the Pre-IPO Share Option Scheme would be approximately US$495 million.

(3) Our anticipated post-money market capitalization immediately upon completion of the Global Offering has primarily taken into account (a) the post-money valuation of the Series B Financing, (b) the expected capital raising during the Global Offering, (c) our business growth since completion of the Series B Financing in November 2020, and (d) the difference in risks undertaken by the pre-IPO investors investing in a private company vis-à-vis investors investing in a public company. Subsequent to completion of the Series B Financing, we have continued to advance our clinical programs, actively engage in business development activities and in-license new drugs, and expand and build up our integrated R&D, manufacturing and commercialization platform. In particular, we have achieved the following major milestones: (i) the execution of the licensing agreements for PAN-90806, NTC014 and NTC010, (ii) the initiation of a Phase III clinical trial for CsA ophthalmic gel and a Phase II clinical trial for ZKY001; and (iii) the further expansion of our management and operation team. Such progress and milestones are expected to support the step-up in the proposed IPO valuation of our Group.

Special Rights of the Pre-IPO Investors

Pursuant to the amended and restated shareholders agreement entered into by the Shareholders of our Company, the Pre-IPO Investors were granted certain special rights, including but not limited to the information right, divestment right, pre-emptive right, director nomination right, veto right for certain corporate actions and anti-dilution right. All the special rights have been terminated or (in the case of the share conversion right) are expected to be exercised or terminated immediately upon the Listing in accordance with the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and March 2017.

Background Information about the Pre-IPO Investors

The background information of our Pre-IPO Investors is set out below. Save as disclosed hereunder, to the best of the Company's knowledge, information and belief and having made all reasonable enquiries, all other Pre-IPO Investors are Independent Third Parties.

Name of Pre-IPO Investors	Background
Coyote	Coyote is a company incorporated under the laws of Singapore with limited liability and is engaged in investment holding. Coyote is managed by GIC Special Investments Pte. Ltd, which in turn is wholly owned by GIC Private Limited, a limited company established in Singapore, a global asset management company established in 1981 to manage the foreign reserves of Singapore. Upon completion of the Global Offering, Coyote will be a Substantial Shareholder and thus a connected person of our Company.

Name of Pre-IPO Investors	Background
Panacea	Panacea, a Sophisticated Investor, is a limited partnership established under the laws of the Cayman Islands and is engaged in investment holding. Panacea is a science-focused venture capital firm focusing on investing in and incubating early stage life science companies with disruptive and breakthrough technologies and discoveries that can potentially address huge unmet medical needs and enhance quality of life. Panacea's investments in life science sector include healthcare companies focusing on oncology, cardiology, cell engineering and minimally invasive medical devices. The general partner of Panacea is Panacea Venture Healthcare Fund GP I, L.P. Panacea has assets under management over US$180 million as of December 31, 2020.
Smart Rocket Limited and Bio Success Investments Limited ("**VMS Entities**")	Each of Smart Rocket limited, a Sophisticated Investor, and Bio Success Investments Limited is a company incorporated under the laws of the BVI with limited liability engaging in investment holding. The investment portfolio of VMS Entities mainly focuses on healthcare sector. Each of the VMS Entities is an indirect subsidiary of VMS Holdings Limited, which currently has assets under management over US$3.8 billion.
KHL	KHL is a company incorporated under the laws of the BVI with limited liability and is engaged in investment holding. The ultimate beneficial owner of KHL is KHL V Venture Capital Co., Ltd which is managed by KHL Investment Advisors Ltd., who currently has assets under management over US$700 million.
Lee's Healthcare Fund	Lee's Healthcare Fund is an exempted limited partnership established under the laws of Cayman Islands. As of the Latest Practicable Date, Lee's Pharm has purchased partnership interest in the Lee's Healthcare Fund representing approximately 43.16% of the total capital commitment by all limited partners. The general partner of Lee's Healthcare Fund is Lee's Healthcare Industry Investments Limited, 65% of the equity interest of which is held by Dr. Li Xiaoyi. Lee's Healthcare Industry Investments Limited has purchased 1% partnership interest in Lee's Healthcare Fund. Lee's Healthcare Fund is a connected person of the Company.

Name of Pre-IPO Investors	Background
HH COFL	HH COFL is a company incorporated under the laws of the Cayman Islands with limited liability and is engaged in investment holding. HH COFL is ultimately managed and controlled by Hillhouse Capital Management, Ltd., an exempted company incorporated under the laws of the Cayman Islands ("**Hillhouse Capital**"). Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financials and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of global institutional clients.
TPG Asia	TPG Asia is a company incorporated under the laws of Singapore with limited liability. TPG Asia is an affiliate of TPG Capital ("**TPG**"). TPG is a leading global alternative asset firm founded in 1992 with approximately US$85 billion of assets under management as of September 30, 2020.
Loyal Valley	Loyal Valley is a company incorporated under the laws of BVI with limited liability and is engaged in investment holding. Loyal Valley is an indirect wholly owned subsidiary of Loyal Valley Capital, which is a leading private equity firm that has actively been investing in high-quality middle-market companies in China since 2015. Loyal Valley Capital is an independent, partner-owned firm with an extensive network spanning public and private companies across China with preferred access to C-level professionals and the most attractive deals in the country. Loyal Valley Capital currently has assets under management over US$1.6 billion.

Name of Pre-IPO Investors	Background
OrbiMed Partners Master Fund Limited, OrbiMed Genesis Master Fund, L.P. and OrbiMed New Horizons Master Fund, L.P. ("**OrbiMed Entities**")	OrbiMed Partners Master Fund Limited is a company incorporated under the laws of Bermuda with limited liability engaging in investment holding. OrbiMed Genesis Master Fund, L.P. and OrbiMed New Horizons Master Fund, L.P. are each an exempted limited partnership established under the laws of Cayman Islands with OrbiMed Advisors LLC acting as the investment manager. OrbiMed Advisors LLC exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein. OrbiMed invests globally in the healthcare sector with investments ranging from early stage private companies to large multinational corporations.
Aier	Aier is a company incorporated under the laws of Hong Kong with limited liability and is engaged in investment holding. It is an affiliate company of Aier Eye Hospital Group Co., Ltd. (愛爾眼科醫院集團股份有限公司), a joint stock limited company incorporated under the laws of the People's Republic of China with its issued shares listed on the Shenzhen Stock Exchange.
FountainVest	FountainVest is a company incorporated under the laws of the Cayman Islands. FountainVest is an investment holding company wholly owned by funds advised or managed by FountainVest Partners. Founded in 2007, FountainVest Partners is one of the most established independent private equity firms in Asia. FountainVest Partners focuses on long-term oriented investments in industry leaders, partnering closely with management teams to drive growth and create value in diversified areas including in strategy, operations, finance, and industry consolidation. FountainVest Partners has completed a number of successful investments in Asia, Europe, and the U.S. Sectors of focus include consumer, media and technology, healthcare, industrials, and financial services. FountainVest Partners is backed by some of the leading sovereign wealth funds and public pension plans around the world, with assets under management of close to US$5 billion.

Name of Pre-IPO Investors	Background
Sage Partners Master Fund and R&D Business Partner Limited ("**Sage Entities**")	Sage Partners Master Fund is a company incorporated under the laws of the Cayman Islands with limited liability, and is managed by Sage Partners Limited, which is a Hong Kong incorporated SFC type 9 licensed investment management company. The portfolio companies held by Sage Partners Master Fund primarily include pharmaceutical and other healthcare related companies.
GBA	GBA is a company incorporated under the laws of the BVI. GBA is a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP ("**GBA Fund**"). The portfolio companies held by GBA Fund include pharmaceutical, biotech and medical devices companies.

Public Float

Upon completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the share options granted under the Pre-IPO Share Option Scheme), Lee's Pharm International and Coyote will hold approximately 25.8% and 13.3% of the total issued share capital of our Company, respectively. Therefore, each of Lee's Pharm International and Coyote will be a Substantial Shareholder and the Shares held by them will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing. As of the Latest Practicable Date, 43.16% of the partnership interest in Lee's Healthcare Fund was held by Lee's Pharm. Therefore, Lee's Healthcare Fund is a close associate of Lee's Pharm International and the Shares held by it will not be counted toward the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

Save as disclosed above, to the best of our Directors' knowledge, all other Shareholders are not core connected persons of our Company and the Shares held by them, accounting for approximately 60.5% of the total issued share capital of our Company immediately after the completion of the Share Subdivision and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the share options granted under the Pre-IPO Share Option Scheme), will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing. As a result, over 25% of the Company's total issued Shares with a market capitalization of at least HK$375 million will be held by the public upon completion of the Share Subdivision and the Global Offering as required under Rule 8.08(1)(a) and Rule 18A.07 of the Listing Rules.

Share Subdivision and Share Conversion

On April 1, 2021, we conducted a share subdivision pursuant to which each share in our issued and unissued share capital was subdivided into 400 Shares of the corresponding class with par value of US$0.00000025 each, following which our issued share capital consisted of (i) 150,992,000 ordinary Shares, (ii) 133,712,000 Series A Preferred Shares and (iii) 126,884,000 Series B Preferred Shares, with par value of US$0.00000025 each.

Each Preferred Share will be converted to one Share upon the Global Offering becoming unconditional.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12) issued on January 2012 and updated in March 2017 by the Stock Exchange and the Guidance on Pre-IPO Investments (HKEX-GL43-12) issued on October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange.

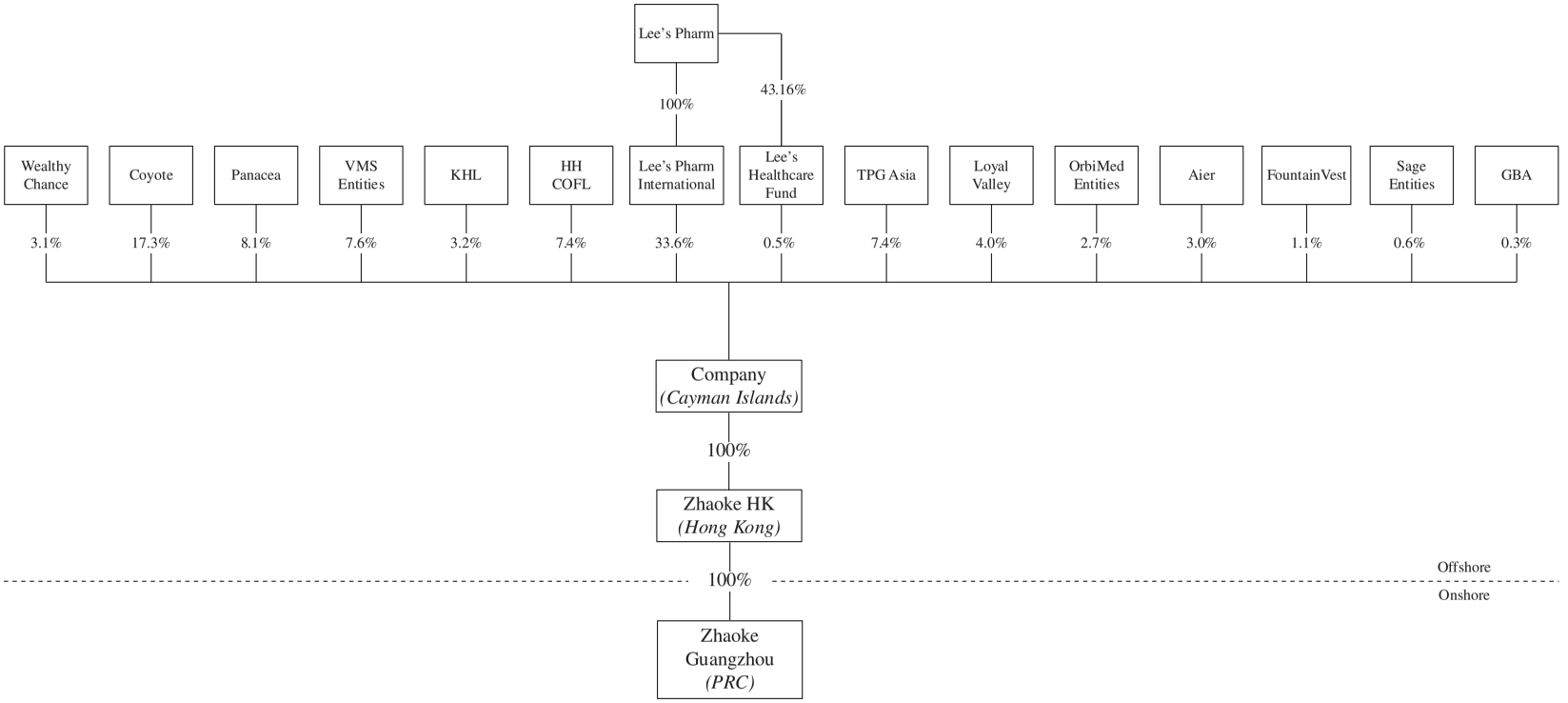
ADOPTION OF THE SHARE OPTION SCHEMES

In recognition of the contributions of our Directors, employees and consultants to our business and to incentivize them to further promote our development, our Company adopted the Pre-IPO Share Option Scheme on November 17, 2020. See "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme."

We have also conditionally adopted the Post-IPO Share Option Scheme, the principal terms of which are set out in "Appendix IV—Statutory and General Information—D. Share Option Schemes—2. Post-IPO Share Option Scheme."

SHAREHOLDING AND CORPORATE STRUCTURE

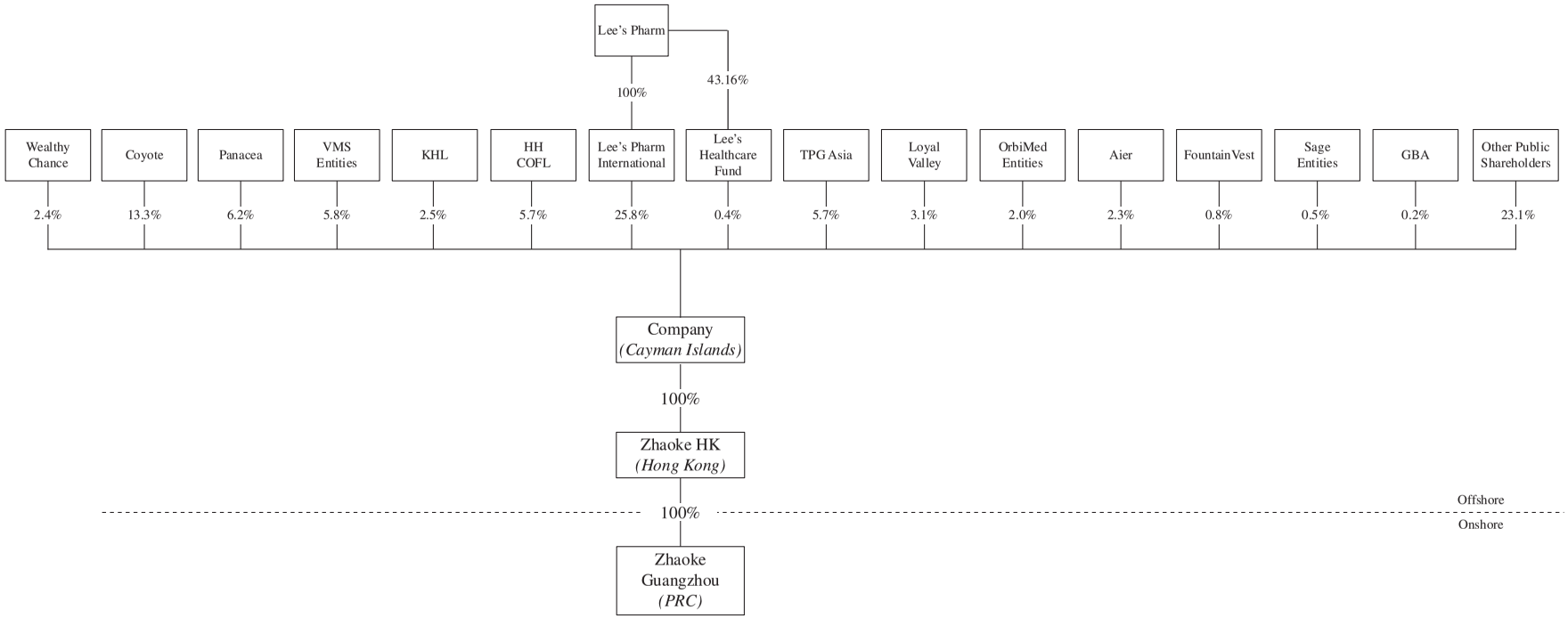
A simplified corporate structure of our Group as of the Latest Practicable Date is as follows[(1)]:



Note:

(1) Based on the assumption that all Preferred Shares will be converted into Shares on a 1:1 basis upon the Global Offering becoming unconditional and without taking into account any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Scheme.

Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), a simplified corporate structure of our Group will be as follows[(1)]:



Note:

(1) Based on the assumption that all Preferred Shares will be converted into Shares on a 1:1 basis upon the Global Offering becoming unconditional and without taking into account any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Scheme.

SPIN-OFF OF OUR GROUP FROM LEE'S PHARM

The Spin-off

Immediately upon completion of the spin-off and separate listing of our Group from Lee's Pharm (the "**Spin-off**"), the percentage shareholding of Lee's Pharm, through Lee's Pharm International and Lee's Healthcare Fund in our Company will be diluted from approximately 34.1% to approximately 26.2% (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or the share options granted under the Pre-IPO Share Option Scheme). As the consideration ratio calculated under Rule 14.07 of the Listing Rules in respect of the Spin-off exceeds 25%, the Spin-off is subject to the approval of the Lee's Pharm Shareholders pursuant to Practice Note 15.

The approval of the Lee's Pharm Shareholders for the Spin-off was obtained at the extraordinary general meeting of Lee's Pharm held on March 15, 2021.

Reasons for and Benefits of the Spin-off

The Directors are of the view that the Spin-off, if proceeds, will be commercially beneficial to Lee's Pharm and our Group, as the Spin-off is expected to create greater value for Lee's Pharm and its shareholders as a whole and our Group, for the following reasons:

(a) the Spin-off will unlock value of our Group which is developing at a fast-growing stage and provide Lee's Pharm and its shareholders an opportunity to realize the value of their investment in our Group under a separate standalone platform for our Group's business;

(b) the Spin-off will separate our Group's business from the Retained Lee's Pharm Group's business. Such separation will enable shareholders and investors to appraise the strategies, success factors, functional exposure, risks and returns of our Group and the Retained Lee's Pharm Group separately, thereby achieving a clear and fair valuation of both groups, so as to allow the investors to make or refine their investment decisions and to assess the future prospects of the two groups more clearly. Through such clear and fair valuation, the Spin-off will allow investors to assess the future prospects of the Retained Lee's Pharm Group more clearly, and further allow the Retained Lee's Pharm Group to attract investors who specifically seek investments in its business. Investors will have the choice to invest in either one or all of the business of either our Group or the Retained Lee's Pharm Group;

(c) the Spin-off will enable our Group to build its identity as a separately listed group, to have a separate fund-raising platform and to broaden its investor base. Given the nature of our business, it takes time for our product candidates under development to complete clinical trials before they are commercialized and start to generate revenue. On one hand, the Spin-off would allow our Group to gain direct access to capital markets for equity and/or debt financing to fund its existing operations and

future expansion without reliance on Lee's Pharm, thereby accelerating our expansion and improving our operating and financial management efficiencies, which in turn will provide better returns to the Shareholders of our Group;

(d) the Spin-off will enable our Group to enhance the corporate profile, thereby increasing our ability to attract investors for making investments in our Group, which could provide synergy for our Group, and the Retained Lee's Pharm Group will also benefit from such investments without further capital commitment. The Spin-off will enable Lee's Pharm to fully focus on and deploy its funds towards the development of the retained business without needing to consider our Group's funding requirements as our Group is currently a pre-profit biotech company and has recorded substantial R&D expenses and cash outflows. Both our Group and the Retained Lee's Pharm Group will gain exposure to more specialized investors and have better chances to obtain more targeted investments;

(e) the Spin-off will increase the operational and financial transparency of and improve the corporate governance of our Company and provide our Shareholders and investors with greater clarity on the businesses and financial status of our Group on a standalone basis, and such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of our Group;

(f) the management teams of our Group and the Retained Lee's Pharm Group may adopt different business strategies and models which they determine to be better suited to the two groups' respective businesses, and which, due to the different nature of products, may not always be aligned. The Spin-off will enable more focused development, strategic planning and better allocation of resources for the Retained Lee's Pharm Group and our Group with respect to the two groups' respective businesses. Both the Retained Lee's Pharm Group and our Group, especially the latter, will benefit from the efficient decision-making process under a separate management structure to seize emerging business opportunities. In addition, the Spin-off will improve the ability of our Group to recruit, motivate and retain key management personnel. On the other hand, the management team of the Retained Lee's Pharm Group will no longer be distracted from businesses other than the retained business, and will thus be able to focus on the operation and development of the Retained Lee's Pharm Group with a clear delineated business objective and concentrate their expertise, manpower and other corporate resources only on the Retained Lee's Pharm Group; and

(g) all benefits enjoyed by our Group through the Spin-off are expected to accelerate our Group's expansion and improve our overall operating and financial performance, thereby creating greater value for the Retained Lee's Pharm Group and its shareholders as a whole. Upon completion of the Spin-off, the Retained Lee's Pharm Group will remain as our largest and Substantial Shareholder, and is therefore expected to continue to enjoy the benefits of our growth and development.

Lock-up Undertakings

Each of Lee's Pharm and Lee's Pharm International has undertaken to our Company, the Joint Sponsors, Joint Global Coordinators and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, it shall not, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is the six months after the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it beneficially owns. For further details of the lock-up undertakings, please see "Underwriting—Underwriting Arrangements and Expenses—Undertakings Pursuant to the Hong Kong Underwriting Agreement—Undertakings by the Major Shareholders."

Assured Entitlement

The proposal in relation to the Spin-off was submitted by Lee's Pharm to the Stock Exchange for approval pursuant to Practice Note 15, and the Stock Exchange has confirmed that Lee's Pharm may proceed with the Spin-off. Practice Note 15 requires Lee's Pharm to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the Shares, either by way of a distribution in specie of existing Shares or by way of a preferred application in the offering of existing or new Shares. Lee's Pharm will provide the Assured Entitlement to the Lee's Pharm Shareholders by way of the Preferential Offering. See "Structure of the Global Offering" for further details of the Preferential Offering.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Adviser has confirmed that Zhaoke Guangzhou has obtained the requisite government approvals in all material respects in respect of the relevant transfer of equity interests as described in this section. The transfer of equity interests described above has been properly and legally completed.

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**" jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Taxation Administration, the China Securities Regulatory Commission, the State Administration of Industry and Commerce and SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals from MOFCOM or the department of commerce at the provincial level when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets

of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise and then invests such assets to establish a foreign-invested enterprise. According to Article 11 of the M&A rules, if any domestic company, enterprise or natural person merges its affiliated domestic company in the name of a company legally established or controlled by the aforesaid domestic company, enterprise or natural person in foreign countries or regions, it shall be subject to the approval of MOFCOM.

Zhaoke Guangzhou was established by Zhaoke Pharmaceutical (HK) Limited in June 2016. Upon its establishment, Zhaoke Guangzhou was a wholly foreign-owned enterprise. Therefore, the acquisition by Zhaoke HK of equity interests in Zhaoke Guangzhou held by Zhaoke Pharmaceutical (HK) Limited should be deemed as equity transfer of a wholly foreign-owned enterprise, which did not involve the circumstances that shall be approved by MOFCOM under Article 11 of the M&A Rules.

SAFE Circular 37

In 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with local branches of SAFE or competent banks designated by SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "PRC residents" under SAFE Circular 37 is defined as PRC legal entities, other economic organizations, PRC citizens holding PRC ID or non-PRC citizens habitually residing in China due to economic interests.

The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by PRC residents in offshore special purpose vehicles by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If shareholders of the offshore holding company who are PRC residents do not complete their registration with their local SAFE branch, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions.

As of the Latest Practicable Date, Lee's Pharm was the single largest Shareholder of the Company. None of Lee's Pharm's founders (being Dr. Li Xiaoyi, Ms. Leelalertsuphakun Wanee and Ms. Lee Siu Fong) was a PRC citizen required to conduct registration pursuant to SAFE Circular 37.

OVERVIEW

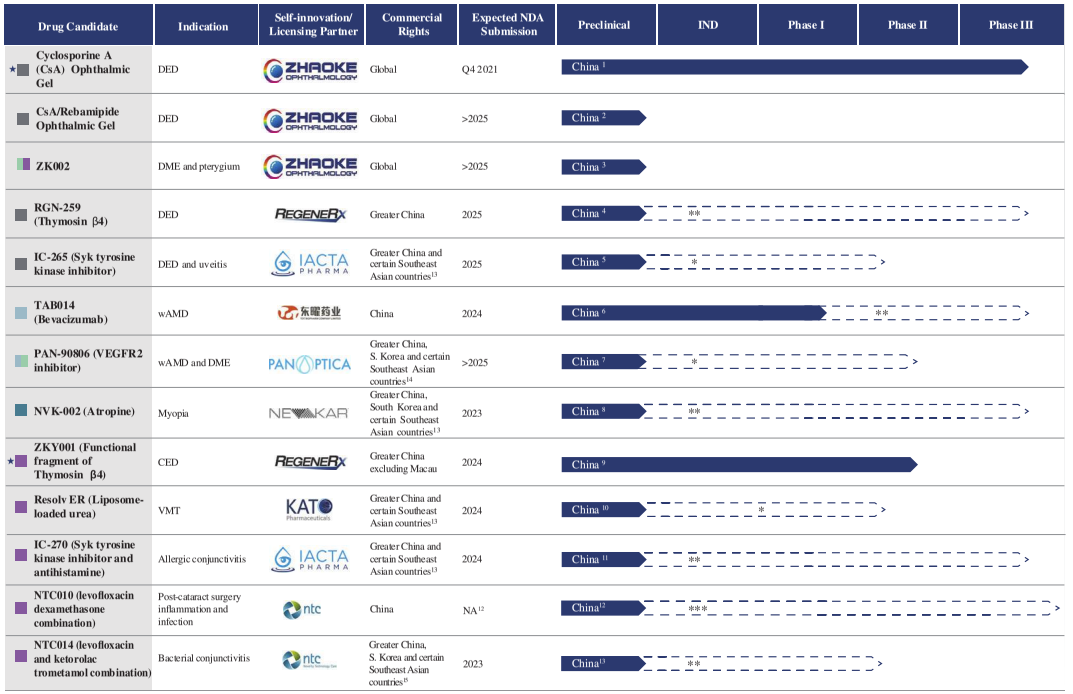
We are an ophthalmic pharmaceutical company dedicated to the research, development and commercialization of therapies that address significant unmet medical needs in China. Leveraging our deep domain expertise, we have built a comprehensive ophthalmic drug pipeline of 25 candidates that covers most major ocular indications affecting the front and the back of the eye, through either in-house development or in-licensing. We have also established an advanced ophthalmic manufacturing facility and are assembling an experienced marketing team in anticipation of near-term product launch. Our goal is to become a leader in China and the neighboring ASEAN marketplace.

China has a large and underserved ophthalmic patient population. In 2019, the total prevalence of ocular diseases and disorders in China was significantly higher than the United States, yet the ophthalmic pharmaceutical market was only one-sixth as large, according to CIC. This suggests significant growth potential. According to CIC, the Chinese ophthalmic pharmaceutical market is forecast to grow from US$2.6 billion in 2019 to US$20.2 billion in 2030, at a CAGR of 20.6%. However, the market is fragmented, lacking leader with ophthalmic-focused expertise that can provide a comprehensive solution for this specialty therapeutic area.

To address this attractive market opportunity, we have built an ophthalmic drug pipeline comprising 13 innovative drugs and 12 generic drugs as classified under NMPA drug registration regulations. Our innovative pipeline includes 8 drug candidates which have the potential to be market-leading products in China if approved. Our generic pipeline includes 6 potential first-to-market generics in China, which we believe will bring us near-term cash flows and significant first-mover advantages in commercial-scale manufacturing and marketing. According to CIC, we have one of the most comprehensive ophthalmic drug pipelines in China.

In designing our pipeline, we have initially placed strategic emphasis on five major ophthalmic indications in China in terms of market potential, including dry eye disease, or DED, wet age-related macular degeneration, or wAMD, diabetic macular edema, or DME, myopia and glaucoma. Most ocular conditions present at variable stages of disease severity, often driven by multiple pathological processes that affect local microenvironments with specific tissue responses. Hence most conditions are heterogeneous in nature. Therefore, for each of the major indications, we typically develop multiple drug candidates with different mechanisms of action. We expect our multi-targeted approach to give physicians access to an arsenal of different drugs and the therapeutic flexibility to administer them as mono- or combination therapies, helping them formulate an optimal regimen for each patient and serve a broader group of patients in each of the ophthalmic sub-specialties. Through this pipeline strategy, we aim to become the essential one-stop solution. The following chart summarizes our drug pipeline:

Our Pipeline of Innovative Drugs and our Development Progress



★ Denotes our Core Products
* 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.

Notes:

(1) Expect to complete the ongoing Phase III trial in Q3 2021
(2) Expect to submit IND in H1 2022 and to initiate Phase I trial in H2 2022
(3) Expect to submit IND for pterygium in H2 2022 and for DME in 2023, respectively
(4) Expect to submit IND in H2 2022, to initiate Phase III trial in 2023
(5) Expect to submit IND for DED in Q3 2021 and for uveitis in Q4 2021 and to initiate Phase II trial for DED in H1 2022
(6) Expect to initiate Phase III trial in Q2 2021 and complete the trial by 2023
(7) Expect to submit IND in H1 2022, to initiate Phase II bridging study in 2023 and to initiate Phase III trial in wAMD in China in 2025
(8) Expect to submit IND in Q2 2021 and to initiate Phase III trial in Q4 2021
(9) Expect to complete the ongoing Phase II trial in Q4 2021 and to initiate Phase III trial in H2 2022
(10) Expect to submit IND in Q2 2021 and initiate Phase II trial in Q4 2021
(11) Expect to initiate Phase III trial in 2023
(12) Expect to submit IND in Q2 2021 and apply for waiver for clinical trials in China. If the clinical trial waiver is granted, the IND application will automatically be under NDA review
(13) Expect to submit IND in Q3 2021 and obtain approval for a Phase II trial in Q4 2021
(14) Including Brunei, Burma, Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam
(15) Including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand and Vietnam
(16) Including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam and Sri Lanka

Our Pipeline of Innovative Drugs and Development Progress by Licensing Partners

Drug Candidate	Indication	Licensing Partner	Commercial Rights	Expected NDA Submission	Preclinical	IND	Phase I	Phase II	Phase III
RGN-259 (Thymosin β4)	DED	RegeneRx	Greater China	2025	US: Phase III trials completed (RegeneRx)				
IC-265 (Syk tyrosine kinase inhibitor)	DED and uveitis	IACTA PHARMA	Greater China and certain Southeast Asian countries	2025	US: Phase II trial completed in allergic conjunctivitis (IACTA)				
PAN-90806 (VEGFR2 inhibitor)	wAMD and DME	PANOPTICA	Greater China, S. Korea and certain Southeast Asian countries	>2025	US: Phase I/II trial completed (PanOptica)				
NVK-002 (Atropine)	Myopia	NEVAKAR	Greater China, South Korea and certain Southeast Asian countries	2023	US: Phase III trial ongoing (Nevakar)				
Resolv ER (Liposome-loaded urea)	VMT	KATO Pharmaceuticals	Greater China and certain Southeast Asian countries	2024	US: Phase Ib trial ongoing (Kato)				
IC-270 (Syk tyrosine kinase inhibitor and antihistamine)	Allergic conjunctivitis	IACTA PHARMA	Greater China and certain Southeast Asian countries	2024	US: Preclinical (IACTA)				
NTC010 (levofloxacin dexamethasone combination)	Post-cataract surgery inflammation and infection	ntc	China	NA	Certain countries of the EU: Commercialized (NTC and Santen)				
NTC014 (levofloxacin and ketorolac trometamol combination)	Bacterial conjunctivitis	ntc	Greater China, S. Korea and certain Southeast Asian countries	2023	EU: preclinical				

DED drugs | wAMD drugs | DME drugs | Myopia drug | Other innovative drugs

Progress of our licensing partner

Our Pipeline of Generic Drugs

Drug Candidate	Indication/Use	Reference Drug	MOA	ANDA Preparation	ANDA Submission
Bimatoprost	Glaucoma	Lumigan	PGA monotherapy	Submitted ANDA in August 2019; approval expected in Q4 2021	
Bimatoprost Timolol	Glaucoma	Ganfort	PGA and β blocking agent combotherapy	Submitted ANDA in October 2020; approval expected in H1 2022	
Latanoprost	Glaucoma	Xalatan	PGA monotherapy	To submit ANDA in H1 2022; approval expected in 2023	
Latanoprost Timolol	Glaucoma	Xalacom	PGA and β blocking agent combotherapy	To submit ANDA in H1 2022; approval expected in 2024	
Travoprost	Glaucoma	Travatan	PGA monotherapy	To submit ANDA in H1 2022; approval expected in 2023	
Travoprost Timolol	Glaucoma	DuoTrav	PGA and β blocking agent combotherapy	To submit ANDA in H2 2022; approval expected in 2024	
Levobetaxolol Hydrochloride (HCl)	Glaucoma	Betaxon	Monotherapy β blocker	To submit ANDA in H1 2022; approval expected in 2023	
Epinastine HCl	Allergic conjunctivitis	Elestat	Dual-acting antihistamine and mast cell stabilizers	Submitted ANDA in June 2020; approval expected in H1 2022	
Natamycin	Fungal eye infections	Natacyn	Antifungal	To submit ANDA in 2022; approval expected in 2024	
Proparacaine HCl	Surface anesthesia	Proparacaine HCl 0.5% approved in the United States	Block nerve conduction in the corneal tissue	To submit ANDA in Q4 2021; approval expected in 2023	
Povidone Iodine	Periocular and ocular surface disinfection	Betadine	Microbicidal/Antimicrobial action by iodine	To submit ANDA in Q3 2021; approval expected in 2023	
Fluorescein Sodium	Diagnostic for certain eye injuries	Minims fluorescein sodium	Fluorescent dye	To submit ANDA in 2023	

Glaucoma drugs Other ophthalmic disease drugs Surgery and diagnostic therapies

We have developed internal capabilities in key aspects of ophthalmic drug development. Our specialized in-house research, development, clinical and regulatory capabilities have enabled us to concurrently advance multiple innovative and generic drug candidates through the preclinical and clinical phases. We have a solid track record in business development, having in-licensed a number of drug candidates across major indications with high growth potential from international partners. Setting us apart from competitors in China, we have established a commercial-scale advanced manufacturing facility, which is designed and built for ophthalmic drugs in compliance with cGMP requirements of China, the United States and the EU. We are also assembling a commercial team with extensive experience covering various nationwide sales channels and ophthalmologists in China. We believe these established capabilities will help us bring innovative and comprehensive ophthalmic therapies to market and become the partner of choice of multinational pharmaceutical companies.

We are led by an international management team with decades of industry experience and a track record of research and development, clinical operations, manufacturing, regulatory communications, business development and commercialization of ophthalmic therapies. In addition, we have received strong endorsement from blue-chip investors, including GIC, Hillhouse Capital, TPG, Loyal Valley Capital, Orbimed and Aier Eye Hospital.

OUR STRENGTHS

Comprehensive ophthalmic drug pipeline emphasizing largest ophthalmic indications

We have built an ophthalmic drug pipeline of 25 candidates, including 13 innovative drugs and 12 generic drugs, that covers most major ocular indications affecting the front and the back of the eye. According to CIC, we have one of the most comprehensive ophthalmic drug pipelines in China. In designing our pipeline, for greater therapeutic and commercial impact, we have initially placed strategic emphasis on five major ophthalmic indications in China in terms of market potential. For these indications, we typically develop multiple drug candidates with different mechanisms of action, to address various targets that may drive the pathogenesis of the disease. We believe our multi-targeted approach will give physicians access to an arsenal of different drugs and the therapeutic flexibility to administer them as mono-or combination therapies. This, we believe, will help physicians formulate an optimal therapeutic regimen for each patient based on the relevant individual factors, which may include stage of the disease (acute, subacute or chronic), severity, safety-benefit considerations and other individual variables related to cost, convenience and compliance. We also expect our approach to enable physicians to serve a broader group of patients in each of the ophthalmic sub-specialties. Through this pipeline strategy, we aim to become the essential one-stop solution.

DED. Dry eye disease, or DED, is one of the most prevalent eye diseases in China and globally. According to CIC, the market size of DED drugs in China is forecast to increase from US$430.1 million to US$6.7 billion from 2019 to 2030, at a CAGR of 28.4%. DED is a complex ocular surface multifactorial disease involving inflammation and associated with different symptoms. Moderate-to-severe cases are typically treated with anti-inflammatory drugs. We are developing four innovative drug candidates for DED to potentially address a broad DED patient population with various characteristics, including: (i) our CsA ophthalmic gel, an eye gel of the globally best-selling cyclosporine A, or CsA, compound in an innovative hydrogel formulation, as a foundation therapy for moderate-to-severe DED; (ii) RGN-259, an eye drop with dual anti-inflammatory and corneal repair properties (approximately 15% of DED patients in China have corneal defects, according to CIC); (iii) CsA/rebamipide ophthalmic gel, which has dual mechanisms of anti-inflammation and tear film stabilization, with potentially better efficacy for patients with inadequate response to topical CsA (estimated to account for 20-30% of all moderate-to-severe DED patients globally, according to CIC); and (iv) IC-265, an eye drop with broad anti-inflammatory and we believe anti-allergic effects (approximately 15% of DED patients in China have an allergic component, according to CIC).

wAMD. Wet age-related macular degeneration, or wAMD, is a leading cause of vision loss and blindness in people over 50 years old in China and globally. According to CIC, the market size of wAMD drugs in China is forecast to increase from US$241.5 million to US$3.5 billion from 2019 to 2030, at a CAGR of 27.5%. wAMD is a chronic and progressive disease. The standard of care is anti-VEGF drugs administered via intravitreal injection at generally monthly or bimonthly intervals per label of the approved drug. Chronic treatment is typically required for 4-5 years. Hence, intravitreal anti-VEGF therapy involves substantial treatment burden for the elderly patients and their caretakers as a consequence of frequent physician office visits for this invasive procedure. In addition, the high cost of the originator drugs can be prohibitive. These factors lead to poor compliance and further vision loss. Under-treatment is particularly common in China where, according to CIC, anti-VEGF medication is administered on average only 2.8 times a year per wAMD patient. We aim to introduce a paradigm shift in wAMD treatment by addressing treatment burden while maintaining vision, through a regimen consisting of: (i) PAN-90806, an anti-VEGF agent in a novel eye drop formulation, which we believe will be a convenient maintenance therapy for wAMD that significantly reduces the frequency of injections required; and (ii) TAB014, the first bevacizumab-based antibody under clinical development indicated for wAMD in China, which we expect will be a cost-effective mainstay therapy.

DME. Diabetic macular edema, or DME, is the leading cause of blindness in diabetic patients worldwide. China has a large diabetic patient population and high prevalence of DME. According to CIC, the market size of DME drugs in China is forecast to increase from US$250.0 million to US$2.6 billion from 2019 to 2030, at a CAGR of 23.8%. The standard of care for DME in China includes anti-VEGF agents and anti-inflammatory glucocorticoids, both administered by intravitreal injection at prescribed intervals. We are developing two innovative drug candidates to address the significant unmet medical needs for DME in China: (i) ZK002, a protein employing a novel dual mechanism of action to contain inflammation (*i.e.*, anti-inflammation) and vascular fluid leakage (*i.e.*, anti-permeability), which we believe could potentially result in better efficacy over existing mainstay therapies; and (ii) PAN-90806, the anti-VEGF agent in a novel eye drop formulation, which we expect will significantly improve convenience and compliance relative to current therapies.

Myopia. Myopia is one of the most common eye disorders worldwide. According to CIC, the number of people affected by myopia in China reached 700 million in 2019, accounting for approximately half of the world's myopic population. Among them, 162.8 million were children and adolescents (ages 6-22), who could benefit from drug treatment to slow myopia progression. Currently, there is no effective drug in China to do so. According to CIC, the market size of myopia drugs in China is forecast to increase to US$3.0 billion in 2030. We are developing NVK-002, an innovative low-concentration atropine in a stable formulation to retard, or slow down, the progression of myopia. A potential novel drug, NVK-002 has a proprietary formulation that successfully addresses the instability of low-concentration atropine. According to CIC, NVK-002 is one of the most advanced atropine drug candidates globally for myopia progression control, and targets the broadest patient group (ages 3 to 17).

Glaucoma. Glaucoma is the second-largest cause of blindness in the world. According to CIC, the market size of glaucoma drugs in China is forecast to increase from US$162.7 million to US$2.0 billion from 2019 to 2030, at a CAGR of 25.4%. Glaucoma is a chronic and progressive disease associated with high intraocular pressure, or IOP, resulting in optic nerve damage. The IOP is determined by the balance of fluid production versus fluid drainage in the eye. Major glaucoma drugs fall into two categories exploring these paths: prostaglandin analogs, or PGAs, which increase fluid drainage, and β blockers, which decrease fluid production. Glaucoma is a lifelong disease that typically cannot be managed by any single therapy over time and requires multiple combinations of drugs. We are developing a comprehensive menu of seven glaucoma drugs, including three PGAs, one β blocker and three fixed-dose combinations, which covers both IOP-lowering mechanisms and both forms of open-angle and angle-closure glaucoma. We believe our glaucoma franchise will help us serve a broad glaucoma patient population in China.

Robust innovative pipeline with potential market-leading candidates

We aim to pursue innovation to penetrate the huge underserved and growing Chinese ophthalmic pharmaceutical market. We are developing two innovative drug candidates with novel formulations with market-leading potential.

- *CsA ophthalmic gel*, our late-stage Core Product indicated for DED based on the CsA compound. Compared with Restasis, the first CsA ophthalmic drug approved in the United States, which is an oil-based emulsion, our CsA drug is in an innovative hydrogel formulation. It diffuses faster on the ocular surface and stays longer. In an *ex vivo* preclinical study, our CsA ophthalmic gel demonstrated significantly greater local bioavailability in the tear film and ocular surface tissues compared to Restasis. In a Phase II exploratory study in moderate-to-severe dry eye patients, once-daily dosing of our CsA ophthalmic gel was able to deliver similar efficacy and safety compared to the twice a day dosing of Restasis. These clinical findings are supported by the higher exposure delivered in the front of the eye by our CsA ophthalmic gel compared to Restasis in preclinical experiments. In addition, studies have shown that the most common reason for which patients discontinue Restasis is the transient burning sensation immediately after topical application of the drug. By eliminating all daytime administrations and the associated discomfort and inconvenience, our CsA ophthalmic gel, administered once every night, is expected to significantly improve patients' compliance and quality of life.

- *NVK-002*, a potential novel topical ophthalmic solution to control myopia progression. Atropine is the only medication to date that has been demonstrated to be consistently effective, and low-concentration atropine is found to have lower rates of adverse effects compared to high-concentration atropine. However, the instability of low-concentration atropine has severely limited its commercial application. NVK-002 has a proprietary formulation that successfully addresses this shortcoming. It is preservative-free with an expected shelf life of as long as 24 months, which makes it commercially attractive. According to CIC, NVK-002 is one of the most advanced atropine drug candidates globally for myopia progression control, and targets the broadest patient group, covering children and adolescents from 3 to 17 years old.

We also have a pipeline of six potential market-leading drug candidates based on new chemical entities.

- *PAN-90806*, an anti-VEGF agent for wAMD and DME, in a novel eye drop formulation. PAN-90806 is a small-molecule compound with optimal physicochemical properties to allow for topical delivery. If approved, it will bring significant convenience and a less invasive treatment alternative for patients as maintenance therapy, reducing the frequency of intravitreal injections and other associated treatment burden of mainstream anti-VEGF therapies while maintaining visual stability. It is expected to significantly reduce treatment discontinuation, thereby slowing the underlying disease progression through improved patient comfort, acceptance, convenience and compliance.

- *ZK002*, a protein indicated for DME. ZK002 employs a novel mechanism of action of anti-permeability and anti-inflammatory properties, which has potentially better efficacy advantages over existing mainstay treatments. ZK002 is expected to lower treatment burden by reducing the number of intravitreal injections required and improve treatment compliance. ZK002 also has an additional anti-angiogenesis effect. We therefore believe ZK002 has the potential to be a foundational agent, either as monotherapy or in combination with anti-VEGF agents, to address proliferative diabetic retinopathy in addition to DME.

- *ZKY001*, one of our Core Products targeting corneal epithelial defects, or CED, through anti-inflammatory effects plus stimulation of epithelial cell migration. Compared to widely prescribed growth factor therapies, such as rh-EGF and rb-bFGF drugs, which stimulate angiogenesis and may cause edema and inflammation, ZKY001 showed better *in vivo* efficacy in reducing corneal swelling and suppressing abnormal ocular vessel growth in preclinical animal models. ZKY001 also has a favorable safety profile, well tolerated at all concentrations in one of our Phase I clinical trials. We believe ZKY001 has the potential to be a foundation therapy for a broad range of corneal epithelial diseases.

- *RGN-259*, an eye drop indicated for moderate-to-severe DED. This is a therapeutic peptide (Thymosin β4), with cellular and tissue protective as well as repair and regeneration enhancement properties. RGN-259 has a novel mechanism with dual effects of corneal repair and anti-inflammation. Studies suggest that it has fast onset efficacy in multiple outcomes of signs and symptoms. RGN-259 shows efficacy as early as 15 days after administration. Cyclosporine, a first-line DED therapy, generally shows efficacy after three to six months of use according to CIC. RGN-259 has also demonstrated a satisfactory safety profile in such trials.

- *IC-265*, an eye drop composed of highly selective and potent Syk tyrosine kinase inhibitor with broad anti-inflammatory effects, and *IC-270*, a fixed-dose combination of IC-265 and an antihistamine agent. IC-265 addresses the underlying causes of DED and a broad array of inflammatory ophthalmic indications such as uveitis by breaking down the vicious inflammatory cycle. IC-270 has the potential to be a treatment for allergic conjunctivitis that addresses not only itching but also redness and inflammation associated with the disease. In addition, various ocular surface conditions have a secondary allergic component. We believe IC-270 has the potential to address these disorders as well in the future.

Balanced pipeline with near commercial-stage generic assets

We follow a balanced approach in designing our drug pipeline. In addition to innovative drug candidates, we also have a rich pipeline of 12 generic drug candidates, including 6 potential first-to-market generics in China. Generic drugs address a substantial portion of ophthalmic medical needs in China. From a market demand perspective, our generic pipeline complements our innovative pipeline and better positions us to become an efficient one-stop comprehensive solution provider. From a supply perspective, our generic programs also confer several strategic benefits. We expect our generic drug candidates to generate near-term cash flows to fund our broad innovative drug programs. In addition, we believe that our integrated CMC and manufacturing capabilities, which enable us to execute the relatively faster development of generic drugs, will also benefit from the exercise and prepare us for the future commercial launch of our innovative drugs. Furthermore, we are deeply focused on establishing a high-quality sales and marketing network and brand equity and recognition in advance of the commercialization of our initial generic drugs. Similarly, these enhancements will benefit our business as a whole in the long term. We plan to initially focus on first-to-market generics as we believe speed to market and first-mover advantages in terms of market share and pricing power are critical commercial considerations for this drug class.

In addition to our CsA ophthalmic gel, for which we expect to submit an NDA with the NMPA in the fourth quarter of 2021, we also plan to submit nine abbreviated NDAs for our generic drug candidates in the next three years. We expect to launch our most advanced generics, three near commercial-stage drugs, by 2022, including:

- *Bimatoprost*, potential first-to-market generic in China targeting glaucoma and potentially the only bimatoprost eye drop without any preservatives. We submitted an abbreviated NDA to the NMPA in August 2019 and expect to receive approval in the fourth quarter of 2021;

- *Epinastine HCl*, potential first-to-market generic in China targeting allergic conjunctivitis with a dual mechanism of action of anti-histamine and mast cell stabilization. We submitted an abbreviated NDA to the NMPA in June 2020 and expect to receive approval in the first half of 2022;

- *Bimatoprost timolol*, potential first-to-market generic bimatoprost timolol in China targeting glaucoma. We submitted an abbreviated NDA to the NMPA in October 2020 and expect to receive approval in the first half of 2022.

We see an attractive market opportunity in generic ophthalmic drugs because many branded ophthalmic drugs do not have generic competition in China. We believe there are formidable barriers to this market segment due to the high level of specialization required for ophthalmology. It requires specialized CMC and manufacturing capabilities that require significant efforts to establish. We have also strategically selected generics that are difficult to synthesize and formulate. We believe we have significant first-mover advantages in our generic pipeline.

Integrated platform with established capabilities and solid track record

We believe that companies with deep domain expertise in the entire ophthalmic drug development process will emerge in the competitive landscape with a leading market position. As one of only a few ophthalmology-focused enterprises in the Chinese ophthalmic pharmaceutical market, we believe that our established capabilities will help us execute our strategies to bring innovative and comprehensive ophthalmic therapies to market.

- **Research and development capability**. Our research and development team has a time-tested, solid track record and a full suite of capabilities, covering discovery, preclinical research and execution of clinical trials. As of the Latest Practicable Date, we had internally developed a total of 3 innovative drug candidates and 11 generic drug candidates. We have a specialized formulation team with capabilities and a solid record in developing novel formulation for innovative drugs, such as our CsA ophthalmic gel. We also have an established pharmacology platform, in which we plan to develop animal disease models for testing drug efficacy.

- **Validated business development capability**. We have successfully identified and executed licensing arrangements with reputable and leading pharmaceutical companies in addition to our internal innovation efforts. As of the Latest Practicable Date, we had in-licensed eight drug candidates across major indications with high growth potential. Our ability to identify and efficiently execute licensing transactions is built on our business development capabilities and network. Leveraging our management team and scientific advisory board's domain expertise, we are able to gain access to a wide range of drug candidates and new technologies and select among the best.

- **Solid clinical development capability**. Our clinical team has solid capability with respect to clinical trial design, execution and regulatory expertise spanning all clinical phases of drug development. Our clinical team performs core functions such as designing clinical development strategies, plans and protocols and executing clinical trials. We also partner with reputable experienced CROs to support our day-to-day clinical development execution. Our capabilities are reflected in the internal development of the CsA ophthalmic gel, one of our Core Products, from the preclinical stage to a Phase III trial, and ZKY001, our other Core Product, from the preclinical stage to a Phase II trial.

- **Established an advanced manufacturing facility and capability**. Manufacturing of ophthalmic drugs is particularly challenging given the stringent manufacturing standards and high-quality requirements. We have established an advanced manufacturing facility which:

  - is designed and built for ophthalmic drugs in compliance with cGMP requirements of China, the United States and the EU;

  - has full manufacturing capability in production, dosing, filling, packaging and quality assurance;

  - is capable of producing various formulations and preservative-free ophthalmic drugs;

  - is ready for commercial-scale production, with an annual production capacity of approximately 2.5 million pieces of multi-dose eye drops, 6.0 million syringes/vials of mono-dose eye drops, 0.4 million syringes/vials of aseptic gel and 4.0 million pieces of external gel; and

  - has an approximately 900 sq.m. independent area for quality functions and fully integrated quality systems.

  A specialized ophthalmic manufacturing capability of this level of sophistication requires years of efforts to develop and cannot be replicated easily. We began building our capability in 2016. To ensure adherence to the cGMP requirements, we not only procured advanced equipment from leading global suppliers, we also established a manufacturing team of 51 personnel with deep specialized experience, and completed complex commissioning and qualification steps in order to install the programs and equipment to function optimally with the requisite specification. We believe our established manufacturing capability will help us take better control of our clinical and future commercial drug programs, including the timing of product launches.

- **Commercial capability**. To drive our product launch and bring our innovative ophthalmic therapies to market, we have recently assembled our core commercial leadership team. Mr. Feng Jiang, our sales and marketing director, has over 12 years of experience in leading commercial teams in multinational pharmaceutical companies, including Eli Lilly Asia, Inc. and Allergan Information Consulting (Shanghai) Co., Ltd, or Allergan China (now part of AbbVie). At Allergan China, Mr. Feng headed its south China sales team for eye care products and successfully launched one of its core products, OZURDEX (Dexamethasone Intravitreal Implant), in China in 2018. Our sales team has extensive experience collaborating with nationwide sales channels and directly with ophthalmologists.

International management team with firm domain expertise, supported by elite science advisory board, blue-chip investors and reputable collaboration partners

Our senior management team has an average of 20 years of industry experience, and has extensive experience in leading multinational pharmaceutical corporations as well as in-depth understanding of the Chinese pharmaceutical market. We believe that our management team, aided by external consultants, provides us with a significant complement of capabilities in research and development, clinical operations, manufacturing, regulatory communication, business development and commercialization of ophthalmic therapies.

- *Dr. Li Xiaoyi*, our chairman and CEO, has over 25 years of industry experience. Dr. Li is also the founder and chief executive officer of Lee's Pharm and leads its research and development efforts. He is an honorary fellow and adjunct professor at the Hong Kong University of Science and Technology and serves as vice chairman of Hong Kong Biotechnology Organization. Dr. Li received "EY Entrepreneur of the Year 2015 China Awards" in the pharmaceutical and life sciences category.

- *Dr. Lau Lit Fui*, our president and chief operating officer, has over 20 years of experience in the pharmaceutical industry, spanning drug discovery, preclinical research, clinical development and commercialization. Prior to joining us, Dr. Lau served as president and chief operating officer at CVie Therapeutics Limited (中生醫藥股份有限公司), a subsidiary of Lee's Pharm, focusing on conducting clinical trials. Prior to CVie Therapeutics Limited, Dr. Lau served as vice president (research and development) of Lee's Pharm. He held various senior management positions within Lee's Pharm, where he oversaw various aspects of its operations, including research and development, business development, financing activities and merger and acquisition efforts. During his tenure at Lee's Pharm, Dr. Lau led the commercial launch of an imported drug, Remodulin® (treprostinil) injection for the treatment of pulmonary arterial hypertension. Dr. Lau also helped build a dedicated commercial team to support the commercial launch and a medical science liaison, or MSL, team to support physicians and patients. Prior to Lee's Pharm, Dr. Lau worked at two multinational pharmaceutical companies, Pfizer Inc. and GlaxoSmithKline plc, for a total of 14 years, focusing on research and development.

- *Dr. Samir C. Patel*, our strategy consultant, has over 30 years of experience in ophthalmology including 20 years as senior leadership at two ophthalmic pharmaceutical companies. Dr. Patel is a co-founder and chief executive officer of IVERIC (formerly known as Ophthotech Corporation), a science-driven biopharmaceutical company specializing in the development of novel ophthalmic therapies. After IVERIC's listing on the Nasdaq Global Select Market, he served as its president and vice chairman on the board of directors prior to joining us. Prior

to founding IVERIC, Dr. Patel co-founded Eyetech Pharmaceuticals Inc., a biopharmaceutical company focused on the development and commercialization of novel ophthalmic therapeutics and listed on the Nasdaq National Market, and served as its director and chief of clinical and commercial strategy. Dr. Patel also commenced his practice in academic ophthalmology at the University of Chicago in 1992 where he eventually served as an associate professor of ophthalmology and the director of retina service, until July 2000.

- *Mr. Mauro Bove*, our business development director, has over 35 years of business and management experience in multinational pharmaceutical companies. Mr. Bove joined Lee's Pharm in May 2005 as a non-executive director and was appointed as senior vice president (corporate and business development) in December 2014. Prior to joining Lee's Pharm, Mr. Bove held a number of senior positions with Sigma-Tau, a leading Italian pharmaceutical group.

We have assembled a scientific advisory board, or SAB, composed of distinguished members with strong influence in the ophthalmic pharmaceutical field in China, the United States and Singapore. Mr. Ge Jian (葛坚) is an honorary lifetime director of China's State Key Laboratory of Ophthalmology and the honorary chairman of Chinese Ophthalmological Society. Mr. Lv Lin (吕林) and Mr. Pan Zhiqiang (潘志強) both hold high level positions in prestigious Chinese ophthalmic hospitals. Mr. David Guyer, who launched Macugen, an anti-angiogenic drug for the treatment of neovascular wAMD, has served as chief executive officer of a number of biotechnology companies. Dr. Wong Tienyin is the medical director of Singapore National Eye Centre. We believe we are able to further enhance our research and development capabilities by virtue of the valuable and unique expertise and domain-specific insight of the members of our SAB in various disciplines.

Our deep domain expertise is supported by a high-quality workforce of more than 110 members. Many of our talented employees worked at Lee's Pharm prior to joining us, and share strong and complementary skillsets and aligned aspirations. We believe our institutional knowledge provides a competitive advantage because of our team's collective industry expertise. We have established relationships with eye care professionals and dedicated eye hospitals, and have in-depth understanding of the development, manufacture and sale of ophthalmic drugs. Collectively, we believe that these attributes will enable us to better identify market needs, assess markets for entry and identify and introduce promising therapies.

We received strong endorsement from blue-chip investors, including GIC, Hillhouse Capital, TPG Loyal Valley Capital, Orbimed and Aier Eye Hospital.

OUR STRATEGIES

Our goal is to become the leader in the ophthalmic pharmaceutical marketplace in China and the neighboring ASEAN countries. As we develop our specialized ophthalmic platform toward offering a comprehensive solution covering front- to back-of-the-eye diseases, we plan to continue to utilize our domain expertise to bring our novel and generic ophthalmic therapies to fulfill significant unmet medical needs. Specifically, we plan to pursue the following strategies:

Build a durable and recognized "Zhaoke Ophthalmology" brand in China and other markets of interest

Leveraging our broad product offering covering major ophthalmic diseases affecting the front and the back of the eye and our fully integrated ophthalmic platform, we aim to build the "Zhaoke Ophthalmology" brand to be synonymous with innovative and comprehensive ophthalmic therapies in China and the neighboring ASEAN countries.

In China, we expect our track record in developing proprietary ophthalmic therapies and near-commercial generic drug candidates will help build "Zhaoke Ophthalmology" into a recognized brand name among eye care professionals, hospitals and other relevant stakeholders. We continue to recruit professionals with deep domain expertise and strong global backgrounds to fill important ranks of our management or as senior consultants. Ophthalmic practice is highly sub-specialized consistent with the specific microenvironment affecting the front and back of the eye. Accordingly, as a matter of human capital strategy with respect to the medical and clinical development of our drug candidates, we will recruit therapeutic area heads for the front (anterior segment diseases) and back (posterior segment diseases) of the eye. We are in late-stage negotiations with global thought leaders for these positions. They are highly accomplished in their sub-specialty with numerous peer-reviewed as well as book chapter publications, invited lectureships and taught courses to ophthalmologists at international meetings. In addition, we have a clinical operations division that has a solid track record. We plan to augment our in-house research team with a chief translational officer. We have identified a leading authority and are currently in negotiations for the aforementioned position. He has a strong track record with world class accomplishments, has a named professorship at a leading academic center while specializing in ophthalmic basic science. He has co-founded ophthalmic companies during his academic tenure and published seminal papers in peer reviewed journals. Our SAB includes well-known ophthalmologists who have close relationships with many of the key opinion leaders and academic experts in the retinal field, which we believe will also facilitate our marketing initiatives. We will continue to work closely with our partners and established strategic channels, including ophthalmologists and hospitals, to penetrate the Chinese ophthalmic pharmaceutical market and enhance our brand name.

To expand our brand equity beyond China, we plan to, through organic growth and collaborations, increase our brand awareness in the neighboring ASEAN countries, building on rights we already have for certain drugs in these markets. We have entered into a memorandum of understanding with Singapore Eye Research Institute, or the SERI, with respect to preclinical research, animal model testing, potential in-license arrangement, academic communication and training. We also intend to continue to seek licensing opportunities with global partners to gain international influence. See "—Our Strategies—Expand our global footprint through organic growth and collaborations" below.

Establish a track record in innovation by advancing the clinical development, regulatory approval and commercialization of innovative drug candidates

Leveraging our specialized capabilities, we plan to rapidly establish a track record in innovation by advancing the development of the following innovative drug candidates toward regulatory approval and commercialization:

- *CsA ophthalmic gel*. We are conducting a Phase III clinical trial to evaluate the efficacy and safety of CsA ophthalmic gel in patients with moderate-to-severe DED, and expect to complete the trial in the third quarter of 2021. We plan to submit an NDA to the NMPA for CsA ophthalmic gel in the fourth quarter of 2021, and expect to commence commercialization of CsA ophthalmic gel in China by the end of 2022 upon approval.

- *ZKY001*. We started a Phase II clinical trial in November 2020 to evaluate the efficacy and safety of ZKY001 for the treatment of CED, and expect to complete the trial in the fourth quarter of 2021. We plan to initiate a Phase III clinical trial in the second half of 2022 and target to submit an NDA to the NMPA in 2024.

- *TAB014*. We started a Phase I clinical trial in June 2018 and expect a Phase III trial be initiated in the second quarter of 2021, and be completed in 2023. An NDA is expected to be submitted to the NMPA in 2024.

Extend leadership in innovation by rapidly advancing our preclinical- or IND-stage drug candidates through internal research and strategic partnerships

We plan to continue to develop our preclinical- or IND-stage drug candidates to potentially advance them to clinical trial stages, referencing where appropriate, our licensing partners' data to expedite the regulatory process in China.

- *RGN-259*. Our licensing partner RegeneRx has completed a Phase II/III clinical trial and two Phase III clinical trials in the United States. Leveraging the results of such clinical trials, we plan to submit an IND application to the NMPA in the second half of 2022, and initiate a Phase III trial in China in 2023.

- *PAN-90806*. We plan to submit an IND application with the NMPA for PAN-90806 in the first half of 2022. Subject to regulatory approvals, we plan to conduct a Phase II bridging trial in China leveraging PanOptica trial results for wAMD in 2023 and a Phase III pivotal trial for wAMD in 2025.

- *IC-265*. IACTA, our licensing partner, plans to initiate a Phase II clinical trial in the United States in the second quarter of 2021. We plan to initiate a Phase II clinical trial for IC-265 in China in the first half of 2022, and may decide to directly move to Phase III clinical trial in China, depending on our licensing partner's Phase II clinical results. We may collaborate with SERI to test the effects of IC-265 using SERI's preclinical uveitis model.

- *NVK-002*. We plan to submit an IND application to the NMPA in the second quarter of 2021. Subject to IND approval from the NMPA, we plan to commence a Phase III bridging clinical trial in China in the fourth quarter of 2021, which is a one-year study leveraging results of stage 1 of Nevakar's Phase III clinical trial. We plan to submit an NDA to the NMPA in 2023 based on results of our and Nevakar's Phase III clinical trials.

- *ZK002*. We are in the process of formulating our clinical development plan targeting DME and pterygium for ZK002, based on market analysis of addressable patients, competing drugs, regulatory strategy as well as trial execution requirements. As a clinical trial for pterygium only needs approximate one month to be completed, as compared to 10 months to one year for DME, we plan to conduct the Phase I clinical trial for pterygium first under a fast-to-market and cost-effective approach. After the safety and preliminary efficacy are verified in the pterygium trial, we will then initiate the clinical trials for DME. We plan to submit an IND application to the NMPA for pterygium in the second half of 2022, and for DME in 2023.

- *Resolv ER*. We plan to submit an IND application to the NMPA for in the second quarter of 2021 and initiate a Phase II clinical trial in the fourth quarter of 2021 to evaluate the safety and efficacy of Resolv ER in treating VMT.

In addition, we plan to advance our other preclinical drug candidates, such as CsA/rebamipide ophthalmic gel and IC-270 steadily toward clinical stage.

Build marketing infrastructure and momentum by rapidly commercializing generic pipeline

As of the Latest Practicable Date, we had submitted abbreviated NDAs to the NMPA for three generic assets, namely, preservative-free bimatoprost eye drop and bimatoprost timolol eye drop targeting glaucoma and epinastine HCl eye drop targeting allergic conjunctivitis. We expect to commence commercialization of these three assets by 2022 subject to regulatory approval, and expect such commercialization to help us build downstream connections closely with our partners and strategic channels including KOLs, ophthalmologists and hospitals.

We plan to accelerate the development and commercialization of other generic drugs, and also expect to submit abbreviated NDAs for the other nine generic drugs in our pipeline in the next three years. In addition, we plan to continue to evaluate and pursue other generic ophthalmic drugs, particularly potential first-to-market generics in China and generics that require sophisticated synthesis or formulation. Through the rapid commercialization of our generic pipeline, we aim to build our marketing infrastructure and achieve momentum for us in terms of brand recognition and market share.

Continue to enhance our fully integrated ophthalmic platform

We plan to continue to invest in building our fully integrated ophthalmic platform.

- **Enhance internal drug discovery and development efforts**. We seek to enhance our long-term commercial potential by identifying and advancing additional drug candidates through internal discovery efforts. We plan to further expand our research and development team, equip our laboratory with advanced facilities.

- **Continue to pursue in-licensing opportunities**. We expect to continue to supplement our internal innovation efforts by identifying and executing on attractive licensing and collaboration opportunities. We have adopted a partnership approach which correlates with our product selection strategy. We plan to continue to strategically in-license (i) market-leading ophthalmic drug candidates that address significant unmet medical needs in China and globally; and (ii) complementary and/or meaningful ophthalmic drugs with different mechanisms of action.

- **Introduce new technology platforms**. We plan to introduce gene therapies and medical devices. We believe gene therapy has the potential to be a transformational treatment for rare, inherited retinal disorders and potentially for a disruptive solution for disorders with a significant treatment burden, such as wAMD. The intraocular environment is attractive for gene therapy owing to the easy access to the relevant targeted cells and tissues and minimization of systemic exposure and its potential adverse effects. In our quest for providing a complete solution for ophthalmic patients, we also plan to develop and introduce medical devices, such as intraocular drug delivery systems, for the treatment of eye diseases.

- **Expand manufacturing capabilities**. We plan to further enhance our manufacturing capabilities by expanding our manufacturing capacity and introducing new equipment and technologies, enabling us to handle increased level of product demand and product complexity. As we continue to execute our in-licensing programs, we also expect that our manufacturing capabilities will become more specialized where we receive technology transfer from our partners and harness the technologies in our manufacturing process.

- **Continue to build commercialization capabilities**. In anticipation of the commercial launch of our earliest generic drugs, we are building and expanding a commercial team. We target to have 50 members by 2021, 100 by 2022 and 200 to 300 within the next five years. We expect our commercial team to cover a growing number of select hospitals and ophthalmologists in specialized fields in China to prepare for the commercialization of our drug assets. For example, we plan to initially cover 40 select hospitals and assign dedicated sales representatives targeting ophthalmologists in such hospitals.

Expand our global footprint through organic growth and collaborations

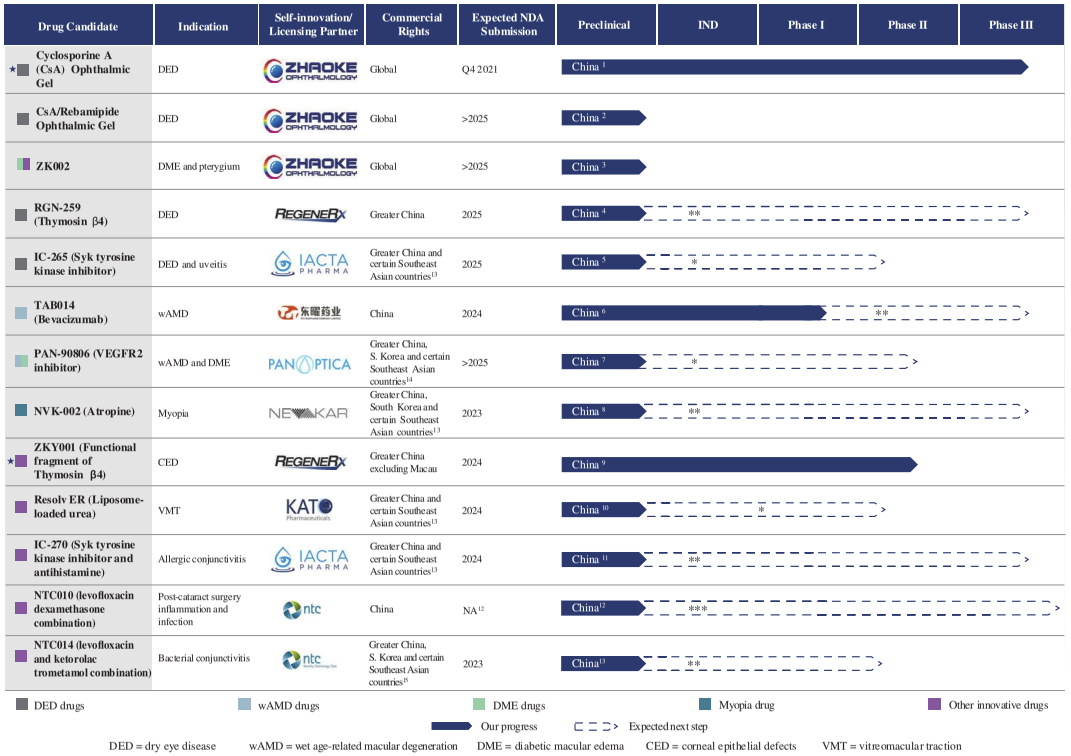
We plan to maximize the global value of our platform and drug candidates with expansion into ophthalmic markets worldwide. We have established an integrated platform with capabilities in research, clinical development, manufacturing and sales and marketing to serve our global expansion.

In addition, we plan to explore worldwide partnering activities to potentially out-license our self-developed drug candidates. For our self-developed drug candidates and in-licensed drug candidates for which we have obtained regional commercial rights, we also plan to selectively conduct clinical trials outside of China. We may apply for NDAs for these drug candidates through our own efforts and/or strategic partnerships with global biotechnology and pharmaceutical companies or institutions. We are in active discussion with SERI with an intention to establish a strategic partnership that will include preclinical research, animal model testing, potential in-license arrangement, academic communication and training. The first collaboration under discussion is to test the effects of IC-265 using SERI's preclinical uveitis model. Should our product candidates be approved, we plan to selectively collaborate with strategic partners to commercialize our drug candidates globally to maximize their global commercial potential. We may also seek to obtain patent protection for our self-developed assets globally.

OUR PIPELINE

We have built a comprehensive ophthalmic drug pipeline of 25 candidates, consisting of 13 innovative drugs and 12 generic drugs, covering most major ocular indications affecting the front and the back of the eye, through either in-house development or in-licensing. According to CIC, we have one of the most comprehensive ophthalmic drug pipelines in China. 17 out of 25 of our drug candidates were initially in-licensed or developed by Lee's Pharm Group and were subsequently assigned to us in 2019. The following table summarizes our pipeline and the status of each candidate:

Our Pipeline of Innovative Drugs and our Development Progress



★ Denotes our Core Products
* 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.

Notes:

(1) Expect to complete the ongoing Phase III trial in Q3 2021
(2) Expect to submit IND in H1 2022 and to initiate Phase I trial in H2 2022
(3) Expect to submit IND for pterygium in H2 2022 and for DME in 2023, respectively
(4) Expect to submit IND in H2 2022, to initiate Phase III trial in 2023
(5) Expect to submit IND for DED in Q3 2021 and for uveitis in Q4 2021 and to initiate Phase II trial for DED in H1 2022
(6) Expect to initiate Phase III trial in Q2 2021 and complete the trial by 2023
(7) Expect to submit IND in H1 2022, to initiate Phase II bridging study in 2023 and to initiate Phase III trial in wAMD in China in 2025
(8) Expect to submit IND in Q2 2021 and to initiate Phase III trial in Q4 2021
(9) Expect to complete the ongoing Phase II trial in Q4 2021 and to initiate Phase III trial in H2 2022
(10) Expect to submit IND in Q2 2021 and initiate Phase II trial in Q4 2021
(11) Expect to initiate Phase III trial in 2023
(12) Expect to submit IND in Q2 2021 and apply for waiver for clinical trials in China. If the clinical trial waiver is granted, the IND application will automatically be under NDA review
(13) Expect to submit IND in Q3 2021 and obtain approval for a Phase II trial in Q4 2021
(14) Including Brunei, Burma, Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam
(15) Including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand and Vietnam
(16) Including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam and Sri Lanka

Our Pipeline of Innovative Drugs and Development Progress by Licensing Partners

Drug Candidate	Indication	Licensing Partner	Commercial Rights	Expected NDA Submission	Preclinical	IND	Phase I	Phase II	Phase III
RGN-259 (Thymosin β4)	DED	RegeneRx	Greater China	2025	US: Phase III trials completed (RegeneRx)				
IC-265 (Syk tyrosine kinase inhibitor)	DED and uveitis	IACTA PHARMA	Greater China and certain Southeast Asian countries	2025	US: Phase II trial completed in allergic conjunctivitis (IACTA)				
PAN-90806 (VEGFR2 inhibitor)	wAMD and DME	PANOPTICA	Greater China, S. Korea and certain Southeast Asian countries	>2025	US: Phase I/II trial completed (PanOptica)				
NVK-002 (Atropine)	Myopia	NEVAKAR	Greater China, South Korea and certain Southeast Asian countries	2023	US: Phase III trial ongoing (Nevakar)				
Resolv ER (Liposome-loaded urea)	VMT	KATO Pharmaceuticals	Greater China and certain Southeast Asian countries	2024	US: Phase Ib trial ongoing (Kato)				
IC-270 (Syk tyrosine kinase inhibitor and antihistamine)	Allergic conjunctivitis	IACTA PHARMA	Greater China and certain Southeast Asian countries	2024	US: Preclinical (IACTA)				
NTC010 (levofloxacin dexamethasone combination)	Post-cataract surgery inflammation and infection	ntc	China	NA	Certain countries of the EU: Commercialized (NTC and Santen)				
NTC014 (levofloxacin and ketorolac trometamol combination)	Bacterial conjunctivitis	ntc	Greater China, S. Korea and certain Southeast Asian countries	2023	EU: preclinical				

DED drugs | wAMD drugs | DME drugs | Myopia drug | Other innovative drugs

Progress of our licensing partner

Our Pipeline of Generic Drugs

Drug Candidate	Indication/Use	Reference Drug	MOA	ANDA Preparation	ANDA Submission
Bimatoprost	Glaucoma	Lumigan	PGA monotherapy	Submitted ANDA in August 2019; approval expected in Q4 2021	
Bimatoprost Timolol	Glaucoma	Ganfort	PGA and β blocking agent combotherapy	Submitted ANDA in October 2020; approval expected in H1 2022	
Latanoprost	Glaucoma	Xalatan	PGA monotherapy	To submit ANDA in H1 2022; approval expected in 2023	
Latanoprost Timolol	Glaucoma	Xalacom	PGA and β blocking agent combotherapy	To submit ANDA in H1 2022; approval expected in 2024	
Travoprost	Glaucoma	Travatan	PGA monotherapy	To submit ANDA in H1 2022; approval expected in 2023	
Travoprost Timolol	Glaucoma	DuoTrav	PGA and β blocking agent combotherapy	To submit ANDA in H2 2022; approval expected in 2024	
Levobetaxolol Hydrochloride (HCl)	Glaucoma	Betaxon	Monotherapy β blocker	To submit ANDA in H1 2022; approval expected in 2023	
Epinastine HCl	Allergic conjunctivitis	Elestat	Dual-acting antihistamine and mast cell stabilizers	Submitted ANDA in June 2020; approval expected in H1 2022	
Natamycin	Fungal eye infections	Natacyn	Antifungal	To submit ANDA in 2022; approval expected in 2024	
Proparacaine HCl	Surface anesthesia	Proparacaine HCl 0.5% approved in the United States	Block nerve conduction in the corneal tissue	To submit ANDA in Q4 2021; approval expected in 2023	
Povidone Iodine	Periocular and ocular surface disinfection	Betadine	Microbicidal/Antimicrobial action by iodine	To submit ANDA in Q3 2021; approval expected in 2023	
Fluorescein Sodium	Diagnostic for certain eye injuries	Minims fluorescein sodium	Fluorescent dye	To submit ANDA in 2023	

Glaucoma drugs Other ophthalmic disease drugs Surgery and diagnostic therapies

OUR PIPELINE OF INNOVATIVE DRUGS

As of the Latest Practicable Date, our pipeline of innovative drugs included 12 drug candidates indicated for DED, wAMD, DME, myopia and four other diseases.

Our DED Drug Pipeline

DED and Its Market Opportunity

DED is one of the most prevalent ophthalmic diseases in China and globally. Moderate-to-severe DED accounts for approximately 40% of the overall DED patients, and is associated with significant pain, limitations in performing daily activities, reduced vitality, poor general health, and often depression. According to CIC, the prevalence of DED in China was 214 million in 2019, significantly higher than 20 million in the United States. However, in 2019, the diagnosis rate of DED in China was only 11.5%, translated into a US$430 million DED drug market, significantly lower than the diagnosis rate of 45.2% and a DED drug market of US$2.1 billion in the United States, respectively. Driven by the prevalence of screen-based electronic devices and the increasingly aging population, the number of DED patients is forecast to increase to 266 million in 2030 in China, of which 106 million would be classified as moderate-to-severe DED, according to CIC. The growing patient pool and improving diagnosis indicate a significant market potential. According to CIC, the market size of DED drugs in China is forecast to increase to US$6.7 billion in 2030, representing a CAGR of 28.4% from 2019.

DED is a complex ocular surface multifactorial disease affecting tear volume, flow and/or composition, and therefore requires drugs addressing different mechanisms, allowing ophthalmologists and patients to alternate different treatment options to find the ones suitable for individual cases in clinical practice. In China, artificial tears and lubricants are commonly used in treating DED, however, they can provide only temporary symptomatic relief but cannot address the pathological causes of the disease, and their effect is often limited in mild DED. For moderate-to-severe cases, there is substantial demand for more effective ophthalmic drugs targeting underlying pathophysiological causes of DED given its chronicity.

Clinical and laboratory studies performed over the past few decades have discovered that DED is a chronic inflammatory disease that ultimately leads to inflammation of the ocular surface. As a result, anti-inflammation drugs are the foundation therapy in treating moderate-to-severe DED. According to CIC, topical CsA drugs have become the standard of care for moderate-to-severe DED globally. CsA drug is the best-selling anti-inflammation drug class for DED treatment with global sales of over US$1.2 billion in 2019, accounting for 40% of the global DED drug market. In China, however, conventional non-disease specific anti-inflammatory agents with efficacy limitations, such as corticosteroids and nonsteroidal anti-inflammatory drugs, are still major choices for moderate-to-severe DED. The first topical CsA in China, Sinqi's Cycloome, was just approved in June 2020, which has limitations on bioavailability due to its oil-based emulsion formulation and requires a twice-daily dosing regimen.

Additionally, according to CIC, although topical CsA drugs can improve the signs and symptoms of DED, approximately 20% to 30% of moderate-to-severe DED patients globally have inadequate response to topical CsA, potentially due to the complicated etiology of DED. For example, CIC estimates that approximately 15% of DED patients in China have an allergic component and 15% have corneal defects, which may need anti-allergic treatment and corneal repairment, respectively, in addition to anti-inflammation drugs.

To address the heterogeneous mechanisms of DED and the vast and significantly underserved market demand for effective DED drugs in China, we are developing four innovative drug candidates with differentiated mechanisms and clinical benefits, which we believe can potentially address a broad DED patient population with various characteristics, including: (i) CsA ophthalmic gel, an eye gel of the globally best-selling CsA compound in an innovative hydrogel formulation, as a foundation therapy for moderate-to-severe DED; (ii) RGN-259, an eye drop with dual anti-inflammatory and corneal repair properties; (iii) CsA/rebamipide ophthalmic gel, which has dual mechanisms of anti-inflammation and tear film stabilization, with potentially better efficacy for patients with inadequate response to topical CsA drugs; and (iv) IC-265, an eye drop with broad anti-inflammatory and we believe anti-allergic effects.

Cyclosporine A (CsA) Ophthalmic Gel

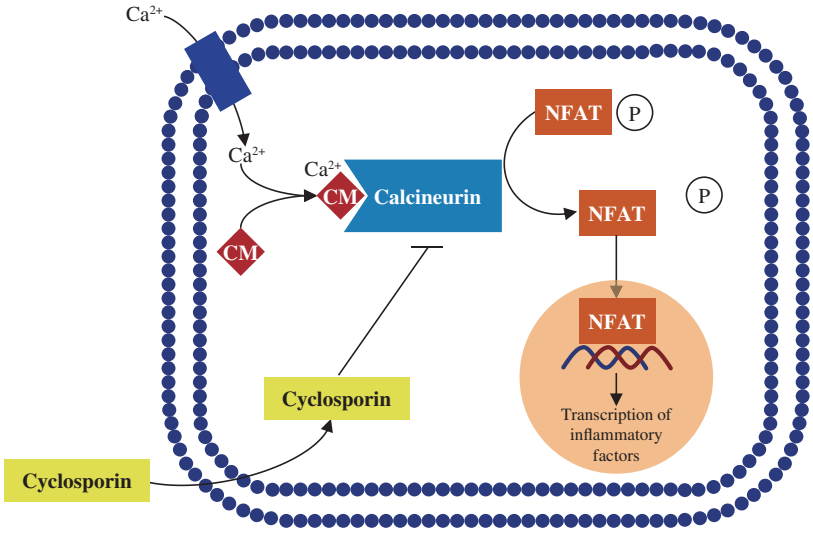
CsA ophthalmic gel, our late-stage Core Product, is an eye gel indicated for DED in the topical CsA drug class in China. Compared with Restasis (an oil-based emulsion), the first and best-selling topical CsA drug approved in the United States and Sinqi's Cycloome, the only topical CsA drug currently available in China and a generic to Restasis, our CsA drug is in an innovative hydrogel formulation. It diffuses faster on the ocular surface and stays longer. In an *ex vivo* preclinical study, our CsA ophthalmic gel demonstrated significantly greater local bioavailability in the tear film and ocular surface tissues compared to Restasis. In a Phase II exploratory study in moderate-to-severe dry eye patients, once-daily dosing of our CsA ophthalmic gel was able to deliver similar efficacy and safety compared to the twice a day dosing of Restasis. These clinical findings are supported by the higher exposure delivered in the front of the eye by our CsA ophthalmic gel compared to Restasis in preclinical experiments. In addition, studies have shown that the most common reason for which patients discontinue Restasis is the transient burning sensation right after topical application of the drug. By eliminating all daytime administrations and the associated discomfort and inconvenience, our CsA ophthalmic gel, once every night, is expected to significantly improve patients' compliance and quality of life.

CsA opthalmic gel was initially developed by Lee's Pharm Group and then assigned to us in 2019. Before the assignment, Lee's Pharm Group conducted preclinical studies and had commenced a Phase II clinical trial. As of the date of the assignment, 173 subjects had been enrolled for the Phase II clinical trial and Lee's Pharm Group had incurred research and development expenses of approximately RMB1.5 million. See "Summary of Clinical Trials —Phase II Clinical Trial" and "—Preclinical Studies" below. We are conducting a Phase III clinical trial in China to evaluate the efficacy and safety of CsA ophthalmic gel in patients with moderate-to-severe DED, and expect to complete the trial in the third quarter of 2021. We plan to submit an NDA to the NMPA for CsA ophthalmic gel in the fourth quarter of 2021.

Mechanism of Action

DED is a multifactorial disease of the ocular surface characterized by tear film instability and tear hyperosmolarity (*i.e.*, less water and more salt in tears), in which inflammation is the key pathological result of tear film abnormality. Inflammatory mediators induce apoptosis, or cell death, of conjunctival and corneal cells and impair lacrimal gland function, breaking tear film on the one hand and decreasing tear production on the other, creating a pernicious cycle that worsens the symptoms of DED. Therefore, control of ocular surface inflammation has been a major consideration to improve DED treatment outcomes.

CsA is a selective immunosuppressant that inhibits calcineurin, an activator of T cells. Under the inflammatory response, calcineurin induces the activation of nuclear factor of activated T cells, or NFAT, which moves to the nucleus and up-regulates the expression of genes related to inflammation, such as interleukin-2. CsA effectively inhibits calcineurin activity, suppressing the expression of inflammatory factors and inflammation. The following diagram illustrates the mechanism of action of CsA:



Note:

(1) Ca^{2+} refers to calcium ions, a important factor in signal transduction pathways. CM refers to calmodulin, a multifunctional intermediate calcium-binding messenger protein that binds to Ca^{2+} under inflammatory situations. The Ca^{2+}/calmodulin complex binds to and activates calcineurin.

Source: CIC Report

In addition, CsA can promote the secretion of tears through nerve stimulation. Moreover, the decrease in the number of conjunctival goblet cells is thought to be one of the causes of the onset and exacerbation of DED, while CsA can inhibit the apoptosis of such cells.

Advantages

In China, the first and only marketed topical CsA is Sinqi's Cycloome. It is a generic to Restasis, the first and best-selling topical CsA drug approved in the United States. Our CsA ophthalmic gel is one of the three clinical-stage topical CsA drug candidates registered with the NMPA. We believe our CsA ophthalmic gel has the following advantages:

- *Improved bioavailability.* Our CsA is formulated as an innovative hydrogel that does not require oil or preservatives. Compared with Restasis, our CsA ophthalmic gel diffuses faster on the ocular surface due to reduced surface tension resulting from the use of safer surface-active agents and retains longer on the ocular surface, leading to improved bioavailability. In an *ex vivo* model in New Zealand white rabbits, after initial application, the CsA ophthalmic gel demonstrated significantly greater local bioavailability in terms of penetration into the cornea, conjunctiva and tear as compared to Restasis. The following table sets forth the drug concentration comparison in terms of C_{max} and $AUC_{0\text{-}96h}$ between the CsA ophthalmic gel and Restasis:

Eye Tissue	C_{max} (ng/ml(g))		$AUC_{0\text{-}96h}$ (hr*ng/ml(g))	
	CsA Eye Gel	Restasis	CsA Eye Gel	Restasis
Tear	2,352	786	14,660	9,672
Cornea	2,919	545	113,654	21,644
Conjunctiva	3,418	775	16,563	6,321

(1) C_{max} refers to the peak serum concentration that the study drug achieves in the respective eye tissue after drug administration. The higher C_{max} value means higher peak serum concentration, indicating better bioavailabililty.

(2) $AUC_{0\text{-}96h}$ refers to the truncated area under the concentration-time curve from the first time point measured (0) to 96 hours, a measure of how much of the study drug is in a patient's system over 96 hours. Studies have shown that CsA was rapidly absorbed into the conjunctiva and cornea, and high concentrations (>300 ng/g) of CsA could be detected in the cornea up to 96 hours post-dose. The higher $AUC_{0\text{-}96h}$ means higher CsA in the patent's system over 96 hours, indicating better bioavailability.

Source: The preclinical study summary report: The Comparison Study on A Single Dose of Two Different CsA in New Zealand White Rabbits

- *Dosage convenience and improved compliance*. The improved drug bioavailability and efficacy of the CsA ophthalmic gel enable once-daily dosing, which provides a more convenient treatment option to patients and is expected to significantly improve their life quality and treatment compliance, as compared with the twice-daily dosing of Sinqi's generic Cycloome and Sun Pharma's Phase-III stage 0.09% CsA eye drop in China. In a Phase II exploratory study in moderate-to-severe dry eye patients, once-daily dosing of our CsA ophthalmic gel was able to deliver similar efficacy and safety compared to the twice a day dosing of Restasis. These clinical findings are supported by the higher exposure delivered in the front of the eye by our CsA ophthalmic gel compared to Restasis in preclinical experiments. In addition, studies have shown that the most common reason for which patients discontinue Restasis is the transient burning sensation right after topical application of the drug. By eliminating all daytime administrations and the associated discomfort and inconvenience, our CsA ophthalmic gel, once every night, is expected to significantly improve patients' compliance and quality of life.

Summary of Clinical Trials

We have formulated and are executing a clinical development plan for our CsA ophthalmic gel to evaluate its comparative advantages in formulation and dosing schedule for DED treatment, based on results of preclinical studies, studies of approved topical CsA drugs and frequent regulatory communications. As of the Latest Practicable Date, we had completed a Phase II clinical trial and were conducting a Phase III clinical trial in China.

Phase III Clinical Trial

Overview. We are conducting a multi-center, randomized, double-blind, vehicle-controlled Phase III clinical in China to evaluate the efficacy and safety profiles of CsA ophthalmic gel in subjects with moderate-to-severe DED.

Trial design. Approximately 644 patients would be enrolled and randomized into two groups at a ratio of 1:1. One group would receive CsA ophthalmic gel at 0.3 g/0.15 mg once daily and the other group would receive placebo. The treatment period would be 12 weeks with a six-day standard deviation, during which five visits would be scheduled. Each group would receive Hypromellose eye drops (a lubricant agent) as an underlying treatment, three times daily during the treatment period. The primary efficacy endpoint was the proportion of patients whose inferior corneal staining score, or ICSS would have decreased by at least 1 point from baseline (value on day 1 before the treatment) at Visit 5. Corneal fluorescein staining score, or CFSS, indicates the damage to the corneal epithelium and a decrease in ICSS indicates the alleviation in such damage. The secondary efficacy endpoints included (i) eye dryness score, or EDS, at Visits 3, 4 and 5 compared with the baseline value. The EDS is a single item tool measured by visual analog scale, or VAS to assess severity of dry eye symptoms (scale 0 to 100, where 0 corresponds to no symptoms and 100 corresponds to maximum severity); (ii) average changes in VAS scores of six dry eye symptoms (burning/needling sensation, pruritus, foreign body sensation, discomfort, photophobia and pain) at Visits 3, 4 and 5 compared with

baseline values; (iii) ICSS at Visits 3, 4 and 5 compared with the baseline value; (iv) Oxford score at Visits 3, 4 and 5 compared with the baseline value. The Oxford score is a measurement to estimate surface damage in DED, which denotes the severity of DED; (v) tear film breakup time, or BUT at Visits 3, 4 and 5 compared with the baseline value. BUT is a measure of the stability of the tear film; and (vi) Schirmer's test value at Visits 3, 4 and 5 compared with the baseline value. The Schirmer's test is a measure of the secretion of the aqueous component of tears. For each efficacy endpoint, the more significant the decrease of numerical value from the baseline, the greater the alleviation in DED symptoms and severity. The safety profile would be assessed by adverse events (AEs), slit lamp exam and naked eye vision, among others.

Trial status. We started patient recruitment for this trial in November 2020. The patient recruitment was completed in April 2021 and a total of 644 patients were enrolled.

Phase II Clinical Trial

Overview. The Phase II clinical trial was a randomized, single-blind, active controlled, dose-finding study in China to assess the efficacy and safety of CsA ophthalmic gel through the comparison with Restasis in subjects with moderate-to-severe DED by using different dosages and frequencies of administration, and to preliminarily determine the optimal conditions including the dosage for the design of subsequent clinical trial(s). Patients were enrolled and randomized into four groups at a ratio of 1:1:1:1, including three groups receiving the study drug and one active control group.

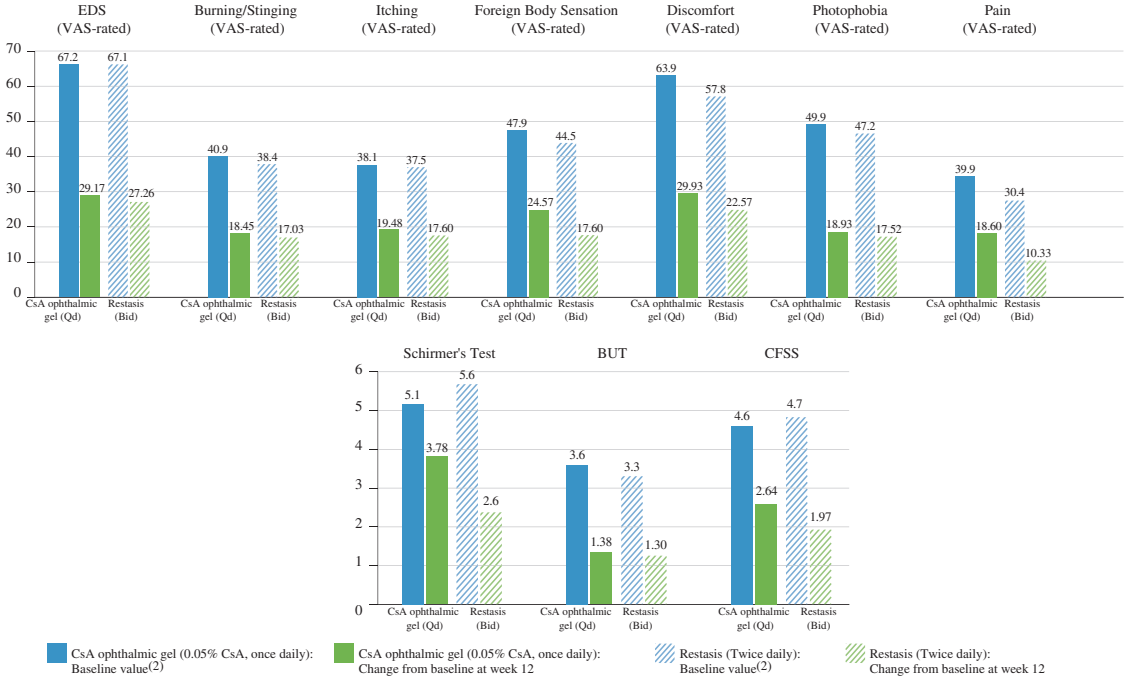
Trial design. The experimental CsA ophthalmic gel would be given to three separate groups of subjects, including group A receiving the study drug at 0.3 g/0.15 mg (0.05% CsA) once daily, group B receiving the study drug at 0.3 g/0.15 mg (0.05% CsA) twice daily with an interval of 12 hours and group C receiving the study drug at 0.3 g/0.3 mg (0.10% CsA) once daily, for a total of 12 weeks. The active control group (group D) would receive Restasis at 0.4 ml/0.2 mg twice daily with an interval of 12 hours, for a total of 12 weeks. Each group would receive Hypromellose eye drops (a lubricant agent) as an underlying treatment, three times daily for 12 weeks. Five visits would be scheduled within the 12-week treatment period.

The primary efficacy endpoint was the change from baseline in EDS at Visit 5. The secondary efficacy endpoints included (i) changes from baseline in EDS at Visits 3 and 4, measured by VAS; (ii) changes from the baseline in six parameters of dry eye symptoms (burning/stinging, itching, foreign body sensation, discomfort, photophobia and pain) at Visits 3, 4 and 5, measured by VAS; (iii) changes from baseline in ICSS, BUT and Schirmer's test value at Visits 3, 4 and 5. For each efficacy endpoint (except for BUT and Schirmer's test value), the more significant the decrease of numerical value from the baseline, the greater the alleviation in DED symptoms and severity. For BUT and Schirmer's test value efficacy endpoint, the more significant the increase of numerical value from the baseline, the greater the alleviation in DED symptoms and severity. The safety profile would be assessed by AE.

Trial status. The Phase II clinical trial was initiated in December 2017 and completed in November 2019. A total of 240 patients were enrolled, with 59, 60, 60 and 61 patients in groups A, B, C and D, respectively, of which 57 (96.6%), 54 (90.0%), 55 (91.7%) and 56 (91.8%), respectively, completed this study.

Efficacy data. In the Phase II clinical trial, once-daily dosing of our CsA ophthalmic gel was able to deliver similar efficacy and safety compared to the twice a day dosing of Restasis. The following graph showed the efficacy data in the FAS in terms of major efficacy endpoints of the CsA ophthalmic gel (0.05% CsA, once daily) group and Restasis group:

Baseline Value and Change from Baseline at Week 12 (FAS*)(1)



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* FAS refers to the full analysis set, a subject population that is as close as possible to the total trial population that can include individuals who fail to comply with the treatment protocol.

Qd=once daily; Bid=twice daily

(1) For each efficacy endpoint, the more significant the change from the baseline, the greater the alleviation in DED symptoms and severity.

(2) Baseline value refers to value on day 1 before the treatment.

Source: Company's Phase II Clinical Trial Result Summary

Among all the three CsA ophthalmic gel groups, group A recorded the best safety profile, thus 0.05% CsA once daily was chosen as the Phase III pivotal trial dosing for our CsA ophthalmic gel. See "—Safety Data."

Safety data. A total of 235 patients were included in the safety analysis set. A total of 137 patients (58.30%) reported 277 TEAEs, most of which were of mild-to-moderate intensity. Five serious TEAEs were reported, including one patient (1.72%) in group B with sudden hearing impairment, three patients (5.26%) in group C with increased bone formation, non-infectious gingivitis and abdominal discomfort, and one patient (1.69%) in the Restasis group with myocardial disease. No deaths were reported. Among the CsA ophthalmic gel groups, group A recorded the best safety profile in terms of the number, incidence rate and severity level of TEAEs and drug-related TEAEs. As a result, 0.3 g/0.15 mg once daily was the determined to be the Phase III trial dosing for CsA ophthalmic gel. The following graph illustrates the summary of TEAEs observed in this trial:

TEAEs Observed

Items	CsA Ophthalmic Gel 0.05%/Qd(n=59)		CsA Ophthalmic Gel 0.05%/Bid(n=58)		CsA Ophthalmic Gel 0.1%/Qd(n=59)		Restasis /Bid(n=59)		N=235
	Occurrences	Patients,n(%)	Occurrences	Patients,n(%)	Occurrences	Patients,n(%)	Occurrences	Patients,n(%)	P-value*
Total TEAEs	66	32(54.24)	68	36(62.07)	81	34(57.63)	62	35(59.32)	0.8828
Drug related TEAEs	20	14(23.73)	25	17(29.31)	24	15(25.42)	19	16(27.12)	0.8958
Serious TEAEs	0	0	1	1(1.72)	3	3(5.26)	1	1(1.69)	0.2798
Drug related Serious TEAEs	0	0	0	0	0	0	0	0	NA
TEAEs leading to study termination	1	1(1.69)	1	1(1.72)	0	0	4	3(5.08)	0.2798
Drug-related TEAEs leading to study termination	0	0	1	1(1.72)	0	0	3	2(3.39)	0.3365

* Abbreviations: Qd=once a day; Bid=twice a day

Source: Company's Phase II Clinical Trial Result Summary

Preclinical Studies

We conducted preclinical studies in-house on PD, PK and toxicity of the CsA ophthalmic gel, and achieved favorable results to support the clinical development and our formulation approach. We also conducted a series of studies on scale-up production, production process verification and quality control to establish CMC standards of the drug candidate. The major preclinical studies were summarized as below:

- *PD/PK study*. New Zealand white rabbits received a single dose of either CsA ophthalmic gel or Restasis (as a comparator). Both the 0.05% CsA ophthalmic gel and Restasis significantly improved the tear secretion value under the Schirmer's tear test from baseline, and there was no statistically significant difference between the two drugs. Higher concentrations of CsA were observed in tear, cornea and conjunctiva following administration of the CsA ophthalmic gel over Restasis (5.25-fold, 2.55-fold and 1.67-fold, respectively), demonstrating better bioavailability of the CsA ophthalmic gel. See "—Advantages—Improved bioavailability."

- *Toxicity study.* In an eye irritation test in rabbits for a month, 0.05% CsA ophthalmic gel was administered and the results showed no irritation effect.

Competition

As of the Latest Practicable Date, there were three approved topical CsA drugs on the global market outside of China, namely, AbbVie's Restasis (0.05% CsA emulsion), Sun Pharma Global FZE's Cequa (0.09% CsA solution) and Santen's Ikervis (0.1% CsA emulsion), of which Restasis is the first and best-selling topical CsA drug with global sales of US$1.2 billion in 2019. None of these drugs have been approved in China.

In China, the first and only marketed topical CsA is Sinqi's Cycloome, a generic to Restasis. In addition, as of the Latest Practicable Date, there were three CsA candidates in Phase III clinical trials, including our CsA ophthalmic gel, Hengrui's 0.1% CsA eye drop and Sun Pharma's 0.09% CsA eye drop, which has been approved in the United States under the brand name of Cequa. Compared with the Sinqi's Cycloome and the other two Phase III CsA candidates, which are under a twice-daily dosing regimen, our CsA ophthalmic gel is an innovative hydrogel with longer retention time on ocular surface and improved bioavailability, which only requires once-daily dosing. The following table sets forth details of approved and clinical-stage topical CsA drugs in China as of the Latest Practicable Date:

Approved Topical CsA Drug for DED in China

Name	Compound	Formulation	Dosage	Company	Mechanism	Approval Date	Price (US$)	Registration Pathway
Cycloome (茲润)	0.05% CsA	Emulsion	Twice daily	Sinqi	Calcineurin inhibitor	2020/06	~4.2 (0.05% 0.4ml)	Class 3[(1)]

Clinical-stage Topical CsA Drug Candidates for DED in China

Name	Compound	Formulation	Dosage	Company	Mechanism	Phase	First Posted date
CsA eye gel[(2)]	0.05% CsA	Eye gel	Once daily	Our Group	Calcineurin inhibitor	III	2020/6/22
CsA eye drop[(3)]	0.09% CsA	Solution	Twice daily	Sun Pharma Global FZE	Calcineurin inhibitor	III	2020/9/7
SHR8028	0.1% CsA	Solution	Twice daily	Hengrui	Calcineurin inhibitor	III	2021/1/28

(1) A generic to Restasis.

(2) We plan to register the CsA ophthalmic gel under the Class 2 new drug pathway.

(3) Approved in the United States under the brand name of Cequa in 2019.

Source: NMPA; the Company; CIC Report

Clinical Development Plan

We plan to continue the Phase III clinical trial and complete this trial in the third quarter of 2021. We target to submit an NDA to the NMPA for CsA ophthalmic gel in the fourth quarter of 2021.

Material Regulatory Communications

In January 2016, the NMPA granted IND approval for our CsA ophthalmic gel. In preparation for the IND application filing and in order to receive such approval after IND filing, we had active communications with the CDE of the NMPA and responded to their comments on drug quality and stability and PK/PD comparison results between our gel formulation and the marketed emulsion formulation to support development of gel formulation and its proposed dosing. Based on our IND filing materials and comment responses, the CDE agreed that our CsA ophthalmic gel complied with requirements for IND application vetting and granted us the IND approval.

As the safety data of the topical CsA drug class and its target have been well established and we also had conducted preclinical studies on PD, PK and toxicity of the CsA ophthalmic gel, which achieved favorable results, we believed the purpose of a Phase I clinical trial had been satisfied and hence we directly proceeded to a Phase II clinical trial. The NMPA had not raised objection or material concerns on such development path.

In early 2020, we had communications with the CDE for initiating a Phase III clinical trial and seeking their advice on the trial design. The CDE confirmed that we may initiate the Phase III trial based on the Phase II clinical trial results and accepted our trial design.

Other than the above, we have not had any material communications with the NMPA for our CsA ophthalmic gel. As of the Latest Practicable Date, the NMPA had not raised any objections or material concerns toward our clinical development of the CsA ophthalmic gel, and no material adverse change has occurred with respect to the regulatory review or approval process of this drug candidate.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET THE CSA OPHTHALMIC GEL SUCCESSFULLY

RGN-259

RGN-259 is an eye drop indicated for moderate-to-severe DED. This is a therapeutic peptide (Thymosin β4), with cellular and tissue protective as well as repair and regeneration enhancement properties. RGN-259 has a novel mechanism with dual effects of corneal repair and anti-inflammation. Studies suggest that it has fast onset efficacy in multiple outcomes of signs and symptoms. It has also shown a statistically significant reduction in ocular discomfort and corneal fluorescein staining compared to placebo in one of the completed Phase III trials in the United States. RGN-259 has also demonstrated a satisfactory safety profile in such trials.

We in-licensed RGN-259 from RegeneRx in July 2012. RegeneRx, through its joint venture, ReGenTree, has completed a Phase II/III clinical trial and two Phase III clinical trials in the United States. We understand that RegeneRx will conduct analysis on data from these trials, and we plan to leverage pooled data from RegeneRx in formulating our proposed trial protocols and submit an IND to the NMPA in the second half of 2022. We plan to initiate a Phase III trial in China in 2023 and target to submit an NDA to the NMPA in 2025.

Mechanism of Action

Thymosin β4 is a synthetic copy of a naturally occurring 43-amino acid peptide, which plays a vital role in cell structure and in the protection, regeneration, remodeling and healing of tissues. Specifically, Thymosin β4 has the following functions:

- *Reduction of inflammation and scar tissue formation*. Thymosin β4 is a potent anti-inflammatory agent in skin cells and corneal epithelial cells in the eye. Thymosin β4 blocks the pathway involved in the DNA activation of inflammatory mediators, thereby modulating inflammation.

- *Actin regulation.* Thymosin β4 regulates actin, which comprises up to 10% of the protein of non-muscle cells in the body and plays a central role in cell structure and movement. Thymosin β4 stimulates the migration of various types of human cells, including epithelial cells. Therefore, by stimulating the migration of corneal epithelial cells, Thymosin β4 facilitates healing of wound in the eye.

- *Collagen and laminin-5 stimulation.* Thymosin β4 stimulates the formation of collagen and regulates the expression of laminin-5, a sub-epithelial basement membrane protein. Both collagen and laminin-5 are central to wound repair and the prevention of tissue disease.

Advantages

We believe that RGN-259 has the following advantages:

- *Fast onset*. As shown in the ARISE-1 and ARISE-2 clinical trials, RGN-259 has fast onset in multiple sign and symptom efficacies. It shows efficacy as early as 15 days after administration. Cyclosporine, a first-line DED therapy, generally shows efficacy after three to six months of use according to CIC. In the ARISE-1 clinical trial, on day 28 of the ARISE-1 clinical trial, the final day of dosing, patients receiving 0.1% RGN-259 had a statistically significant reduction in ocular discomfort during controlled adverse environment exposure when compared to placebo (p=0.043). In the ARISE-2 clinical trial, the ocular discomfort symptom showed a statistically significant reduction in the RGN-259-treated group at day 15 as compared to placebo (p=0.0149) in the change from baseline. In addition, in terms of the reduction of corneal fluorescein staining, which is evidence of the healing of the cornea, patients with compromised tear film break-up time at baseline receiving 0.1% RGN-259 in ARISE-1 clinical trial had a statistically significant reduction in corneal fluorescein staining (p=0.034) and improvement in inferior corneal staining (p=0.003) on day 28 compared to placebo. RGN-259 also showed superiority over placebo in ARISE-2 clinical trial at day 15 and 29 (p=0.0207 and 0.0254, respectively) in patients who had compromised results of corneal fluorescein staining test and Schirmer's test at baseline. See "—Summary of Clinical Trial Data."

- *Dual effects on inflammation and corneal repair*. Moderate-to-severe DED is typically treated with anti-inflammatory drugs in addition to merely symptom-relieving artificial tears and lubricants. RGN-259 represents a novel approach in treating DED with dual anti-inflammatory and corneal epithelial repair properties. According to CIC, approximately 15% DED patients in China have corneal epithelial defects. Thymosin β4 stimulates the migration of corneal epithelial cells, thereby facilitating the healing of corneal defects. In both ARISE-1 and ARISE-2 clinical trials, patients receiving RGN-259 had statistically significant reduction in corneal fluorescein staining, which indicates the repair of wounded corneal epithelial cells. See "—Summary of Clinical Trial Data."

Summary of Clinical Trial Data

Between 2015 and 2020, RegeneRx, through its joint venture ReGenTree, completed a Phase II/III clinical trial (ARISE-1) and two Phase III clinical trials (ARISE-2 and ARISE-3). Key information of these three trials is set forth below:

Phase III ARISE-3 clinical trial (NCT03937882) conducted by RegeneRx and its joint venture in the United States (primarily based on RegeneRx' annual report and press releases)

The ARISE-3 clinical trial is a multi-center, randomized, double-masked, placebo-controlled study to evaluate the safety and efficacy of RGN-259 for the treatment of the signs and symptoms of DED.

The ARISE-3 clinical trial is designed as a comparison of direct instillation of 0.1% RGN-259 and placebo into each eye, four times a day for 14 days. The primary endpoints included reduction in corneal fluorescein staining and ocular discomfort 15 days after first dosing. The trial was initiated in May 2019, and enrolled approximately 700 randomized patients in the United States. The last patient in ARISE-3 completed treatment and follow-up visit in November 2020. The trial was completed in December 2020 and the topline results were released in March 2021. Although the primary outcome measures were not met, efficacy was seen in the improvement of ocular grittiness, one of the secondary endpoints. The statistically significant improvement was seen at one and two weeks after treatment and post-exposure in a controlled adverse environment after two weeks of treatment with RGN-259 compared to placebo ($p=0.0104$, 0.0307 and 0.0046, respectively). RGN-259 continued to demonstrate a good safety profile consistent with prior trials. In the ARISE-3 trial, there was no SAE, and only mild to moderate AEs occurred in both the treatment and placebo groups. The most common AE was mild ocular pain upon instillation, with an occurrence rate of 6.6% and 4.6% in treatment group and placebo group, respectively.

Phase III ARISE-2 clinical trial (NCT02974907) conducted by RegeneRx and its joint venture in the United States (primarily based on RegeneRx' annual report and press releases)

Overview. ARISE-2 was a Phase III, a multi-center, randomized, double-masked, placebo-controlled study to evaluate the safety and efficacy of RGN-259 for the treatment of the signs and symptoms of DED.

Trial design. The clinical trial was designed as a comparison of direct instillation of 0.1% RGN-259 and placebo into each eye, four times a day for 28 days. The primary endpoints included reduction in ocular discomfort and corneal fluorescein staining on day 29. The secondary endpoints included reductions or improvements in corneal fluorescein staining, tear film BUT, Schirmer's test result and ocular surface disease index score, all of which are measures for the sufficiency of tear secretion.

Trial status. The trial was initiated in November 2016 and completed in March 2018. This trial enrolled 601 randomized patients.

Efficacy data. The trial demonstrated a number of statistically significant improvements in both signs and symptoms of DED with 0.1% RGN-259 versus placebo:

- *Symptom efficacy: reduction of ocular discomfort.* The ocular discomfort symptom showed a statistically significant reduction in the RGN-259–treated group at day 15 as compared to placebo (p=0.0149) in the change from baseline.

- *Sign efficacy: reduction of ocular surface staining*. Corneal fluorescein staining is a test that detects damage to the corneal surface. By applying fluorescein, a type of orange dye, to the ocular surface, the damaged part of cornea will be stained. Therefore, the reduction of ocular surface staining indicates the repair of damaged surface cornea epithelial layer. RGN-259 showed superiority over placebo in reducing corneal fluorescein staining in the change from baseline at day 15 and 29 (p=0.0207 and 0.0254, respectively) in patients who had compromised results of corneal fluorescein staining test and Schirmer's test at baseline. ARISE-2 was not successful in duplicating the results of ARISE-1 where the study population was limited and less diversified.

Safety data. There were no significant drug-related adverse or serious adverse events.

Phase II/III ARISE-1 clinical trial (NCT02597803) conducted by RegeneRx and its joint venture in the United States (primarily based on RegeneRx' annual report and press releases)

Overview. ARISE-1 was a Phase II/III, multi-center, randomized, double-masked, placebo-controlled study to evaluate the safety and efficacy of RGN-259 for the treatment of the signs and symptoms of DED.

Trial design. The trial was designed as a comparison of direct instillation of 0.05% and 0.1% RGN-259 and placebo four times a day for 28 days. The primary endpoints included reduction in ocular discomfort and corneal fluorescein staining on day 28. The secondary endpoints included improvements in tear film break-up time, Schirmer's Test result and ocular surface disease index score on day 7, 14 and 28, all of which are the indicators for the sufficiency of tear secretion.

Trial status. The trial was initiated in September 2015 and was completed in July 2016. A total of 317 randomized patients were enrolled.

Efficacy data. The trial demonstrated a number of statistically significant improvements in both signs and symptoms of DED with 0.05% and 0.1% RGN-259 during a 28-day dosing period:

- *Symptom efficacy: reduction of ocular discomfort*. Results suggest that RGN-259 has a fast-acting effect in reducing ocular discomfort in both a controlled adverse environment, or CAE, setting and a natural environment setting after 28 days of dosing. CAE is a model designed to measure a patient's ability to withstand an acute adverse environmental challenge of the ocular surface. On day 28, the final day of dosing, patients receiving 0.1% RGN-259 had a statistically significant reduction in ocular discomfort during CAE exposure compared to placebo (p=0.043). A statistically significant ocular discomfort improvement after CAE exposure on day 28 was also observed in the 0.05% and 0.1% RGN-259 treatment groups compared to placebo (p=0.0366 and p=0.0072, respectively), suggesting a dose-dependent response. Under the natural environment setting, statistically significant improvements in ocular discomfort were observed at day 28 in patients receiving 0.05% and 0.1% RGN-259 compared to placebo (p=0.022 and p=0.006, respectively).

- *Sign efficacy: reduction of corneal fluorescein staining*. RGN-259 reduced corneal fluorescein staining in patients with compromised tear film break-up time at baseline. In this population, patients receiving 0.1% RGN-259 had a statistically significant reduction in corneal fluorescein staining (p=0.034) and inferior corneal staining (p=0.003) on day 28 compared to placebo. The reduction in inferior corneal staining was also observed at day 14 compared to placebo (p=0.035).

Safety data. No significant TEAE occurred in the trial. RGN-259 was well tolerated and comfortable for the patients with no irritation upon instillation.

Competition

Traditional treatment options for DED are limited to artificial tears and lubricants, which provide only temporary symptom relief without addressing the underlying pathological causes. According to CIC, approximately 15% of DED patients in China have corneal epithelial defects. As an eye drop based on Thymosin β4, RGN-259 actively promotes corneal epithelial

repair using a multi-faceted approach of addressing DED pathology to increase epithelial cell migration and decreasing inflammation with a good safety profile. As of the Latest Practicable Date, other than RGN-259, there was no marketed or clinical-stage DED drug based on Thymosin β4 globally. In addition, we believe that RGN-259 represents a novel approach with dual anti-inflammatory and corneal epithelial repair properties and complements other drug candidates in our DED franchise. See "—Advantages" above.

Clinical Development Plan

We understand that RegeneRx will conduct analysis on data from the clinical trials mentioned above and explore the prospects of a pre-BLA meeting with the FDA using the pooled data or discuss a detailed plan for additional clinical studies, if needed. We plan to leverage pooled data from RegeneRx in formulating our proposed trial protocols and submit an IND to the NMPA in the second half of 2022. We plan to initiate a Phase III trial in China in 2023 and target to submit an NDA to the NMPA in 2025.

Licensing

In July 2012, Lee's Pharm (HK) entered into a license agreement with RegeneRx for the license of RGN-259 and two other Thymosin β4-based drug candidates developed by RegeneRx, in Greater China. In February 2019, the agreement was amended and assigned by Lee's Pharm (HK) to us without any economic change to the agreement. See "—Collaboration and License Agreements—License of RGN-259." Before the assignment, Lee's Pharm Group conducted drug formulation studies on RGN-259 and incurred insignificant costs.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET RGN-259 SUCCESSFULLY

CsA/Rebamipide Ophthalmic Gel

The CsA/rebamipide ophthalmic gel is an innovative combination eye gel with dual mechanisms of anti-inflammation and tear film stabilization, with potentially better efficacy for patients having inadequate response to topical CsA (estimated to account for 20% to 30% of all moderate-to-severe DED patients globally, according to CIC). CsA/Rebamipide opthalmic gel was initially developed by Lee's Pharm Group and subsequently assigned to us in 2019. Lee's Pharm Group conducted preclinical studies before the assignment and incurred insignificant costs. In the preclinical studies, the CsA/rebamipide ophthalmic gel showed meaningful improvement in DED signs and symptoms in a rabbit DED model. We plan to submit an IND application to the NMPA for the CsA/rebamipide ophthalmic gel candidate in the first half of 2022 and commence a Phase I clinical trial in China in the second half of 2022.

Mechanism of Action

DED is a complex ocular surface disorder characterized by tear film instability and hyperosmolarity. Chronic inflammation plays a key role in the initiation and progression of DED. See "—Cyclosporine A (CsA) Ophthalmic Gel—Mechanism of Action." In addition, as tear film is composed of a lipid layer, an aqueous layer and a mucin layer, decreased aqueous, mucin or lipid production is also a major cause of DED. The CsA/rebamipide ophthalmic gel, by combining CsA and rebamipide in a fixed dosage form, is designed to be a dual-functional drug that simultaneously contains inflammation through the CsA component and up-regulates mucous secretion in the cornea and conjunctiva to increase tear production through the rebamipide component. We expect the dual mechanism of action of the CsA/rebamipide ophthalmic gel to further improve the treatment efficacy of CsA ophthalmic gel monotherapy. For the anti-inflammatory effect of CsA, see "—Cyclosporine A (CsA) Ophthalmic Gel—Mechanism of Action."

Rebamipide is a clinically validated mucin secretagogue with a marketed drug in Japan. Mucin on the ocular surface can be categorized into two types: (i) membrane-associated mucins (MUC1, MUC4, MUC16), which are expressed on the cell membrane of the corneal and conjunctival epithelia, and (ii) secreted-type mucin (MUC5AC), which is produced by conjunctival goblet cells and released into the tear fluid. As a mucin secretagogue, rebamipide is not only effective for corneal epithelial damage due to tear deficiency and decreased mucin, but also for healing restoration of the corneal and conjunctival surface microstructure that contribute to tear film stabilization. In addition, studies have shown that rebamipide can suppress the production of inflammatory cytokines such as IL-8 or TNF-α, and therefore inhibit ocular surface inflammation.

All the current NMPA-registered topical CsA and mucin secretagogues were monotherapies. To improve the efficacy and response rate of CsA monotherapy in patients and expand the market value of our pipeline products, we are developing the innovative dual-functional CsA/rebamipide ophthalmic gel candidate for DED.

Advantages

Compared to CsA ophthalmic drugs, the CsA/rebamipide ophthalmic gel employs dual mechanisms of anti-inflammation and tear film stabilization combining rebamipide with CsA, and therefore is expected to have better efficacy for patients with inadequate response to topical CsA drugs.

Preclinical Studies

In the preclinical studies in a rabbit DED model, one eye of each rabbit received topical 0.1% benzalkonium chloride (BAC) for five weeks to induce DED syndrome. Rabbits were randomly assigned at a ratio of 1:1 and received either CsA/rebamipide ophthalmic gel or negative control. Within a two-week treatment after a stable DED model was established on day 35, corneal fluorescein staining (reflecting the damage to the corneal epithelium), Schirmer's test (reflecting the secretion of tears) and conjunctival impression cytology (reflecting number of conjunctival goblet cells) were performed. The results showed that, in a stable rabbit DED model induced by topical 0.1% BAC for five weeks, the CsA/rebamipide ophthalmic gel showed efficacy in treating damage to the corneal epithelium and increasing tear production.

Competition

Topical CsA drugs are the standard of care and the best-selling, anti-inflammation drug class for moderate-to-severe DED treatment. For details of competition of topical CsA drugs, see "—Cyclosporine A (CsA) Ophthalmic Gel—Competition." Although topical CsA drugs can improve the signs and symptoms of DED, CIC estimates that 20% to 30% of all moderate-to-severe DED patients globally have inadequate response to topical CsA drugs, potentially due to the complicated etiology of DED.

On global market, 2% rebamipide ophthalmic suspension under the trade name Mucosta has been approved in Japan for DED treatment since 2012. In China, as of the Latest Practicable Date, rebamipide was not commercially available, but there was one rebamipide candidate in the clinical development, as set forth below:

Clinical-stage Mucin Secretagogues in China

Name	Compound	Formulation	Dosage	Company	Category	Mechanism	Phase	First Posted date
Rebamipide	Rebamipide	Eye drop	Four times daily	Hengrui Medicine / Chengdu Suncadia Medicine	Small molecule drug	Mucous protein promoting factor	Others(1)	2017/1/12

(1) Others indicates that the drug candidate is at clinical stage but does not disclose its development phase information on the official website of the CDE.

Source: NMPA; CIC Report

Clinical Development Plan

As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA for the CsA/rebamipide ophthalmic gel candidate. We plan to submit an IND application to the NMPA for the CsA/rebamipide ophthalmic gel candidate in the first half of 2022 and commence a Phase I clinical trial in China in the second half of 2022.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET THE CSA/REBAMIPIDE OPHTHALMIC GEL SUCCESSFULLY

IC-265

IC-265 is an eye drop composed of highly selective and potent Syk tyrosine kinase inhibitor. It has broad anti-inflammatory effects which has also shown general efficacy in reducing signs of allergic conjunctivitis. We are developing IC-265 primarily for DED and potentially uveitis, the inflammation of uvea.

We in-licensed IC-265 from IACTA in July 2020. A Phase II clinical trial was completed in February 2018 which evaluated IC-265's safety and efficacy in treating allergic conjunctivitis. IACTA plans to initiate another Phase II clinical trial in the United States in the second quarter of 2021 to evaluate IC-265's safety and efficacy in treating DED.

We plan to file an IND for the indication of DED in the third quarter of 2021. We plan to commence a Phase II clinical trial in China for the treatment of DED in the first half of 2022, and may decide to directly move to a Phase III clinical trial in China, depending on IACTA's Phase II clinical results for DED. We plan to submit an NDA to the NMPA in 2025. We also intend to develop IC-265 for the treatment of uveitis, and plan to file an IND for the indication of uveitis in the fourth quarter of 2021.

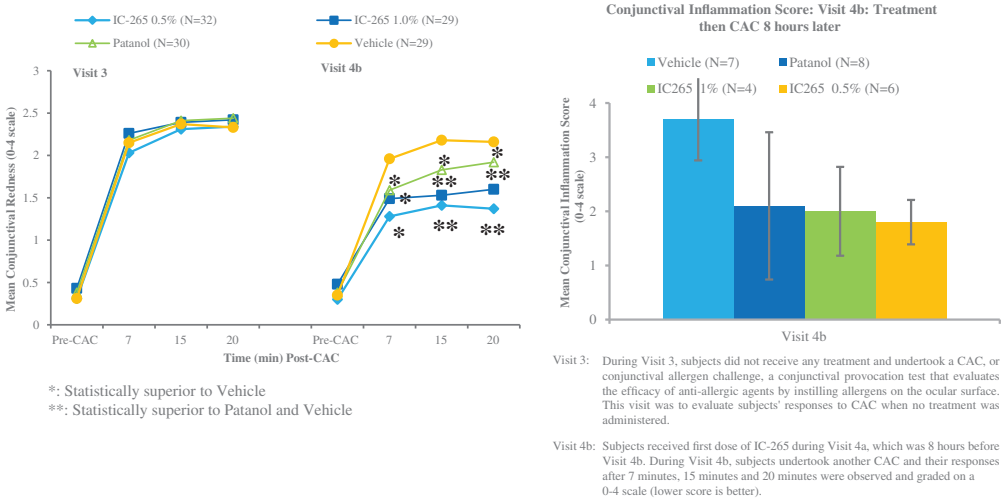
Mechanism of Action

The core mechanism of DED mainly begins with the low tear flow or high evaporation driven by many factors and diseases, which results in the state of tear hyperosmolarity. Such hyperosmolarity causes damage to the surface epithelium by activating a cascade of inflammatory events on the ocular surface and releasing inflammatory mediators into the tears. IC-265 takes effect by breaking down the vicious inflammatory cycle. Syk plays a central role in the transmission of activating signals within B-cells, a type of white blood cells which are responsible for mediating immunity activities. Specifically, Syk is the critical starting point in the activation of the inflammatory cascade in the eye. By suppressing the activities of Syk, the Syk tyrosine kinase inhibitor in IC-265 is able to block multiple downstream signaling pathways leading to DED.

Advantages

- *Efficacy in controlling inflammation and redness.* IC-265 broad anti-inflammatory effects which has also shown general efficacy in reducing signs of allergic conjunctivitis. The completed Phase II clinical trial for allergic conjunctivitis shows that IC-265 has superior efficacy in controlling redness and inflammation, which made IACTA consider it to be good candidate for the treatment of DED, as redness and inflammation are key symptoms of DED. In particular, the Phase II clinical trial indicated that IC-265 has better efficacy than Patanol, the best-selling drug for allergic conjunctivitis in China in terms of sales in 2019, in reducing redness, and

was as effective as Patanol in reducing inflammation when dosed 8 hours prior to the conjunctival allergen challenge. The following graphs set forth results of the Phase II clinical trial of IC-265 which illustrates IC-265's efficacy in controlling redness and inflammation at the respective time points. See "—IC-270—Summary of Clinical Trial Data" for other detailed information of this clinical trial:



Visit 3: During Visit 3, subjects did not receive any treatment and undertook a CAC, or conjunctival allergen challenge, a conjunctival provocation test that evaluates the efficacy of anti-allergic agents by instilling allergens on the ocular surface. This visit was to evaluate subjects' responses to CAC when no treatment was administered.

Visit 4b: Subjects received first dose of IC-265 during Visit 4a, which was 8 hours before Visit 4b. During Visit 4b, subjects undertook another CAC and their responses after 7 minutes, 15 minutes and 20 minutes were observed and graded on a 0-4 scale (lower score is better).

Source: IACTA

Summary of Clinical Trial Information

A Phase II clinical trial was completed in February 2018 which evaluated IC-265's safety and efficacy in treating allergic conjunctivitis. Results of this trial demonstrated IC-265's efficacy in controlling redness and inflammation. Based on such efficacy in controlling redness and inflammation, IACTA considered IC-265 a good candidate for the treatment of DED. See "—IC-270—Summary of Clinical Trial Data" for details of this trial. IACTA plans to initiate a Phase II clinical trial in the United States in 2021 to further evaluate IC-265's efficacy and safety in treating DED.

Competition

Treatment options for DED are limited, and artificial tears and lubricants are most frequently used for DED in China. However, they can provide only temporary symptom relief without addressing the underlying disease causes. In addition, they cannot effectively manage moderate-to-severe DED. Globally, in the past two decades, more effective ophthalmic drugs targeting various distinct pathophysiological causes of DED have been approved, including anti-inflammatory agents and other immunomodulators. In addition, there is an increasing number of investigational drugs targeting novel pathways, exploring novel mechanisms of actions or in novel formulations. Syk tyrosine kinase inhibitor is one of the possible novel pathways to treat DED by blocking the inflammatory cascade in the eye. According to CIC, as of the Latest Practicable Date, there had been no marketed or clinical-stage DED therapy based on tyrosine kinase inhibitor.

Clinical Development Plan

IACTA plans to conduct a Phase II clinical trial to further evaluate the efficacy of IC-265 in the treatment of DED in 2021. Clinical trial data of this trial are expected to be available in 2022. We plan to file an IND for the indication of DED in the third quarter of 2021. We plan to initiate a Phase II clinical trial in China for the treatment of DED in the first half of 2022, and may decide to directly move to Phase III clinical trial in China, depending on IACTA's Phase II clinical results for DED. We plan to submit an NDA to the NMPA in 2025. We also intend to develop IC-265 for the treatment of uveitis, and plan to file an IND for the indication of uveitis in the fourth quarter of 2021. As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA for IC-265.

Licensing

In July 2020, we entered into a license agreement with IACTA for the license of certain patents and know-how relating to IC-265 and IC-270 in Greater China and certain countries in Southeast Asia. See "—Collaboration and License Agreements—License of IC-265 and IC-270."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET IC-265 SUCCESSFULLY

Our wAMD Drug Pipeline

wAMD and Its Market Opportunity

wAMD is a leading cause of vision loss and blindness in people over 50 years old in China and globally. It is a chronic and progressive disease of the macula, the central portion of the retina responsible for clear vision, featuring leakage of fluid in the macula caused by abnormal growth of new blood vessels under the retina. In China, according to CIC estimates, the prevalence of wAMD in China was 3.9 million in 2019, significantly higher than 0.4 million in the United States. However, in 2019, the diagnosis rate of wAMD in China was only 2.6%, translated into a US$241.5 million wAMD drug market, significantly lower than the diagnosis rate of 34.5% and a wAMD drug market of US$1.2 billion in the United States. Driven by the accelerating aging population, the number of wAMD patients is forecast to increase to 5.2 million in 2030 in China. The growing patient pool and improving diagnosis indicate a significant market potential. According to CIC, the market size of wAMD drugs is forecast to increase to US$3.5 billion in 2030 in China, representing a CAGR of 27.5% from 2019.

The standard of care for wAMD is anti-VEGF drugs administered via intravitreal injection at generally monthly or bimonthly intervals per label of the approved drug. Chronic treatment is typically required for four to five years. Hence, intravitreal anti-VEGF therapy involves substantial treatment burden for the elderly patients and their caretakers as a consequence of frequent physician office visits for this invasive procedure. In addition, the high cost of the originator drugs can be prohibitive. These factors lead to poor compliance and

further vision loss. Under-treatment is particularly common in China where, according to CIC, although wAMD patients are recommended to receive 7 to 8 intravitreal injections a year to maintain their vision, patients in China receive only 2.8 injections a year on average, which eventually leads to loss of vision as a result of low compliance rate.

In relation to wAMD and its market opportunity, the Joint Sponsors have (i) discussed with the Company regarding research and development progress, competition landscape and market potential of the Company's drug candidates indicated for wAMD, namely TAB014 and PAN-90806; (ii) conducted interviews with the Company's licensing partners and other stakeholders for their views on the wAMD market and the market potential of the Company's drug candidates; (iii) reviewed the industry report prepared by CIC and discussed with CIC with respect to the competition landscape and market potential of TAB014 and PAN-90806. Based on the above due diligence and having considered the work performed by CIC, the Joint Sponsors agree with the Company's assessment of market potential of TAB014 and PAN-90806.

We aim to introduce a paradigm shift in wAMD treatment by addressing treatment burden and the cost issue while maintaining vision, through a regimen consisting of: (i) TAB014, the first bevacizumab-based antibody under clinical development indicated for wAMD in China, which we expect will be a cost-effective mainstay therapy; and (ii) PAN-90806, an anti-VEGF agent in a novel eye drop formulation, which we believe will be a convenient maintenance therapy for wAMD that significantly reduces the frequency of injections required.

PAN-90806

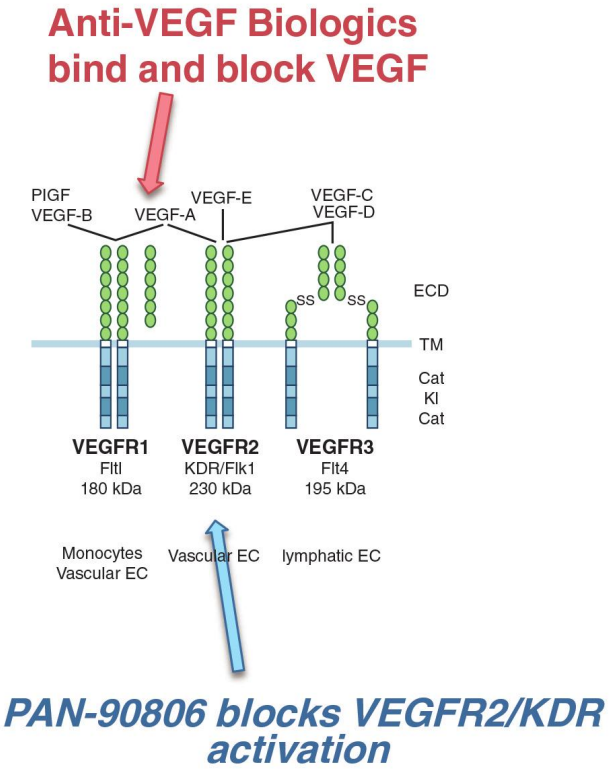
PAN-90806 is an anti-VEGF drug for wAMD and DME, in a novel eye drop formulation. It is a small-molecule compound that targets VEGFR2 and has optimal physicochemical properties in penetrating the anterior segment of the eye, allowing for topical delivery to the back of the eye. In a completed Phase I/II clinical trial, PAN-90806 showed favorable efficacy and a reasonable safety and tolerability profile in the eye drop form under a once-daily dosing. If approved, PAN-90806 will bring significant convenience and a less invasive treatment alternative for patients as a maintenance therapy, reducing the frequency of intravitreal injections and other associated treatment burden of mainstream anti-VEGF therapies while maintaining visual stability. It is expected to significantly reduce treatment discontinuation, thereby slowing the underlying disease progression through improved patient comfort, acceptance, convenience and compliance.

We obtained an exclusive license from PanOptica to develop and commercialize PAN-90806 in the Greater China, South Korea and certain other Southeast Asian countries. See "—Collaboration and License Agreements—License of PAN-90806." We plan to file an IND application with the NMPA for PAN-90806 in the first half of 2022. Subject to regulatory approvals, we plan to commence a Phase II bridging study in China in 2023, leveraging PanOptica's trial results for wAMD, and to commence a Phase III pivotal trial in wAMD in 2025.

Mechanism of Action

wAMD is caused by abnormal growth of new blood vessels in the choroid layer under the retina. The new blood vessels are abnormal, and they leak fluid, resulting in the "wet" form of AMD and causing visual distortion and often acute vision loss. Vascular endothelial growth factors, or VEGF, are a family of growth factor proteins that stimulate a variety of cells through interactions with VEGF receptors (*i.e.*, VEGFR). VEGF signaling plays numerous roles in the retina, including increasing vascular permeability and stimulating endothelial cell migration and proliferation. Blocking the VEGF signaling is a clinically validated mechanism to reduce the vascular fluid leakage associated with wAMD and other eye diseases such as DME (*i.e.*, the anti-permeability effect).

Unlike all approved anti-VEGF drugs and substantially all the clinical-stage wAMD drug candidates in China that target VEGF family, PAN-90806 blocks the VEGF signaling pathway by inhibiting the tyrosine kinase activity of VEGF receptor 2 (VEGFR2), as illustrated in the following graph A:



Notes:

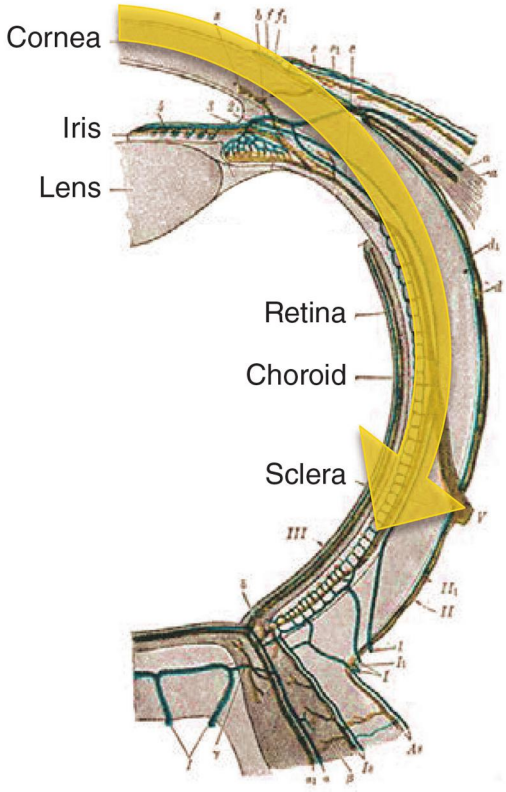
(1) VEGF-A, VEGF-B, VEGF-C and VEGF-D all belong to the VEGF family. VEGF-E is a VEGF-related protein encoded by viruses.

(2) VEGFR-1, also known as fms-like tyrosine kinase 1 (Flt-1), is a subtype of VEGFR and binds to VEGF-A and VEGF-B.

(3) VEGFR-2, also known as kinase insert domain receptor (KDR) or fetal liver kinase 1(Flk1), is a subtype of VEGFR and binds to VEGF-A, VEGF-C and VEGF-E.

(4) VEGFR-3, also known as fms-related tyrosine kinase 4 (Flt-4), is a subtype of VEGFR and binds to VEGF-C, VEGF-D and VEGF-E.

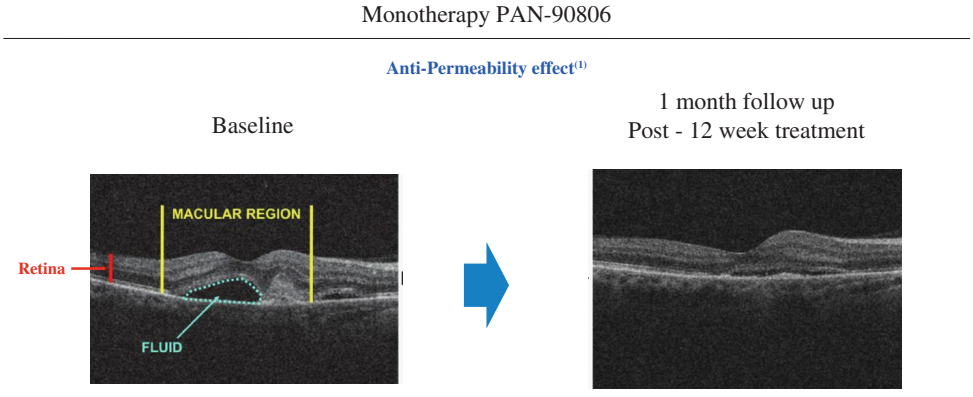
Small molecule compounds have variable ability to enter the eye as a topical preparation due to their inherent physical chemistry structure and the formulation requirements for optimum delivery. The ocular surface requires molecules to have a balance of hydrophilic and lipophilic properties in addition to optimal buffering, adequate solubility and good free drug distribution that is not hindered by protein binding in order to penetrate the ocular surface. PAN-90806 is a small-molecule compound with an ideal lipophilicity and hydrophilicity, so that it can penetrate both the lipid rich cornea and conjunctival epithelium as well as the water-rich sclera and thus it is not be easily washed out upon topical administration. Such excellent physicochemical properties allow a topical ophthalmic formulation of drug to be placed on the ocular surface and deliver drug to the cornea and conjunctiva surface, which then utilizes a circumferential route through the sclera and choroidal vasculature to achieve effective concentrations in the posterior segment of the eye (*e.g.* choroid and retina). This has been confirmed by many reproducible pharmacokinetic studies in a wide variety of animal species including the non-human primate. The following graph illustrates the circumferential delivery route of PAN-90806:



Advantages

We believe PAN-90806 has the following advantages over the current anti-VEGF drugs requiring intravitreal injections:

- *Innovative formulation and administration route.* Current anti-VEGF biologics require intravitreal injection for eye disease treatment due to large molecule size and physical chemistry. PAN-90806 is a specifically selected small-molecule compound with favorable physicochemical properties, which enables it to penetrate cornea, conjunctival epithelium as well as sclera to reach choroid and retina through a circumferential vascular route. In PK studies of PAN-90806 in an eye drop formulation, such delivery route has been validated in rabbits, dogs and monkeys in terms of drug concentrations in different ocular tissues. See "—Mechanism of Action" and "—Preclinical Studies (Based on Preclinical Studies by PanOptica)." The following graphs illustrates the OCT scan of the retina showing anti-permeability effect of PAN-90806 in a Phase I/II clinical trial (PAN-01-102):



(1) From one patient in the Phase I/II clinical trial.

- *Significantly improved compliance and reduced treatment burden.*

  - *Reducing frequent physician office visits.* PAN-90806 is in a novel eye drop formulation, which can be self-administered. As a result, PAN-90806 can reduce the frequency of injections and associated physician office visits required by current anti-VEGF drugs, and therefore reduce the treatment burden of patients and their family members and other caretakers.

- *Significantly reducing invasive injections while achieving visual stability*. In the Phase I/II clinical trial of PAN-90806 conducted by PanOptica, 26 (51%) of all 51 enrolled patients receiving PAN-90806 achieved clinical improvement or stability of disease without needing rescue with anti-VEGF injections (Lucentis was used in this trial as the rescue medication). The mean number of Lucentis (ranibizumab) injections given to each patient was less than one. Based on the on-label monthly injection of Lucentis (ranibizumab) in four months (16 weeks), 51 patients would need to receive a total of 204 intravitreal injections (four per person) under the traditional anti-VEGF therapy. The results of this trial indicated that patients receiving PAN-90806 avoided approximately 79% of such label-required injections, as illustrated below:

Mean number of rescues per patient <1 (all patients)

	2mg/ml N=17	6mg/ml N=18	10mg/ml N=16	Total N=51
Subjects with at least 1 ranibizumab injection	7 (41.2%)	9 (50.0%)	9 (56.3%)	25 (49.0%)
Mean number of ranibizumab injections given per patient	0.82	0.83	0.81	0.82
Mean number of ranibizumab injections avoided per patient	3.18	3.17	3.19	3.18
Total number of ranibizumab injections avoided in all patients	54 (79.4%)	57 (79.2%)	51 (79.7%)	162 (79.4%)

Source: Presentation by PanOptica at the Ophthalmology Innovation Summit at the American Academy of Ophthalmology Annual Meeting

- *Improving compliance and slow disease progression*. We believe that PAN-90806, if approved, will bring significant convenience and provide a less invasive treatment alternative for patients as a maintenance therapy. It is expected to significantly reduce treatment discontinuation, thereby slowing the underlying disease progression through improved patient comfort, acceptance, convenience and compliance.

Summary of Selected Clinical Trial Data

PAN-01-102 in the United States and Europe (primarily based on published announcement and published data presentation by PanOptica at the Ophthalmology Innovation Summit at the American Academy of Ophthalmology Annual Meeting)

Overview. The PAN-01-102 trial was a Phase I/II, randomized, double-masked, dose-ranging study to evaluate the safety and tolerability of PAN-90806 eyedrop (suspension) monotherapy across three doses of 2 mg/ml, 6 mg/ml and 10 mg/ml in treatment-naïve wAMD patients.

Trial design. Patients with treatment-free active wAMD associated with choroidal neovascularization would be enrolled and randomized into three once-daily doses of PAN-90806 monotherapy groups (2 mg/ml, 6 mg/ml and 10 mg/ml) at a ratio of 1:1:1 for a 12-week treatment period. The primary endpoint was safety and tolerability assessed by AEs. The secondary endpoint was anti-VEGF biological response (*i.e.*, reduction of retinal thickness on optical coherence tomography (OCT) and/or improved visual acuity (BCVA) and evidence of lesion stability or reduction by fluorescein angiography (FA)). The study protocol allowed for rescue medication injections with the anti-VEGF biologics Lucentis (ranibizumab) beginning at week 2 of the 12-week study with rescue eligibility confirmed by the independent reading center. Investigators would follow patients through one month (Week 16) following PAN-90806 discontinuation.

Trial status. This trial was initiated in May 2018 and completed in June 2019. A total of 51 patients were enrolled, including 17 in the 2 mg/ml dose group, 18 in the 6 mg/ml dose group and 16 in the 10 mg/ml dose group.

Safety data. PAN-90806 was characterized as reasonably safe and well-tolerated in this trial, with no major or serious drug-related safety concerns or trends. PAN-90806 also exhibited favorable tolerability and safety. Key safety results are summarized below:

- Nine patients (17.6%) reported at least one PAN-90806 – related AE, none were serious. Five patients (9.8%) reported six PAN-90806 – related corneal AEs;

- Three patients discontinued eye drop therapy prior to their week 12 visit; two of these discontinuations were considered related to PAN-90806;

- Reported ocular AEs were generally consistent with those observed in many other clinical studies following treatment with common topical ocular medications, such as minimal itching, burning and redness; and

- Reported non-ocular events were consistent with those observed in elderly populations with wAMD.

Efficacy data. PAN-90806 showed favorable efficacy in this trial. 26 (51%) of the 51 enrolled patients receiving PAN-90806 alone completed this trial without needing rescue with anti-VEGF intraocular injection medication through the post-treatment (week 16) visit, and 23 (88%) of the 26 patients experienced clinical improvement or stability of disease in terms of change in visual acuity and/or change in retinal thickness. The other 25 patients received at least one Lucentis rescue injection due to progression of the disease (worsening vision and/or optical coherence tomography characteristics). Compared with the non-rescued patients, the rescued patients had more severe wAMD in terms of thicker retinas (measured by central subfield thickness, or CST) and visual acuity at baseline.

Based on the on-label monthly injection regimen of Lucentis (ranibizumab) in four months (16 weeks), 51 patients would need to receive a total of 204 intravitreal injections (four injections per person). The results of this trial indicated that patients avoided approximately 79% of such label-required injections. See "—Advantages—Significantly improved compliance and lower treatment burden." We are not aware of any further clinical trials for PAN-90806 by PanOptica after the completion of this clinical trial in June 2019. To our knowledge, such absence was not due to clinical trial results or any other negative events. Instead, we understand that PanOptica has devoted time to upgrading its formulation to be amenable to a "blow-fill-seal" manufacturing process for sterile single-dose packaging.

Preclinical Studies (Based on Preclinical Studies by PanOptica)

Extensive non-clinical research has been conducted and supported the potential role of PAN-90806 for the treatment of neovascular eye diseases. Key evidence includes:

- PK studies showed that PAN-90806 in an eye drop takes a circumferential vascular route from the front of the eye to reach target tissues in the back of the eye, suggesting that PAN-90806 can penetrate conjunctiva and sclera to access choriocapillaris circulation to posterior pole. PAN-90806 ocular tissue concentrations have been validated in rabbits, dogs and monkeys. The level of ocular tissue concentrations of PAN-90806 were seen in descending order in the cornea, choroid, retina and aqueous humor. A representative result from a three-week ocular PK study using the suspension formulation in non-human primates revealed the following drug levels in one hour following the last dose on day 21 in the cornea and central choroid:

Dose/frequency	Central Choroid (μM)	Cornea (μM)	Conjunctiva (μM)	Toxicity Findings
2 mg/ml Bid	0.732	2.82	7.84	None
4 mg/ml Qd	0.552	2.88	8.24	None
6 mg/ml Qd	1.01	4.77	3.96	None
6 mg/ml Bid	1.54	4.92	8.69	None
10 mg/ml Qd	1.72	5.45	29.0	None

* *Abbreviations: Qd=once a day; Bid=twice a day*

These tissue levels support that the path of distribution is not dependent on diffusion through the eye, but rather around the eye, with posterior (central choroid and retina) concentrations significantly higher than the aqueous humor concentrations, which are typically in a single-digit nanomolar range or lower if detectable (data not shown). As a result, PAN-90806 is expected to have adequate receptor occupancy, which is the seminal requirement for clinical efficacy.

- In a preclinical study using the mouse model of laser-induced CNV, a topical ocular solution of 0.2% PAN-90806 was able to prevent CNV to a level similar to that of a single intravitreal injection of mouse anti-VEGF mAb. This demonstrated good efficacy of PAN-90806 in a validated animal model.

Competition

The current standard of care for wAMD in China and globally is anti-VEGF drugs administered by intravitreal injection. As of the Latest Practicable Date, there were three approved anti-VEGF drugs indicated for wAMD in China, namely, Lucentis (ranibizumab) marketed by Novartis, Lumitin (conbercept) marketed by Chengdu Kanghong and Eylea (aflibercept) marketed by Bayer, which collectively had approximately US$395 million in sales in 2019. As of the same date, out of all 18 NMPA-registered clinical-stage drug candidates for wAMD treatment, 17 were biologics which all require intraventrial injections. For details of wAMD drugs and drug candidates in China, see "—TAB014—Competition."

Among all the approved and clinical-stage drugs for wAMD in China, only CM082, a phase-II drug candidate targeting VEGF signaling under development by Canaanji Medical Science and Technology, is exploring a tablet formulation for oral usage. However, studies have shown that, compared with topical delivery that directly targets the action site, orally administered drugs encounter much greater difficulties in reaching the back of the eye and may cause systemic and off-target side effects. The clinical trial of CM082 in the United States has been halted due to safety concerns. PAN-90806 is a small-molecule compound in a novel eye drop formulation. Its physicochemical properties allow for topical delivery of PAN-90806 to the back of the eye while limiting systemic exposure. The following table sets forth a comparison of CM082 and PAN-90806:

Name	Compound	Formulation	Target(s)	Company	Development Stage in China
CM082	Small molecule drug	Tablet	VEGFR/ PDGFR	Canaanji Medical Science and Technology	Phase II
PAN-90806	Small molecule drug	Eye drop	VEGFR2	Our Group	Preclinical stage

Source: NMPA; FDA; CIC Report

Clinical Development Plan

As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA for PAN-90806. We plan to file an IND application with the NMPA for PAN-90806 in the first half of 2022. Subject to regulatory approvals, we plan to commence a Phase II bridging study leveraging PanOptica's trial results in wAMD in China in 2023, and a Phase III pivotal trial in wAMD in China in 2025.

Licensing

We obtained an exclusive license from PanOptica to develop and commercialize PAN-90806 in the Greater China, South Korea and certain other Southeast Asian countries. See "—Collaboration and License Agreements—License of PAN-90806."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET PAN-90806 SUCCESSFULLY

TAB014

TAB014 is the first clinical-stage bevacizumab-based antibody indicated for wAMD in China. Bevacizumab is a clinically validated anti-VEGF drug. Globally, although bevacizumab is only approved for oncology treatment through intravenous infusion, there has been increasing off-label use of bevacizumab via intravitreal injection for the treatment of wAMD. The WHO Essential Medicines List has also listed bevacizumab for eye disease treatment. TAB014 is developed based on bevacizumab. However, as bevacizumab has not been approved for any ophthalmic indications or intravitreal injection, TAB014 is registered with the NMPA under the Class 1 new drug pathway for wAMD indication in China.

We obtained an exclusive license from TOT BIOPHARM to commercialize TAB014 for neovascularization-related eye diseases in China. See "—Collaboration and License Agreements—License of TAB014." We are currently conducting a Phase I clinical trial for TAB014 in China and expect to complete this trial in the third quarter of 2021. In January 2020, TAB014 was recognized as a special major project for technologies of innovative manufacturing of major new drugs (重大新藥創制科技重大專項) by the Development Center for Medical Science & Technology of the National Health Commission of China (國家衛生健康委醫藥衛生科技發展研究中心). As TAB014 is based on clinically validated bevacizumab, it is expected to skip a Phase II clinical trial and directly enter a Phase III trial. We expect the Phase III clinical trial of TAB014 to be initiated in the second quarter of 2021 and be completed in 2023. We plan to submit an NDA to the NMPA for TAB014 by 2024.

Mechanism of Action

Bevacizumab is a clinically validated anti-VEGF drug that blocks VEGF-A, member of the VEGF family. Through binding to VEGF-A, bevacizumab interrupts the interaction of VEGF-A with its receptor (VEGF receptor 2, or VEGFR2), and thus blocks VEGF signaling to resorb the fluid leakage. See "—PAN-90806—Mechanism of Action."

Summary of Clinical Trials

Pursuant to the TAB014 In-license Agreement, we and TOT BIOPHARM should form a joint committee to oversee the clinical development and commercialization of TAB014 in China. In January 2020, TAB014 was recognized as a special major project for technologies of innovative manufacturing of major new drugs by the Development Center for Medical Science & Technology of the National Health Commission of China.

Phase I Clinical Trial

Overview. This Phase I clinical trial was conducted on certain wAMD patients with a purpose to evaluate safety, PK and efficacy of TAB014 after one single-dose and multiple-dose injections.

Trial design. The Phase I clinical trial consists of two parts. In the part I study, five subjects would be enrolled and each would receive one to three single intravitreal injection of TAB014 at 1.25 mg (0.05 ml) to evaluate safety, PK and efficacy of TAB014 at such dose level unless a dose-limiting toxicity (DLT) event occurs. In the part II study, eight subjects (cohort A) would be enrolled first and each would receive TAB014 at 1.25 mg (0.05 ml). After assessing safety and tolerability, additional eight subjects (cohort B) would be enrolled and each would receive TAB014 at 2.5 mg (0.10 ml). If TAB014 was tolerable and no DLT was observed, subjects in that cohort would continue to receive two additional injections at their original dose level at 28-day intervals, with a follow-up period of up to eight weeks after the third injection. Safety endpoints primarily included AEs, SAEs and AESIs. PK endpoints included AUCs and $t_{1/2}$ (time takes for the concentration levels to fall to 50% of their value). The efficacy endpoints primarily included changes in best corrected visual acuity (BCVA), central macular thickness (CMT) and central subfield thickness (CSFT). VEGF level in plasma would be calculated.

Trial status. The trial was initiated in June 2018. As of June 20, 2020, the date of the latest available results of this trial, (i) the part I study was completed; and (ii) the part II study was ongoing. The 1.25 mg (0.05 ml) cohort had completed subject enrollment; six subjects had received three injections and two subjects had received two injections. The 2.5 mg (0.10 ml) cohort was still in the process of subject enrollment. Based on the above, the available results were all at the dose level of 1.25 mg (0.05 ml). As of the Latest Practicable Date, all the eight subjects of the 1.25 mg (0.05 ml) cohort had completed injections, and the 2.5 mg (0.10 ml) cohort subject enrollment had been completed.

Safety. The latest available results as of June 20, 2020 showed that TAB014 was safe and tolerable in wAMD patients at the dose level of 1.25 mg (0.05 ml). In the part I study, all five subjects experienced 13 AEs, all being grade 1 to 2, and there was no drug-related TEAE. No DLT event or serious AE occurred.

In the 1.25 mg (0.05 ml) cohort of the part II study, data of six enrolled subjects were available as of June 20, 2020. The included six subjects experienced 13 AEs, all being grade 1 to 2, and one was drug-related AE. No DLT event or serious AE occurred.

Efficacy. As of June 20, 2020, TAB014 exhibited preliminary efficacy in treating wAMD at the dose level of 1.25 mg (0.05 ml). In the part I study, subjects achieved improvement in BCVA and decreases in CMT and CSFT, and subjects received three injections achieved better efficacy in terms of improvements in these measurements as compared with subjects received a single injection.

In the 1.25 mg (0.05 ml) cohort of the part II study, data of six enrolled subjects were available as of June 20, 2020. At week 4, all the six included subjects achieved improvement in BCVA and decreases in CMT and CSFT. Three subjects had measurable improvements in terms of BCVA, CMT and CSFT from the baseline at week 12.

PK. As of June 20, 2020, all eight subjects in the 1.25 mg (0.05 ml) cohort of the part II study were included for PK analysis of one single-dose injection, but two subjects were not included in the PK analysis of multiple-dose injection due to delay in data collection and analysis caused by the COVID-19 outbreak. The PK profile of TAB014 was similar to reported data of bevacizumab on a non-head-to-head comparison.

Competition

According to CIC, three anti-VEGF drugs are approved for wAMD treatment in China, namely, Lucentis (ranibizumab) marketed by Novartis, Lumitin (conbercept) marketed by Chengdu Kanghong and Eylea (aflibercept) marketed by Bayer. Although the inclusion of these drugs into the NRDL could further boost penetration of anti-VEGF drugs in China, the availability of the branded drugs is still limited by their high costs. According to the NRDL, prices of the branded drugs were approximately RMB4,000 per injection in China in 2019, which are economically burdensome for most Chinese patients. According to CIC, physicians also prescribe Avastin for treatment of wAMD in China, but the sale is less than 5% of all drugs for wAMD in the past. The following table sets forth the details of the approved anti-VEGF drugs for wAMD in China:

Drug name	Compound	Company	Mechanism/Drug target	Approval year	NRDL inclusion	Sales in 2019 (mn USD)[1]	Price	Dosage/Schedule
Lucentis	Ranibizumab	Novartis	Monoclonal antibody that binds VEGF-A to prevent the interaction with its receptors	2011	2017	~210	RMB3,950/ 0.2mL	0.5mg IVT Once monthly
Lumitin	Conbercept	Kanghong	Fusion protein that binds VEGF-A/B/C and PIGF to prevent the interaction with their receptors	2013	2017	~165	RMB4,160/ 0.2mL	0.5mg IVT Initial dose: once monthly/3 months; Maintenance: once every 3 months
Eylea	Aflibercept	Bayer/ Regeneron	Fusion protein that binds VEGF-A/B and PIGF to prevent the interaction with their receptors	2018	2019	~20	RMB4,100/ 0.1ml	2mg IVT Initial dose: once monthly/3 months; Maintenance: once every 2 months

(1) Total sales for all approved indication in China, including wAMD, DME, RVO and CNV.

Source: NMPA; CIC Report

As of the Latest Practicable Date, there were 18 clinical-stage drug candidates registered with the NMPA for the treatment of wAMD, all of which were anti-VEGF agents. Among the 18 candidates, 17 require intravitreal injections and one was in tablet formulation for oral usage, see "—PAN-90806—Competition." Among the 17 anti-VEGF drug candidates requiring intravitreal injections, only TAB014 was a bevacizumab-based antibody indicated for wAMD under the new drug registration pathway. We believe that developing TAB014 by taking

advantage of existing comprehensive research of bevacizumab and accumulated off-label practice research of Avastin on eye disease treatment is a cost-effective approach for drug registration and marketing. Given the large number of underserved wAMD patients in China, we believe that there is a significant opportunity for TAB014 to become a cost-effective mainstay therapy. The following table sets forth details of the 17 clinical-stage wAMD drug candidates requiring intravitreal injection in China as of the Latest Practicable Date:

Drug name	Compound	Target	Administration route	Dosage/Schedule	Sponsor/ Collaborators	Phase	First posted date
TAB014	Biologics mAb	VEGF	Intravitreal injection	N/A	TOT BIOPHARM /Our Group	I	2018/3/21
LY09004	Biologics Fusion protein	VEGF	Intravitreal injection	2mg Initial loading dose: once monthly/3 months; Maintenance period: once every 2 months for 5 times	Luye Pharma (Boan Biotech)	III	2020/11/03
Faricimab	Biologics BsAb	VEGF-A and angiopoietin 2	Intravitreal injection	6mg Initial loading dose: once monthly/3 months; Maintenance period: once every 2 or 3 or 4 months for 12 months, possibly additional 12 months	Roche	III	2020/1/13
Brolucizumab (RTH258)	Biologics mAb	VEGF-A	Intravitreal injection	6mg; Initial loading dose: once monthly/2 months; Maintenance period: once every 2/3 months till 10th/11th month	Novartis	III	2019/10/25
QL1205	Biologics mAb	VEGF	Intravitreal injection	0.5 mg Once monthly/13 months	Qilu Pharmaceutical	III	2019/7/17
QL1207	Biologics Fusion protein	VEGF	Intravitreal injection	2mg Initial loading dose: once monthly/3 months; Maintenance period: once every 2 months, totally 8 times within 12 months	Qilu Pharmaceutical	III	2019/5/20
MW02	Biologics mAb	VEGF	Intravitreal injection	1mg/1.5mg Once monthly/13 months	KanVax	II/III	2020/12/25
HB002.1M	Biologics Fusion protein	VEGF	Intravitreal injection	0.5mg/2mg Once monthly/2 months	Huabo Biopharm	II	2020/6/9
BAT5906	Biologics mAb	VEGF	Intravitreal injection	2.5mg/4mg Once monthly/3 months, possibly additional 9 months	Bio-Thera	II	2020/5/9
SCT510A	Biologics mAb	VEGF	Intravitreal injection	0.625mg Once monthly/3 months	SinoCellTech	I	2020/10/23
MG021	Biologics mAb	VEGF	Intravitreal injection	N/A	North China Pharmaceutical	I	2020/7/23
601A	Biologics mAb	VEGF	Intravitreal injection	N/A	3SBio	I	2020/1/22
RC28-E	Biologics Fusion Protein	VEGF/ Fibroblast growth factor 2	Intravitreal injection	0.5mg/1mg/2mg Initial loading dose: once monthly/ 3 months; Maintenance period: possibly once monthly/9 months	RemeGen	I	2020/1/15
SOLOT-Eye	Biologics mAb	VEGF	Intravitreal injection	N/A	Stainwei Biotech Inc.	I	2018/11/1
JY028	Biologics mAb	VEGF	Intravitreal injection	N/A	Eastern biotech, Jingyitaixiang	I	2018/7/2
TK001	Biologics mAb	VEGF	Intravitreal injection	0.5mg/1mg/1.5mg Once monthly/3 months	Jiangsu T-mab BioPharma	I	2017/6/16
IBI302	Biologics Fusion protein	VEGF and complement proteins	Intravitreal injection	2mg/4mg Initial loading dose: once monthly/ 2 months; Maintenance period: possibly once monthly/3 months	Innovent	Ib	2020/4/26

Source: NMPA, CIC Report

Clinical Development Plan

As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA for TAB014. A Phase III clinical trial in wAMD patients is expected to be initiated in the second quarter of 2021 to assess the efficacy and safety profile of TAB014. The Phase III clinical trial is expected to be completed by 2023. An NDA for TAB014 is expected to be submitted to the NMPA by 2024.

Licensing

We obtained an exclusive license from TOT BIOPHARM to commercialize TAB014 for neovascularization-related eye diseases in China. See "—Collaboration and License Agreements—License of TAB014."

Material Regulatory Communications

The NMPA granted the IND approval for TAB014 in July 2017. TAB014 is developed based on bevacizumab, however, as bevacizumab has not been approved for any ophthalmology indications or intravitreal injection, TAB014 is registered with the NMPA under the Class 1 new drug pathway in China. Considering that TAB014 is based on bevacizumab, a clinically validated antibody with successful off-label use record in wAMD treatment, TOT BIOPHARM and us have consulted with the NMPA regarding whether we can enter a Phase III clinical trial directly based on the current data from the Phase I trial. The NMPA had not objected such proposal.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TAB014 SUCCESSFULLY

Our DME Drug Pipeline

DME and Its Market Opportunity

DME is the leading cause of blindness in diabetic patients worldwide. China has a large diabetic patient population, therefore the prevalence of DME is expected to be high. According to CIC, the prevalence of DME in China was 7.7 million in 2019, significantly higher than 1.3 million in the United States. However, in 2019, the diagnosis rate of DME was only 2.0% in China and the size of DME drug market was US$250.0 million, significantly lower than the diagnosis rate of 33.0% and a DME drug market of US$1.7 billion in the United States, indicating a significant potential for market growth. According to CIC, the DME diagnosis rate in China is rapidly growing and forecast to reach 15.3% in 2030, and the market size of DME drugs in China is forecast to increase to US$2.6 billion in 2030, representing a CAGR of 23.8% from 2019.

Inflammation with the involvement of multiple receptors and signaling pathways (*e.g.*, the VEGF signaling) play prominent roles in the development and pathological processes of DME, which results in vascular fluid leakage, or permeability, in the macula and causes retinal edema. The major treatment options for DME in China include anti-VEGF agents administered by intravitreal injection at prescribed intervals to resolve the permeability issue and separate anti-inflammatory glucocorticoids administered by intravitreal implant. This involves great treatment burden as patients need to receive intravitreal injections or implants as well as anti-VEGF and anti-inflammatory drugs separately.

We are developing two innovative drug candidates to address the significant unmet medical needs for DME in China: (i) ZK002, a protein employing a novel mechanism of action to contain inflammation and vascular permeability, which we believe could potentially result in enhanced efficacy over existing mainstay therapies; and (ii) PAN-90806, the anti-VEGF agent in a novel eye drop formulation, which we expect will significantly improve convenience and compliance relative to current therapies.

DME and proliferative diabetic retinopathy are two major subtypes of diabetic retinopathy. The difference between the two subtypes is that patients with proliferative diabetic retinopathy have abnormal vascular growth (*i.e.*, angiogenesis) under the retina. Studies have shown that ZK002 has anti-angiogenesis effect in addition to the anti-inflammation and anti-permeability properties. Therefore ZK002 has the potential to address proliferative diabetic retinopathy in addition to DME.

ZK002

ZK002 is our protein with a novel mechanism of action to contain inflammation (*i.e.*, anti-inflammation effect) and vascular fluid leakage (*i.e.*, anti-permeability effect), and therefore is we believe an ideal drug candidate for treatment of DME and a different indication of pterygium. See "—Other Innovative Drug Candidates—ZK002." Currently there is no drug approved for treatment of DME by addressing both inflammation and the resulted permeability issue in the macula. We are developing ZK002, aiming to employ its novel mechanism to contain inflammation and vascular permeability, which we believe could potentially result in enhanced efficacy over existing mainstay therapies. ZK002 was initially developed by Lee's Pharm Group and subsequently assigned to us in 2019. Lee's Pharm Group conducted preclinical studies before the assignment and incurred research and development expenses of approximately RMB4.0 million. We plan to submit an IND application to the NMPA for pterygium in the second half of 2022 and for DME in 2023, respectively.

Mechanism of Action

DME is a diabetic complication with inflammation as a major underlying mechanism, which results in fluid leakage and accumulation in the macula and causes the macula to swell. Although the exact drug target is not yet known and is being investigated, ZK002 has a novel mechanism of action of anti-permeability effect through inhibition of the VEGF-induced signaling cascade and anti-inflammatory effect through suppression of multiple pro-inflammatory signaling pathways. We believe that the anti-permeability and anti-inflammation

effects make ZK002 an ideal drug candidate for treatment of DME. In addition, ZK002 also has anti-angiogenesis effect, which makes it an ideal candidate for treatment of pterygium. See "—Other Innovative Drug Candidates—ZK002." The details of the novel mechanism of action is summarized as below:

- *Anti-permeability effect*. In *in vitro* studies, on human cell lines, ZK002 showed inhibition effect on VEGF-induced tube formation. DME is due to sub- and intra-retinal accumulation of fluid in the macula triggered by the breakdown of the blood-retinal barrier, which is a complex process involving multiple factors, receptors and signaling pathways including the VEGF signaling. Anti-VEGF effect indicates anti-permeability. See "—Preclinical Studies."

- *Anti-inflammatory effect*. In preclinical studies, ZK002 showed suppression effect on multiple pro-inflammatory signaling pathways including NF-κB, MAPK and JAK/STAT signaling pathways, and therefore inhibited production of certain pro-inflammatory mediators and as well as inflammatory cytokines, translating to an anti-inflammatory effect. See "—Preclinical Studies."

- *Anti-angiogenesis effect*. In preclinical studies, ZK002 demonstrated anti-angiogenesis effect in terms of retinal neovascularization suppression. See "—Preclinical Studies."

Advantages

We believe ZK002 has the following advantages over current anti-VEGF or anti-inflammation monotherapies for DME:

- *Potential for enhanced efficacy*. To date, only monotherapies of anti-VEGF and anti-inflammation drugs are approved for DME worldwide, no DME drug with both properties is available. ZK002 employs a novel mechanism of action to contain inflammation and vascular permeability. Hence it is expected to have enhanced efficacy than monotherapies of current anti-VEGF or anti-inflammation drugs.

- *Lower treatment burden*. Anti-VEGF drugs and anti-inflammation drugs approved for DME require intravitreal injections or implant. Currently, anti-VEGF drugs are the first-line treatment for substantially all DME patients in China. Patients with inadequate responses to anti-VEGF drugs have to receive additional anti-inflammation treatment, which increases the treatment burden of patients and their caretakers. ZK002 is expected to be an ideal candidate to lower such treatment burden and improve treatment compliance.

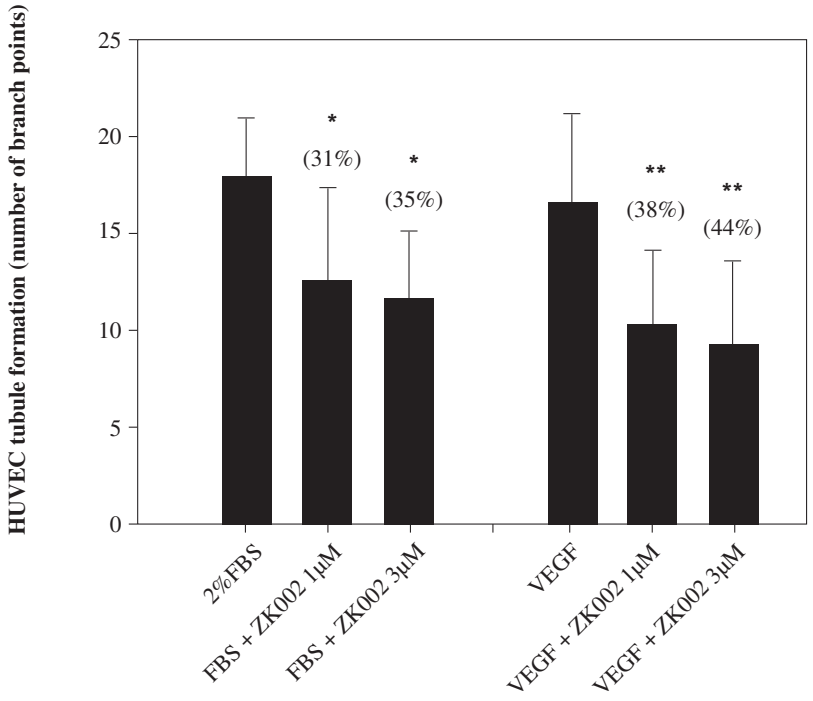
Preclinical Studies

Drug Discovery, Sequencing and Cloning

ZK002 is our self-developed protein. We deduced the coding DNA sequences from the peptide sequences, and then subcloned individual gene sequences into yeast and mammalian expression vectors. The success of cloning and expression of ZK002 in recombinant vectors enabled us to generate ZK002 through cell culture and ensure stable and quality supply of ZK002 for clinical development.

In Vitro Studies and Testing

- *Anti-permeability and anti-angiogenesis effects*. The human umbilical vein endothelial cell (HUVEC) assay is a commonly used model to study the effect of angiogenesis stimulator and inhibitor on tube formation. In an *in vitro* HUVEC assay, VEGF and fetal bovine serum medium (FBS, a widely used growth supplement for cell culture media) were used to induce tube formation. After ZK002 was added in combination with VEGF or FBS, ZK002 showed (i) an inhibition effect on VEGF signaling in HUVEC, indicating the potential anti-permeability effect of ZK002 for eye disease treatment; and (ii) inhibition of FBS-induced or VEGF-induced tube formation in HUVEC, indicating an anti-angiogenesis effect. The following graph illustrates the inhibition effect on VEGF-induced and FBS-induced tube formation in the HUVEC assay:



* $p<0.05$, ** $p<0.001$ vs. respective control. Both indicate statistically significant differences.

Source: ZK002 preclinical evaluation summary

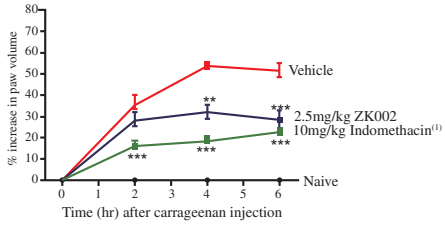
- *Anti-inflammatory effect.* In a mouse cell model and a human retinal cell line model with induced inflammatory responses, ZK002 demonstrated an inhibition effect on pro-inflammatory NF-κB, MAPK and JAK/STAT signaling pathways. As a result, it suppressed secretion of pro-inflammatory mediators and cytokines such as TNFα, IL-6 and IL-1. In a qPCR array analysis (a common tool for quantitative analysis of gene expression) of pro-inflammatory genes in a human retinal cell line with induced inflammatory responses, the results showed that ZK002 down-regulated 58 pro-inflammatory genes.

In Vivo Studies and Testing

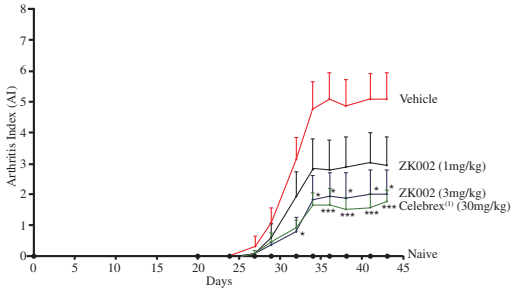
- *Anti-angiogenesis effect.* In an $Ins2^{Akita}$ diabetic mouse model, mice were randomized into a ZK002 treatment group and a vehicle control group, receiving intravitreal injection of either ZK002 or saline. After a two-week treatment period, the ZK002 treatment group showed less decrease in retinal thickness and stronger suppression on retinal neovascularization, compared with the vehicle control group, which indicates promising anti-angiogenesis effect.

- *Anti-inflammatory effect.* In a carrageenan-induced rat model (a commonly used test for evaluating the antiedematous effect of anti-inflammatory drugs) and a chronic collagen-induced mouse model (a commonly used animal model of autoimmune arthritis), ZK002 exhibited anti-inflammatory effect in light of decreased paw volume and arthritis index, respectively, as illustrated in the following graphs:

Carrageenan-induced rat model



Chronic collagen-induced mouse model



"*" refers to statistically significant difference.

(1) A nonsteroidal anti-inflammatory drug as an active control.

Competition

Currently, anti-VEGF drugs with anti-permeability effect are the first-line treatment for substantially all DME patients in China. There has been off-label use of intravitreal corticosteroids for many years with the risk of cataract progression, elevation of intraocular pressure and endophthalmitis. Ozurdex, a biodegradable intravitreal implant, is the first and only approved anti-inflammatory corticosteroid for DME treatment in China. As of the Latest Practicable Date, there was no approved DME drug addressing both inflammation and permeability issues. The following table sets forth details of major approved DME drugs in China:

Drug treatment	Drug name	Compound	Company	Mechanism/ Drug Target	Approval year	NRDL inclusion	Sales in 2019 (mn USD)(1)	Price	Administration route	Dosage/ Schedule
Anti-VEGF	Lucentis	Ranibizumab	Novartis	Monoclonal antibody that binds VEGF-A to prevent the interaction with its receptors	2018	2019	~ 210	RMB3,950/ 0.2mL	Intravitreal injection	0.3mg Once monthly
	Lumitin	Conbercept	Kanghong	Fusion protein that binds VEGF-A/B/C and PIGF to prevent the interaction with their receptors	2019	2019	~ 165	RM4,160/ 0.2mL	Intravitreal injection	0.5mg Initial dose: once monthly/3 months; Maintenance: once every 3 months
	Eylea	Aflibercept	Bayer/ Regeneron	Fusion protein that binds VEGF-A/B and PIGF to prevent the interaction with their receptors	2018	2019	~ 20	RMB4,100/ 0.1ml	Intravitreal injection	2mg Initial dose: once monthly/5 months; Maintenance: once every 2 months
Anti-inflammation	Ozurdex	Dexamethasone	Allergan	Anti-inflammatory	2017	2019	~ 6	RMB4,000/ 0.7mg	Intravitreal implant	N/A

(1) Total sales for all approved indication in China, including wAMD, DME, RVO and CNV.

Source: NMPA; CIC Report

As of the Latest Practicable Date, there were seven clinical-stage DME drug candidates registered with the NMPA, all of which were anti-VEGF injections primarily focusing on permeability, the major pathological cause of DME. We are developing ZK002 with a novel dual mechanism of action to contain inflammation and vascular permeability, aiming to achieve enhanced efficacy than anti-VEGF or anti-inflammation monotherapies. For DME, a back-of-the-eye disease, ZK002 would be formulated in intravitreal injection. The following table sets forth the details of NMPA-registered DME drug candidates in clinical development as of the Latest Practicable Date:

Drug name	Compound	Target	Administration route	Dosage/Schedule	Sponsor / Collaborators	Phase	First posted date
Brolucizumab (RTH258)	Biologics mAb	VEGF-A	Intravitreal injection	6mg Initial loading dose: once every 6 weeks for 5 times; Maintenance period: once every 2/3 months	Novartis	III	2019/7/29
Faricimab	Biologics BsAb	VEGF-A and angio-poietin 2	Intravitreal injection	6mg Initial loading dose: once monthly/5 months; Maintenance period: once every 2 months/19 months	Roche	III	2019/7/26
RC28-E	Biologics Fusion protein	VEGF/ FGF2	Intravitreal injection	0.5mg/1mg/2mg Initial loading dose: once monthly/3-5 months; Maintenance period: possibly once monthly/9 months	RemeGen	II	2020/12/15
9MW0813	Biologics Fusion protein	VEGF	Intravitreal injection	2mg N/A	Mabwell/Kanvax	I	2020/12/14
BAT5906	Biologics mAb	VEGF	Intravitreal injection	2.5mg/4mg Initial loading dose: once monthly/6 months; Maintenance period: possibly once monthly/ 6 months	Bio-Thera	I	2020/5/11
601A	Biologics mAb	VEGF	Intravitreal injection	N/A	3SBio	I	2019/4/10
QL1207	Biologics Fusion protein	VEGF	Intravitreal injection	2mg Initial loading dose: once monthly/5 months; Maintenance period: once at an interval of 2 months	Qilu Pharmaceutical	I	2018/12/7

Source: NMPA; the Company; CIC Report

Clinical Development Plan

We had not engaged in any material regulatory communications with the NMPA for ZK002. We plan to submit an IND application to the NMPA for ZK002 for pterygium in the second half of 2022 and for DME in 2023, respectively. As a clinical trial for pterygium only needs approximate one month to be completed, as compared to 10 months to one year for DME, we plan to conduct a Phase I clinical trial for pterygium first. After the safety and preliminary efficacy are verified in the pterygium trial, we will then initiate the clinical trials for DME.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ZK002 SUCCESSFULLY

PAN-90806

In addition to the wAMD indication, we are also developing PAN-90806 for the DME indication. Compared with the mainstream anti-VEGF drugs which require intravitreal injection, PAN-90806 represents a novel treatment regimen in the maintenance treatment of DME and is expected to significantly improve treatment compliance and lower treatment burden by reducing the frequency of injections and associated physician visits required by current treatment options. See "—Our wAMD Drug Pipeline—PAN-90806" for further details.

Our Myopia Drug Pipeline

Myopia and Its Market Opportunity

Myopia, or near-sightedness, is usually caused by an elongation of the eyeball, causing the image to be focused in front of the retina. Severe myopia leads to an increased risk of sight-threatening conditions, such as retinal detachment, choroidal degeneration, cataract and glaucoma. Myopia tends to progress rapidly between the ages of 5 and 15, and usually stabilizes by the end of one's early 20s. Therefore, prevention or control of the progression of myopia in children and adolescents is critical. According to CIC, the number of people affected by myopia in China reached 700 million in 2019, accounting for approximately half of the world's myopic population. Among them, 162.8 million were children and adolescents (ages 6-22), who could benefit from drug treatment to slow myopia progression. According to CIC, the market size of myopia drugs in China is forecast to increase to US$3.0 billion in 2030. Myopia is currently the largest ophthalmic indication in China in terms of patient population. Therefore, there are significant unmet medical needs for novel and effective treatments in myopia progression control.

NVK-002

NVK-002 is a low-concentration atropine sulfate topical ophthalmic solution indicated for myopia progression control in children and adolescents. Atropine has a long history of use in humans for treating various diseases. It is the only medication to date that has been demonstrated to be consistently effective in myopia progression control.

Our licensing partner, Nevakar, is conducting a Phase III clinical trial in the United States and Europe to evaluate NVK-002's efficacy and safety in controlling myopia progression in children and adolescents. Nevakar expects to complete stage 1, the efficacy and safety phase, of the Phase III clinical trial and submit an NDA by the end of 2022. We plan to submit an IND application to the NMPA in the second quarter of 2021. Subject to IND approval from the NMPA, leveraging results of stage 1 of Nevakar's Phase III clinical trial, we plan to commence a Phase III bridging clinical trial in China in the fourth quarter of 2021 which will be a one-year study leveraging results of stage 1 of Nevakar's Phase III clinical trial. We plan to submit an NDA to NMPA based on results of our and Nevakar's Phase III clinical trials.

Mechanism of Action

Research has suggested that myopia progression in children may be connected to focusing fatigue, and atropine can control myopia progression by disabling the focusing mechanism. Atropine is an anticholinergic substance that blocks the action of neurotransmitters in the central and the peripheral nervous systems. Atropine eye drops can dilate the pupil and temporarily paralyze the focusing muscles inside the eye. By relaxing the focusing mechanism, atropine helps relieve focusing fatigue, thereby controlling the progression of myopia.

Advantages

- *First-mover advantage*. Globally, NVK-002 is one of the most advanced atropine drug candidates for controlling myopia progression, and it has the broadest target patient group, covering children and adolescents from three to seventeen years old.

- *Efficacy*. Atropine has been accepted as an effective drug to control the progression of myopia in children and adolescents. In a five-year clinical study conducted by *Chia et al.*, or the ATOM2 Study, researchers compared the efficacy of different concentrations of atropine in controlling myopia progression. The study shows that, over five years, atropine 0.01% was more effective in slowing down myopia progression compared with higher-concentration (0.1% and 0.5%) atropine. For details of the ATOM2 Study, see "—Selected Independent Study" below.

- *Safety*. Low-concentration atropine preserves myopia's attenuating effects while reducing adverse effects commonly caused by high-concentration atropine, such as photophobia and blurred vision. Such side effects cause inconvenience to the patients' daily life and can lead to high drop-out rates of high-concentration atropine treatments. Rebound effect after atropine discontinuation has also been identified, and is particularly notable in patients treated by high-concentration atropine.

- *Proprietary formulation*. NVK-002 is a sterile, preservative-free ophthalmic solution. Its proprietary formulation addresses the inherent instability problems associated with other low-concentration atropine compositions. It is packaged in single-use ampules and has an expected shelf life of at least 24 months. In addition, as NVK-002 is preservative-free, it would avoid side effects caused by preservatives, such as burning and certain ocular surface disorders.

Summary of Clinical Trial Data

In November 2017, Nevakar initiated a Phase III clinical trial (CHAMP) in the United States and Europe to evaluate the safety and efficacy of low-concentration atropine for the control of myopia progression over a 36-month treatment period with a 12-month cross-over phase.

Ongoing Phase III CHAMP clinical trial (NCT03350620) in the United States and Europe (primarily based on public clinical trial information and information from Nevakar)

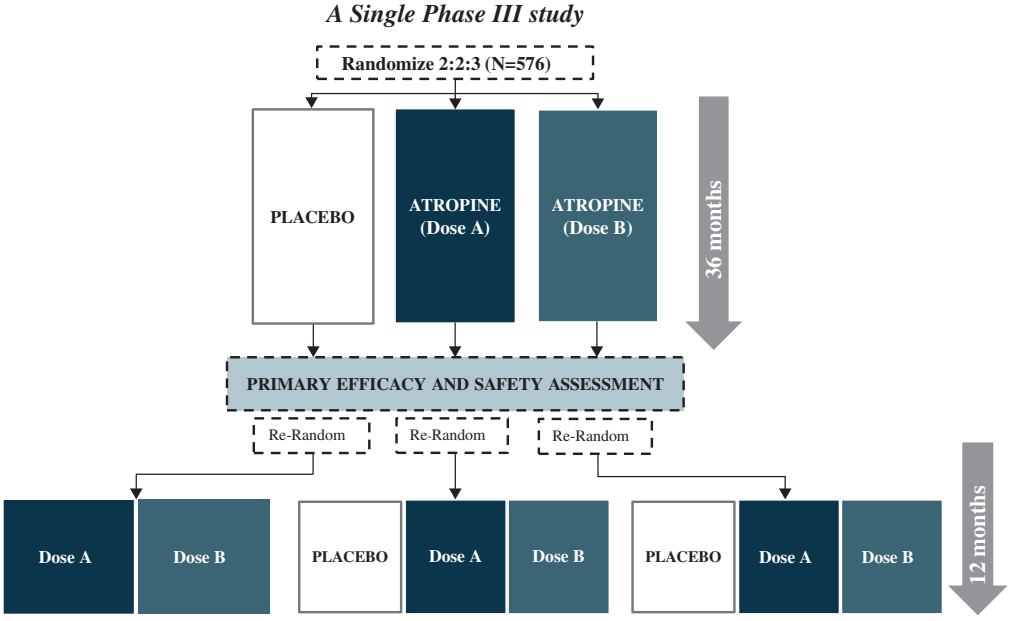
Overview. CHAMP is a Phase III, three-arm, randomized, multi-center, double-masked, placebo-controlled study conducted to evaluate the safety and efficacy of low-concentration atropine for the reduction of myopia progress over a 36-month treatment period with a 12-month cross-over phase.

Trial design. The clinical trial will compare low-concentration atropine of two concentrations (Dose A and Dose B) with placebo administered once nightly. The clinical trial has two stages. Stage 1 is a safety and efficacy evaluation phase for a duration of three years. Subjects will be allocated to two NVK-002 treatment groups and the placebo group randomly.

Stage 2 is a randomized cross-over phase of for a duration of one year. Subjects will be re-randomized to two treatment groups and the placebo group. Subjects initially randomized to placebo group will only be randomized to one of the treatment groups.

The primary endpoint of this trial is the between-group difference in the proportion of subjects who show less than -0.50 D myopia progression at month 36.

Childhood Atropine for Myopia Progression (CHAMP)



Source: Nevakar's Presentation in October 2019

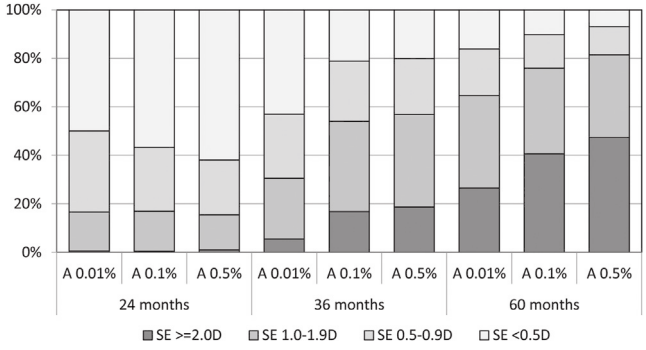
Trial status. The trial was initiated in November 2017. The enrollment of patients was completed in September 2019, and a total of 576 patients were enrolled. Stage 1 and Stage 2 of the trial are expected to be completed in the second half of 2022 and 2023, respectively. Given that Stage 1 is the safety and efficacy evaluation phase and Stage 2 is the cross-over phase, NVK-002 plans to make an NDA submission based on the Stage 1 results by the end of 2022.

Safety and efficacy data. Preliminary safety reporting for the CHAMP clinical trial demonstrated that NVK-002 had been well tolerated and no significant new safety issues had been identified. Primary efficacy data are expected to be available after the completion of Stage 1 of the trial in the second half of 2022.

Selected Independent Clinical Study

In a five-year clinical study conducted by *Chia et al.*, or the ATOM2 Study, researchers compared the efficacy as well safety of different concentrations of atropine in controlling myopia progression. In Phase I (the treatment phase), 400 Asian children aged 6 to 12 years with myopia were randomized to receive atropine 0.01%, 0.1% and 0.5% once nightly in both eyes for two years. In Phase II (the washout phase), atropine administration was discontinued and children were monitored for 12 months. In Phase III (the re-treatment phase), children who exhibited myopia progression of -0.50 D or more in at least one eye during the washout phase were re-treated by atropine 0.01% for a further 24 months.

The study shows that, over five years, atropine 0.01% was more effective in slowing down myopia progression compared with higher-concentration (0.1% and 0.5%) atropine. Specifically, although the higher-concentration treatments were shown to be more effective by the end of Phase I, patients treated with higher doses experienced greater rebound effects during Phase II and, consequently, a higher percentage of patients required re-treatment during Phase III. By the end of Phase III, the overall myopia progression and change in axial elongation was the lowest in the atropine 0.01% group (-1.38±0.98 D, 0.75±0.48 mm), compared with the 0.1% (-1.83±1.16 D, 0.85±0.53 mm) and 0.5% (-1.98±1.10 D, 0.87±0.49 mm) groups. Myopia progression in eyes within each atropine group at the end of Phases I, II and III are shown in the graph below:



Source: *Chia, Audrey, et al. "Atropine for the Treatment of Childhood Myopia: Safety and Efficacy of 0.5%, 0.1%, and 0.01% doses (Atropine for the Treatment of Myopia 2)." Ophthalmology* 119.2 (2012): 347-354.

Regarding the safety of atropine, the ATOM2 Study shows that atropine 0.01% preserved the myopia attenuating effects while reducing adverse effects commonly caused by high-concentration atropine, such as photophobia and blurred vision. Specifically, atropine 0.01% caused minimal pupil dilation (0.8 mm), minimal loss of accommodation (2-3 D), and no near visual loss compared with higher doses.

Competition

Atropine is the only medication to date that has been demonstrated to be consistently effective in controlling the progression of myopia. As of the Latest Practicable Date, there were six atropine drug candidates for myopia progression control:

Drug name	Sponsor/ Collaborator	Target Age Group	Phase	Regulatory Authority	First Posted Date
NVK-002[(1)]	Nevakar Inc.	3-17	III	FDA	2017/11/22
SYD-101	Sydnexis, Inc.	3-14	III	FDA	2019/4/18
Atropine 0.1% and 0.01% Ophthalmic Solution	Eyenovia Inc	3-12	III	FDA	2019/5/8
Atropine sulfate eye drops	Sinqi	6-12	III	NMPA	2020/5/28
OT-101	Ocumension Therapeutics	3-15	III	FDA	2021/2/25
DE-127	Santen Pharmaceutical Co., Ltd.	6-11	II	Singapore Health Sciences Authority	2017/11/6

(1) In-licensed by us in Greater China and certain other Asian countries.

Source: Adolescent Health, Medicine and Therapeutics; CIC Report

In China, there is currently no approved atropine eye drop for myopia progression control. Only two anticholinergics drug products, tropicamide eye drop and raceanisodamine eye drop, were approved by the NMPA for pseudomyopia treatment in China. These two eye drops, approved around 1990, are relatively outdated and may cause side effects such as allergy, elevated IOP and nausea.

Clinical Development Plan

Nevakar plans to continue the ongoing Phase III clinical trial and expects Stage 1 and Stage 2 of the trial to be completed in the second half of 2022 and 2023, respectively. Given that Stage 1 is the safety and efficacy evaluation phase and Stage 2 is the cross-over phase, NVK-002 plans to make an NDA submission based on the Stage 1 results by the end of 2022. As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA for NVK-002. We plan to submit an IND application to the NMPA in the second quarter of 2021. Subject to IND approval from the NMPA, we plan to commence a Phase III bridging clinical trial in China in the fourth quarter of 2021, which is a one-year study leveraging results of stage 1 of Nevakar's Phase III clinical trial. We plan to submit an NDA to the NMPA in 2023 based on results of our and Nevakar's Phase III clinical trials.

Licensing

In October 2020, we entered into a licensing agreement with Nevakar for the licensing of NVK-002 in Greater China, South Korea and certain countries in Southeast Asia. See "—Collaboration and License Agreements—License of NVK-002."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET NVK-002 SUCCESSFULLY

Other Innovative Drug Candidates

ZKY001

ZKY001, one of our Core Products, is an eye drop targeting corneal epithelial defect, or CED, the partial or complete loss of the epithelial cells in the cornea. ZKY001 is based on a peptide composed of seven amino acids, LQ-7, which is the functional fragment of Thymosin β4 that binds with actin, a type of protein that plays a central role in cell structure and movement. Through its regulations actin, LQ-7 is able to accelerate corneal epithelial wound repair and enhance epithelial cell migration. We are developing ZKY001 as an eye drop for CED.

In July 2012, Lee's Pharm (HK) entered into a license agreement with RegeneRx for the license of Thymosin β4, which includes a clause that grants Lee's Pharm (HK) the right to develop ophthalmic drugs using LQ-7 subject to this agreement. See "—Collaboration and License Agreements—License of RGN-259." In February 2019, the license agreement with RegeneRx was amended and assigned by Lee's Pharm (HK) to us without any economic change to the agreement.

Before the assignment, Lee's Pharm Group had completed two preclinical studies to evaluate ZKY001's efficacy for the treatment of CED and a Phase I clinical trial to evaluate ZKY001's safety, tolerability and systemic pharmacokinetics in healthy subjects. Lee's Pharm Group incurred research and development expenses of approximately RMB5.6 million for the preclinical studies and this Phase I clinical trial. 44 subjects were enrolled in this Phase I clinical trial. Subsequent to the completion of this Phase I clinical trial, we consulted CDE for initiating a Phase II clinical trial. According to our correspondence with the CDE, we

understand that CDE is of the view that the currently available data (including the preclinical studies and this completed Phase I clinical trial) have provided sufficient support on the safety profile of ZKY001 to proceed to subsequent trials.

We are currently conducting a second Phase I clinical trial to evaluate ZKY001's ocular pharmacokinetics. In November 2020, we started a Phase II clinical trial to evaluate the safety and efficacy of ZKY001 for the treatment of CED after endothelial keratoplasty, a cornea transplant surgery to restore vision when the inner cell layer of the cornea stops working properly. Such surgery inevitably damages the corneal epithelium. We expect to complete the Phase II clinical trial in the fourth quarter of 2021. We plan to conduct a third Phase I clinical trial to evaluate the systemic pharmacokinetics and safety of ZKY001 for such CED patients after endothelial keratoplasty. In addition, we also plan to initiate a Phase III clinical trial in the second half of 2022 and target to submit an NDA to the NMPA for ZKY001 in 2024.

Mechanism of Action

ZKY001 is based on a peptide composed of seven amino acids, LQ-7, which is the functional fragment of Thymosin β4 that combines with actin, a type of protein that comprises up to 10% of the protein of non-muscle cells in the body and plays a central role in cell structure and movement. Through its regulation of actin, LQ-7 is able to stimulate the migration of corneal epithelial cells, thereby facilitating the healing of wound in the cornea.

Market Opportunity and Competition

CED is the partial or complete loss of the epithelial cells in the cornea, which could lead to inflammatory responses on the ocular surface, or even stromal keratopathy, a serious corneal condition that may cause permanent vision loss. CED may be caused by mechanical traumas, infections and inflammation on the ocular surface due to diseases such as diabetes and DED. CED may also be caused by neurotrophic abnormalities that lead to decreased production of tears, post-surgery corneal damages and side effects from preservatives in ophthalmic drugs. It is usually associated with pain, tearing and foreign body sensation of the affected eye, and patients may also experience blurry vision, redness, photophobia, pain with blinking and pain with eye movement.

CED is a common ophthalmic disease in the general patient population. According to CIC, the number of persistent CED patients in China increased from 1.8 million in 2015 to 2.1 million in 2019. It is estimated that the number of persistent CED patients may reach 2.9 million in 2030. The market size of CED drugs in China grew from US$92.0 million in 2015 to US$103.9 million in 2019, at a CAGR of 3.1%. It is estimated that CED drug market may reach US$142.5 million in 2030, at a CAGR of 2.9% from 2019.

Treatment options for CED are limited. Current mainstream marketed drugs for CED are eye drops or gels using recombinant human epidermal growth factors, or rh-EGF, and deproteinized calf blood extract, or recombinant bovine basic fibroblast growth factor, or rb-bFGF. The following table sets forth top-selling CED drugs in China:

Top selling drugs for CED in China

Compound	Drug name (formulation)	Company	Mechanism	Approval year	Sales in China 2019 (USD mn)	Price in China (USD)
Recombinant human epidermal growth factor derivative (rh-EGF)	Yibei (Gel)	Guilin Pavay gene	• Promote cell repair and regeneration on mesoderm and ectoderm	2005	~40	~6/5g
	Jinyinshu (Eye Drop)	Shenzhen Watsin Genetech	• Promote cell regeneration on corneal epithelium	2004	~4	~5/3ml
Deproteinized Calf Blood Extract	Sugaojie (Gel)	Shenyang Sinqi Pharmaceutical	• Promote the uptake and utilization of glucose and oxygen by eye tissues and cells	2007	~30	~6/5g
	Sugaojie (Eye Drop)	Shenyang Sinqi Pharmaceutical		2007	~2	~17/20 pieces /0.4ml
Recombinant bovine basic fibroblast growth factor (rb-bFGF)	Beifushu (Eye Drop)	Essex Bio-Pharmaceutical	• Promote cell repair and regeneration on mesoderm and ectoderm	2019	N/A	~4/5ml

Source: CIC Report

However, long-term use of growth factor drugs, such as rh-EGF and rb-bFGF, may cause abnormal growth of scar tissues and blood vessels. High-concentration deproteinized calf blood extract is known to have toxic effects. As a result, there is a substantial unmet medical need for new treatments that may facilitate epithelial wound healing without causing abnormal tissue growth or having toxic effects. However, there are few drug candidates for CED under development.

Advantages

We believe that ZKY001 has the following advantages:

- *Fast onset effects*. As shown in our preclinical studies, ZKY001 possesses fast onset effects in healing CED. Compared with rh-EGF, which is a first-line treatment for CED, ZKY001 significantly shortens the time for re-epithelialization, and is faster in reducing corneal swelling and corneal opacity. For example, in our preclinical trial which evaluated the efficacy of ZKY001 on the treatment of CED after laminectomy, a surgery which removes a layer in the cornea, the healing of the corneas treated with ZKY001 reached statistical significance 24 hours after the surgery ($p=0.005$, $p<0.05$), whereas healing of the corneas treated with rh-EGF

($p=0.004$, $p<0.05$) reached statistical significance on day 3 after surgery. On day 7, corneas treated with ZKY001 were completely healed. See "—Summary of Preclinical Studies."

- *Efficacy*. ZKY001 shows strong efficacy in healing wounds to the cornea. Our second preclinical study compared the efficacy of ZKY001 in three concentrations against rh-EGF and saline on the repair of CED after corneal alkali burns, serious damages to the cornea after contact with alkaline chemicals. The study shows that cell migration in the ZKY001 treatment groups was significantly higher than that in the control groups, with 20 μg/ml ZKY001 and 40 μg/ml ZKY001 being more efficacious than other groups. In addition, 20 μg/ml ZKY001 and 40 μg/ ml ZKY001 significantly alleviated corneal opacity and edema, which are evidence for corneal healing. See "—Summary of Preclinical Studies."

- *Safety*. ZKY001 was well tolerated in all concentrations in our first Phase I clinical trial. Among the 34 subjects who received ZKY001, only three mild AEs were reported, including two incidents of elevated blood triglyceride level and one incident of increased white blood cells in urine, and no subject experienced treatment-related AE. No treatment-related AE had been identified in the pre-trial stage of our second, ongoing Phase I clinical trial. In addition, other first-line therapies, such as rh-EGF drugs, may cause abnormal growth of scar tissues and blood vessels in long-term use because rh-EGF drugs take effect by stimulating cell growth and differentiation. In our preclinical long-term toxicity studies on animals, only few animal subjects experienced mild adverse effects.

Summary of Clinical Trial Data

A Phase I clinical trial evaluating safety, tolerability and systemic pharmacokinetics of ZKY001 had been completed in healthy subjects. We are conducting another Phase I clinical trial evaluating the ocular pharmacokinetics and safety of ZKY001 and a Phase II clinical trial evaluating the safety and efficacy of ZKY001 for the treatment of CED after endothelial keratoplasty. We also plan to conduct a third Phase I clinical trial to evaluate the systemic pharmacokinetics and safety of ZKY001 for such CED patients.

These three Phase I clinical trials are designed to evaluate ZKY001's safety and pharmacokinetics from different aspects. The first Phase I clinical trial was conducted on healthy subjects. In terms of pharmacokinetics, it focused on systemic pharmacokinetics, namely, the absorption, distribution and excretion of the drug in the whole body. The second clinical trial is conducted on healthy subjects and focuses on ocular pharmacokinetics. Because CED patients' corneas are impaired, the drug's penetration and absorption through the cornea may be different. The third Phase I clinical trial will be conducted on CED patients and will focus on systematic pharmacokinetics.

Ongoing Phase II Clinical Trial

Overview. The ongoing Phase II clinical trial is a multi-center, randomized, double-masked, placebo-controlled study to evaluate the safety and efficacy of ZKY001 for the treatment of CED after endothelial keratoplasty. This trial also aims to assess the dosage of ZKY001 for future development.

Trial design. The clinical trial is designed to enroll a total of 105 subjects, who will receive 0.002% ZKY001 (n=35), 0.004% ZKY001 (n=35) and placebo (n=35) four times daily for a 14±2-day dosing period. The administration will begin on day 1 after surgery. The primary endpoint of this trial is the average area of repaired cornea on day 3. The key secondary endpoints include improvement of signs and symptoms of CED from baseline on day 3, 6 and 15, and the average area of repaired cornea on day 2, 4 and 5.

Trial status. This trial was initiated in November 2020 and is scheduled to be completed in the fourth quarter of 2021. The first subject was enrolled in December 2020.

Ongoing Phase I Clinical Trial for the Ocular Pharmacokinetics of ZKY001 (2017L00632)

Overview. This trial was the second Phase I clinical trial that we conducted, which was primarily designed to evaluate ocular pharmacokinetics of ZKY001. A secondary purpose of the trial was to further evaluate ZKY001's safety.

Trial design. This clinical trial will be conducted in two stages. On the pre-trial stage, a total of 16 subjects will be enrolled. Before the drug administration, subjects will take the Schirmer's test, a test that measures the volume of tears produced by the eye. A filter paper will be placed inside the lower eyelid for five minutes, and tear secretion will be evaluated by how far tears have traveled on the filter paper. Schirmer's tests will be conducted again 10 min, 30 min, 1 h, 2 h, 4 h, 6 h, 8 h and 12 h after ZKY001 was applied. On the formal trial stage, a total of 90 subjects will be enrolled to confirm the results of the pre-trial stage. Schirmer's tests would be conducted 10 min, 30 min, 1 h, 2 h, 4 h, 6 h, 8 h, 11 h and 14 h after ZKY001 was applied.

Trial status. The pre-trial stage was commenced in August 2020 and completed in the same month. The formal trial stage is expected to commence in the first quarter of 2021 and complete in the third quarter of 2021.

Ocular PK. Based on results of the pre-trial, drug ocular concentration of ZKY001 was generally below the quantification limit, or BQL, during the period between application and 30 minutes after application. The drug ocular concentration of ZKY001 reached the peak during the period between one hour and two hours after application.

Safety data. ZKY001 was well tolerated in all concentrations during the pre-trial stage. No subject experienced treatment-related AE.

Phase I Clinical Trial for the Safety and Systemic Pharmacokinetics of ZKY001

Overview. This trial was the first Phase I clinical trial that we conducted, which was a single-center, randomized, double-masked, placebo-controlled study to evaluate the safety and tolerability of ZKY001. This trial also evaluated the systemic pharmacokinetics of ZKY001.

Trial design. The trial was designed to evaluate the safety of ZKY001 at different concentrations. The parameters for evaluating the safety of ZKY001 primarily included the occurrence of AEs and SAEs. The trial would enroll a total of 42 healthy subjects, 34 of whom would receive ZKY001 at concentrations of 0.0005%, 0.001%, 0.002%, 0.004% or 0.008%, and 8 would receive placebo for single dosing.

Trial status. The trial was commenced in October 2018 and completed in December 2018. A total of 44 patients were enrolled, two of whom dropped out before receiving ZKY001. The remaining 42 patients received ZKY001 in concentrations of 0.0005% (n=2), 0.001% (n=8), 0.002% (n=8), 0.004% (n=8) and 0.008% (n=8), respectively, and placebo (n=8).

Safety data. ZKY001 was well tolerated in all concentrations during the trial. Among the 34 subjects who received ZKY001, only three mild AEs were reported, including two incidents of elevated blood triglyceride level and one incident of increased white blood cells in urine, and no subject experienced treatment-related AE. The following table sets forth the safety data of this clinical trial:

	ZKY001 0.0005%		ZKY001 0.001%		ZKY001 0.002%		ZKY001 0.004%		ZKY001 0.008%		Placebo	
Items	Occurrences	Occurrence rate (%)	Occurrences	Occurrence rate (%)	Occurrences	Occurrence rate (%)	Occurrences	Occurrence rate (%)	Occurrences	Occurrence rate (%)	Occurrences	Occurrence rate (%)
Increased white blood cells in urine	0	0(0.00)	0	0(0.00)	0	0(0.00)	0	0(0.00)	1	1(12.50)	0	0(0.00)
Elevated blood triglyceride level	0	0(0.00)	0	0(0.00)	2	2(25.00)	0	0(0.00)	0	0(0.00)	0	0(0.00)
Subtotal	0	0(0.00)	0	0(0.00)	2	2(25.00)	0	0(0.00)	1	1(12.50)	0	0(0.00)

Systemic PK. All parameters for drug plasma concentration in all concentrations were below qualification limit, indicating that the amount of ZKY001 entering into the whole-body blood circulatory system was very low.

Summary of Preclinical Studies

To evaluate the efficacy of ZKY001 on the treatment of CED, we completed two preclinical studies, both on rabbits.

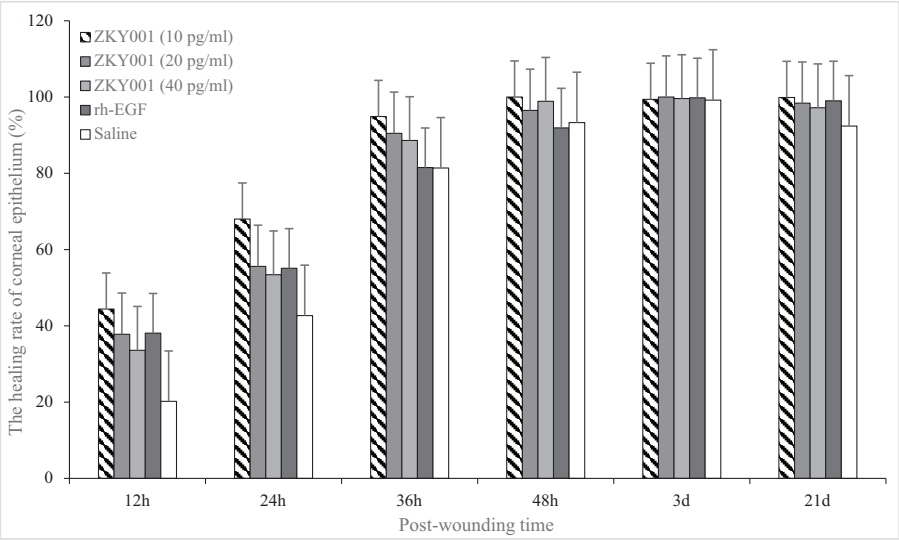
The first study compared the efficacy of ZKY001 against rh-EGF, levofloxacin lactate and saline on the treatment of CED after laminectomy, a surgery which removes a layer in the cornea and, inevitably, creates damages to the cornea. rh-EGF is a common treatment for CED, and levofloxacin lactate is an anti-infective drug. ZKY001, rh-EGF, levofloxacin lactate or saline was given three times a day beginning on day 1 after surgery. ZKY001 showed faster onset effects than rh-EGF and levofloxacin lactate. In comparison to the saline group, the healing of the corneas treated with ZKY001 (measured by decrease in the proportion of damaged epithelial cells) reached statistical significance 24 hours after the surgery ($p=0.005$, $p<0.05$), whereas healing of the corneas treated with rh-EGF ($p=0.004$, $p<0.05$) and levofloxacin lactate ($p=0.001$, $p<0.05$) reached statistical significance on day 3 and day 4 after surgery, respectively. On day 7, corneas treated with ZKY001 were completely healed, whereas some corneas treated with levofloxacin lactate and saline remained unhealed. This study also showed that ZKY001 possesses faster onset effects in reducing corneal opacity, a disorder that occurs when the cornea is injured and become scarred. As a result, cornea may appear white or clouded over, and light cannot pass through the cornea to the retina.

The second study compared the efficacy of ZKY001 at three concentrations against rh-EGF and saline on the repair of CED after corneal alkali burns, serious damages to the cornea after contact with alkaline chemicals. The corneas of rabbits were chemically burned with alkaline chemicals for thirty seconds, and the injured eyes were topically treated with ZKY001 (10 μg/ml, 20 μg/ml or 40 μg/ml), rh-EGF or saline three times daily. The study showed that cell migration in the ZKY001 treatment groups was significantly higher than that in the control groups, with 20 μg/ml ZKY001 and 40 μg/ml ZKY001 being more efficacious than the other groups. In addition, 20 μg/ml ZKY001 and 40 μg/ml ZKY001 significantly alleviated corneal opacity and edema, which are evidence for corneal healing. The following table and graph set forth the corneal epidermal healing rate at different time points after alkali burn in each group:

Group	**12h**	**24h**	**36h**	**48h**	**day 3**	**day 21**
ZKY001 (10 μg/ml)	44.4[a]	68.0[a,b]	94.9[a,b]	100[a,b]	99.4	99.9[a]
ZKY001 (20 μg/ml)	37.8[a]	55.6[a]	90.5[a,b]	96.5[a]	100	98.4[a]
ZKY001 (40 μg/ml)	33.6[a]	53.4[a]	88.6[a]	98.9[a,b]	99.6	97.2
rh-EGF	38.1	55.1	81.5	91.9	99.8	99.0[a]
Saline	20.2	42.7	81.4	93.3	99.2	92.4

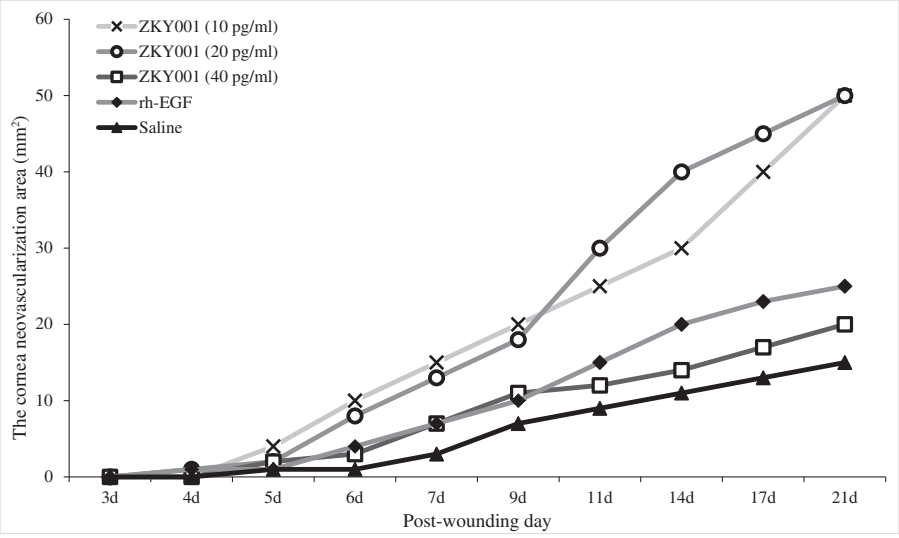
[a] *$p < 0.05$ vs. saline, indicating that the corneal epidermal healing in the ZKY001 treatment group is statistically more significant than that of the saline group.*

[b] *$p < 0.05$ vs. rh-EGF, indicating that the corneal epidermal healing in the ZKY001 treatment group is statistically more significant than that of the rh-EGF group.*



Source: Guan, Jieying, et al. "Germinal Peptide Eye Drops Promote Corneal Wound Healing and Decrease Inflammation after Alkali Injury." Experimental Eye Research 199 (2020). This is an academic paper reporting the results of our preclinical study.

On the other hand, ZKY001 was found to be more effective than rh-EGF and saline in controlling corneal neovascularization, the abnormal growth of corneal vessels, during the healing process. By day 21, the areas of corneal neovascularization in the ZKY001 treatment groups were smaller than those in the rh-EGF and saline groups. The following graph sets forth a comparison of the growth curve of corneal neovascularization after alkali burn when treated with ZKY001, rh-EGF and saline:



Source: Guan, Jieying, et al. "Germinal Peptide Eye Drops Promote Corneal Wound Healing and Decrease Inflammation after Alkali Injury." Experimental Eye Research 199 (2020).

Clinical Development Plan

We plan to continue the ongoing Phase I and Phase II trials in China and complete the trials in the third quarter and the fourth quarter of 2021, respectively. We also plan to conduct a Phase I clinical trial to evaluate the systemic pharmacokinetics and safety of ZKY001 for CED patients after endothelial keratoplasty. In addition, we also plan to initiate a Phase III trial in the second half of 2022, and target to submit an NDA to the NMPA for ZKY001 in 2024.

Licensing

In July 2012, Lee's Pharm (HK) entered into a license agreement with RegeneRx for the license of Thymosin β4, which, in effect, grants Lee's Pharm (HK) the right to develop ophthalmic drugs utilizing LQ-7. See "—Collaboration and License Agreements—License of RGN-259." In February 2019, the license agreement with RegeneRx was amended and assigned by Lee's Pharm (HK) to us without any economic change to the agreement.

Material Regulatory Communications

We received IND approval from the NMPA in February 2017. We actively communicated with the CDE and responded to its comments on the purification process in manufacturing, the comparability of the efficacy of ZKY001 and Thymosin β4, and ZKY001's ocular pharmacokinetics.

In June 2020, subsequent to the completion of the first Phase I clinical trial, we consulted CDE for initiating a Phase II clinical trial. According to our correspondence with the CDE, we understood that CDE was of the view that the currently available safety data (including the preclinical studies and the completed Phase I clinical trial) had provided sufficient support to the safety profile of ZKY001 to proceed to a Phase II clinical trial. In terms of pharmacokinetics, in addition to the systemic pharmacokinetics data for healthy subjects collected from the first Phase I clinical trial, CDE also requested us to conduct the second and third Phase I clinical trials to evaluate ZKY001's ocular pharmacokinetics and systemic pharmacokinetics for CED patients, respectively.

Other than the above, we have not had any material regulatory communications for ZKY001. As of the Latest Practicable Date, the NMPA had not raised any objections or material concerns toward our clinical development of the ZKY001, and no material adverse change had occurred with respect to the regulatory review or approval process of this drug candidate.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ZKY001 SUCCESSFULLY

Resolv ER

Resolv ER is an intravitreal injection of liposome-loaded urea for the treatment of vitreomacular traction, or VMT. VMT is caused by vitreomacular adhesion, a condition where the vitreous gel of the eye adheres to the retina in an abnormally strong manner, which, if it progresses, may cause edema within the retina and damages to retinal blood vessels and the optic nerve. Urea, a nitrogenous compound, is able to produce posterior vitreous detachment, thereby disrupting such abnormal adhesion caused by VMT.

Resolv ER is a urea solution encapsulated in liposomes, a type of biodegradable and biocompatible carrier that can provide sustained release for prolonged periods. By using Resolv ER, patients suffering from VMT may avoid invasive surgery and preserve vision.

Our licensing partner, Kato Pharmaceuticals, conducted two clinical trials between 2012 and 2014 which evaluated the efficacy and safety of Resolvine, an earlier formulation of Resolv ER, in treating VMT. In 2018, Kato Pharmaceuticals conducted a Phase IB clinical trial to evaluate the safety and efficacy of Resolv ER in subjects with non-proliferative diabetic retinopathy, or NPDR, and it is currently conducting another larger-scale Phase IB trial to further the evaluation in this respect. As Resolv ER treats NPDR similarly by producing posterior vitreous detachment, the results of these clinical trials for NPDR are also informative for further evaluation of Resolv ER's efficacy on VMT.

We plan to submit an IND in the second quarter of 2021 and initiate a Phase II clinical trial in China in the fourth quarter of 2021 to evaluate the safety and efficacy of Resolv ER in treating VMT. We plan to submit an NDA to the NMPA in 2024. Given Resolv ER's ability to produce posterior vitreous detachment, it may be applied to other indications that can be relieved through the same mechanism of action, such as NPDR. We will further evaluate the medical needs for such indications in the Chinese patient population and may potentially develop Resolv ER for NPDR.

Mechanism of Action

The mechanism of action of Resolv ER is based on the ability of urea to disrupt the abnormal adhesion between the vitreous and the retina, which, if it progresses, may lead to edema within the retina and damages to retinal blood vessels and the optic nerve. Urea, a nitrogenous compound, gently "denatures," or decouples, certain proteins by disrupting hydrogen bonds and subsequently loosening the attachments that stabilize the network, making the vitreous softer without damaging tissue. This softening effect, once the vitreous network structure is disrupted, gradually progresses, producing posterior vitreous detachment.

Market Opportunity and Competition

VMT is caused by vitreomacular adhesion, a condition where the vitreous gel of the eye adheres to the retina in an abnormally strong manner. The traction on the retinal surface can cause edema within the retina and damages to retinal blood vessels and the optic nerve. Damages to the optic nerve further cause disruption in the nerve signals sent to the brain for visual processing, and vision will be distorted as a result.

In China, the number of VMT patients increased from 0.3 million in 2015 to 0.4 million in 2019, and is expected to further increase to 0.5 million in 2030. It is estimated that VMT drug market size in China may reach US$13.0 million in 2030.

As of the Latest Practicable Date, there had been no non-surgical therapies for VMT competing with Resolv ER in China, and there had been only one FDA-approved non-surgical drug in the United States. Other than non-surgical therapies, the only treatment option for patients with VMT was vitrectomy, a surgical separation of the vitreous from the retina. This surgery involves several risks and can lead to complications like bleeding, pain, post-operative inflammation and irritation. Usually, the surgery is only performed after the patient's vision has deteriorated significantly. Therefore, a significant unmet medical need remains for non-surgical treatment of VMT.

Advantages

We believe Resolv ER has the following advantages:

- *Sustained release*. Resolv ER innovatively utilizes liposomes as the delivery carrier. Because the volume of drug that can be delivered to the eye is limited by the size of the organ, and because ophthalmic formulations dissipate relatively quickly once introduced into the vitreous, delivering and maintaining therapeutic doses of drug to the macula and adjacent tissues has been a great challenge for ophthalmic drug development. Resolv ER contains urea that is encapsulated in liposomes for intravitreal injection. Liposome is a promising injectable delivery system for intravitreal administration, as it is a biodegradable and biocompatible carrier that can provide sustained release for prolonged periods. By tailoring the design of the liposome carrier used for Resolv ER, the liposome carrier can release urea to the vitreoretinal interface to cause a total posterior vitreous detachment within the clinically acceptable duration of less than 30 days. By using Resolv ER, patients suffering from VMT may avoid invasive surgery and preserve vision.

- *Safety*. Resolv ER is generally well tolerated among the subjects in clinical trials. The sustained delivery of Resolv ER reduces the need for repeated applications, thereby reducing the risk of patient non-compliance and adverse effects from repeated administrations. Resolv ER also offers a less invasive treatment option compared to surgery, and can potentially be the first non-surgical treatment for VMT in China.

Summary of Clinical Trial Data

Ongoing Phase IB Clinical Trial

In September 2020, Kato Pharmaceuticals initiated a Phase IB clinical trial in Mexico and the trial is currently ongoing. The trial is a multicenter, open-label, dose-escalation study to evaluate the safety and efficacy of intravitreal injection of Resolv ER in subjects with NPDR. This clinical trial was also intended to supplement the Phase IB clinical trial in 2018, during which some subjects experienced decreased visual acuity due to improper storage of the drug as discussed below. The Phase IB trial is expected to be completed in the second quarter of 2021.

Phase IB Clinical Trial in 2018

In 2018, Kato Pharmaceuticals initiated a single-center, open-label, dose-escalation Phase IB clinical trial to evaluate Resolv ER for the treatment of subjects with NPDR. The first patient was treated in May 2018. This clinical trial was also intended to evaluate the formulation upgrade of Resolv ER, which utilized the liposomes delivery system to achieve sustained release. In this trial, there were no treatment-related AE reported in the subjects who received intravitreal injections of the low-dose formulation of Resolv ER. However, subjects who received a high-dose Resolv ER injection experienced decreased visual acuity, which was due to the presence of liposome degradation due to improper storage of the drug. In follow-up visits, visual acuity in these subjects improved as liposomes gradually cleared from the vitreous.

Clinical Trials Before Formulation Upgrade

Kato Pharmaceuticals conducted two clinical trials on Resolvine, a urea-based drug product which was later upgraded to Resolv ER, a new formulation with the liposomes delivery system. Two trials, conducted in Armenia and the United States from 2012 to 2014 with 20 subjects in each trial, assessed the safety and efficacy of urea at different concentrations in treating VMT. In both studies, subjects received intravitreal injection of Resolvine, and no immediate or delayed toxicity was noted up to 180 days post-injection. Follow-up data showed success in the treatment of VMT in 14% of subjects (1 of 7) receiving the low-dose formulation, in 44% of subjects (7 of 16) receiving the mid-dose formulation and in 38% of subjects (5 of 13) receiving the high-dose formulation.

Clinical Development Plan

As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA for Resolv ER. We plan to submit an IND in the second quarter of 2021 and initiate a Phase II clinical trial in China in the fourth quarter of 2021 to evaluate the safety and efficacy of Resolv ER in treating VMT. We plan to submit an NDA to the NMPA in 2024.

Licensing

In September 2016, Zhaoke Pharmaceutical (HK) Limited entered into a license and commercialization agreement with Kato Pharmaceuticals for the license of a group of patent rights for the development, commercialization and exploitation of ophthalmic drug products containing urea or urea derivatives, including, without limitation, Resolv ER, in Greater China and certain countries in Southeast Asia. The agreement was assigned to us without economic change in January 2019. See "—Collaboration and License Agreements—License of Resolv ER." Lee's Pharm Group conducted drug formulation studies before the assignment and incurred insignificant costs.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET RESOLV ER SUCCESSFULLY

IC-270

IC-270 is a fixed-dose combination of IC-265, a Syk tyrosine kinase inhibitor, and an antihistamine agent for the treatment of allergic conjunctivitis. The Syk tyrosine kinase inhibitor of IC-265 reduces redness and inflammation, and the antihistamine agent controls itching. By combining the two components, IC-270 has the potential to be a treatment for allergic conjunctivitis that addresses not only itching but also redness and inflammation associated with allergic conjunctivitis, as current antihistamines do not sufficiently reduce redness or treat inflammation.

We in-licensed IC-270 from IACTA in July 2020, and we are working with IACTA on further formulation development and clinical trial plans for IC-270. We plan to commence a Phase III clinical trial in 2023 and submit an NDA to the NMPA in 2024.

Mechanism of Action

Allergic conjunctivitis occurs when an allergic reaction causes conjunctivitis. Conjunctivitis is an inflammation of the thin layer of tissue that lines the white surface of the eye and the inner surface of the eyelids. IC-270 has two components, the Syk tyrosine kinase inhibitor and antihistamine. The Syk tyrosine kinase inhibitor reduces redness and inflammation by breaking down the vicious inflammatory cycle. See "—IC-265—Mechanism of Action." Antihistamine binds to the histamine receptor to reduce swelling, itching and vasodilation (the widening of blood vessels). By combining Syk kinase tyrosine inhibitor and antihistamine, IC-270 is expected to address not only itching but also redness and inflammation associated with allergic conjunctivitis.

Market Opportunity and Competition

Allergic conjunctivitis is a common eye disease. Seasonal allergic conjunctivitis is the most common allergic disease affecting the eye, with prevalence of approximately 15% to 20% of the population worldwide. According to CIC estimates, the number of allergic conjunctivitis

patients in China grew from 290.9 million in 2015 to 293.7 million in 2019. It is estimated that the number of patients may reach 301.0 million in 2030. The market size of allergic conjunctivitis drugs in China grew from US$33.4 million in 2015 to US$74.3 million in 2019, at a CAGR of 22.2%. It is estimated that allergic conjunctivitis drug market in China may reach US$464.6 million in 2030, at a CAGR of 18.1% from 2019.

The following table sets forth the major marketed allergic conjunctivitis drugs in China:

Top selling drugs for allergic conjunctivitis in China

Mechanism	Compound	Drug name	Formulation	Company	Approval year	Sales in China 2019 (USD mn)	Price in China (USD)
Antihistamine & Mast cell stabilizers	Olopatadine	Patanol	Eye drop	ALCON	2007	~30	~14/5ml
		Zheng Xin	Eye drop	HB.CHUANGJIAN PHA	2008	~6	~13/5ml
	Azelastine	Zhong Sheng	Eye drop	GD. ZHONGSHENG	2009	~12	~6/6ml
		Azep	Eye drop	MYLAN	2009	~2	~7/6ml
Antihistamine	Emedastine	Emadine	Eye drop	ALCON	2007	~13	~5/5ml
Mast cell stabilizers	Pemirolast	Alegysal	Eye drop	SANTEN	2007	~2	~3/5ml

Source: CIC Report

All of the above major marketed drugs for allergic conjunctivitis are either antihistamine, mast cell stabilizers or a combination of the two. Antihistamine is limited in use as it is only recommended for seasonal and perennial allergic conjunctivitis. As for mast cell stabilizers, they are only suitable for interictal periods, namely, the periods when allergic conjunctivitis is inactive. Drugs composed of a combination of the antihistamine and mast cell relieve itching but have limited efficacy in controlling inflammation and redness. As of the Latest Practicable Date, there were no marketed or clinical-stage allergic conjunctivitis drug that is composed of Syk tyrosine kinase inhibitor.

Advantages

- *Efficacy on itching as well as redness and inflammation.* Currently, mainstream primary therapies of allergic conjunctivitis involve the use of anti-allergic therapeutic agents such as antihistamine, mast cell stabilizers and multiple-action anti-allergic agents. Such mainstream therapies are primarily targeted on treating itching, but have limited efficacy in controlling inflammation and redness. As a result, allergic conjunctivitis patients need to take additional drugs for inflammation

and redness. By combining the Syk tyrosine kinase inhibitor and antihistamine, IC-270 has the potential to be a treatment for allergic conjunctivitis that addresses not only itching but also redness and inflammation associated with allergic conjunctivitis.

- *Broad spectrum anti-inflammation effects.* Antihistamines, mast cell stabilizers, or a combination of both primarily treat inflammations at the acute phase of allergic conjunctivitis, but many patients also suffer from persistent, chronic-phase inflammation. Such chronic-phase inflammations requires that a drug product must be effective not only in the treatment of the acute allergic reaction, but also of the more complex chronic inflammatory environment that results from overlapping and continual allergen exposure. The Syk tyrosine kinase inhibitor in IC-270 has broad-spectrum anti-inflammation effects and is expected to address the chronic-phase as well as the acute-phase inflammations.

Summary of Clinical Trial Data

A Phase II clinical trial which evaluated IC-265's safety and efficacy in treating allergic conjunctivitis was completed in February 2018. Results of this trial demonstrated IC-265's efficacy in controlling redness and inflammation, but it did not show efficacy in controlling itching. Details of this clinical trial are set forth below.

To mitigate IC-265's limitation in controlling itching, IACTA developed IC-270, a fixed-dose combination of IC-265 and antihistamine, an ingredient that is effective in controlling itching. We are working with IACTA on further formulation development and clinical trial plans for IC-270.

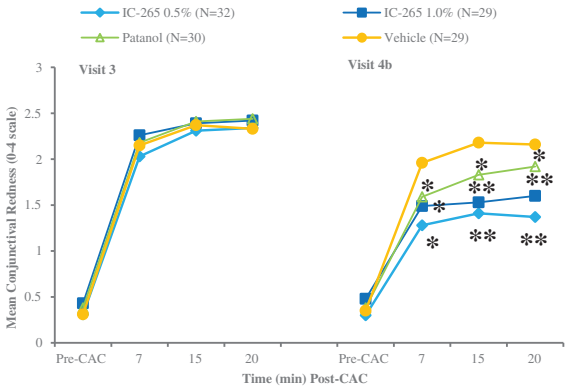
Phase II Clinical Trial of related IC-265 in the United States

Overview. This Phase II clinical trial was a single-center, randomized, double-masked, vehicle and active-controlled, dose-ranging Phase II clinical trial evaluating the efficacy and safety of IC-265 in treating acute and chronic allergic conjunctivitis using the conjunctival allergen challenge, or CAC, model. The CAC model is a standard approach for evaluating drugs' efficacy for allergic conjunctivitis.

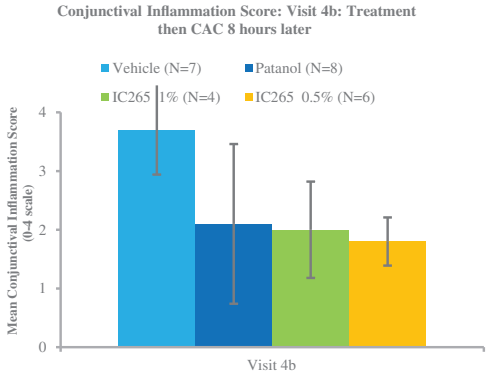
Trial design. The clinical trial was designed to evaluate the efficacy and safety of IC-265 of two concentrations as compared against Patanol and placebo. The primary endpoint was the clinical superiority of IC-265 of any concentration over placebo by at least 0.5 units of a five-point scale for all three post-CAC time points, namely, 5(±1), 7(±1), 10(±1) minutes post-CAC for itching and 7(±1), 15(±1), 20(±1) minutes post-CAC for conjunctival redness, and at least 1 unit for the majority of the post-CAC time points for each endpoint.

Trial status. This trial was initiated in October 2017 and completed in February 2018. A total of 120 subjects were enrolled, who received IC-265 0.5% (n=32), IC-265 1.0% (n=29), Patanol (n=30) and placebo (n=29).

Efficacy data. IC-265 was more effective than Patanol, in reducing redness, and was as effective as Patanol in reducing inflammation when dosed 8 hours prior to the conjunctival allergen challenge. IC-265 did not show efficacy in controlling itching. As efficacy for itching is a primary endpoint for allergic conjunctivitis, IC-265 alone was not chosen to proceed for being developed as an allergic conjunctivitis drug. Instead, IACTA develops IC-270, a combination of IC-265 with an antihistamine agent, which is expected to address itching as well as inflammation and redness. The following graphs illustrate IC-265's efficacy in reducing redness and inflammation as compared against Patanol and placebo.



*: Statistically superior to Vehicle
**: Statistically superior to Patanol and Vehicle



Visit 3: During Visit 3, subjects did not receive any treatment and undertook a CAC, or conjunctival allergen challenge, a conjunctival provocation test that evaluates the efficacy of anti-allergic agents by instilling allergens on the ocular surface. This visit was to evaluate subjects' responses to CAC when no treatment was administered.

Visit 4b: Subjects received first dose of IC-265 during Visit 4a, which was 8 hours before Visit 4b. During Visit 4b, subjects undertook another CAC and their responses after 7 minutes, 15 minutes and 20 minutes were observed and graded on a 0-4 scale (lower score is better).

Source: IACTA

Safety data. IC-265 was safe and well tolerated as dosed in this trial. All treatment-related AEs were mild and no treatment-emergent SAEs occurred.

Clinical Development Plan

As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA for IC-270. We in-licensed IC-270 from IACTA in July 2020. We are working with IACTA on further formulation development and clinical trial plans for IC-270. We plan to commence our Phase III clinical trial in 2023 and submit an NDA to the NMPA in 2024.

Licensing

See "—Collaboration and License Agreements—License of IC-265 and IC-270."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET IC-270 SUCCESSFULLY

ZK002

ZK002 has shown effect of anti-angiogenesis and anti-inflammation demonstrated in preclinical studies, and therefore is an ideal drug candidate for pterygium, in which vascular angiogenesis and inflammation play prominent roles. We plan to submit an IND application to the NMPA for pterygium in the second half of 2022 and for DME in 2023, respectively.

Mechanism of Action

Studies have shown that inflammation and vascular angiogenesis with the involvement of several chemokines and cytokines (*e.g.*, VEGF) play prominent roles in the development and pathological process of pterygium. ZK002 has dual mechanism of action of anti-permeability/anti-angiogenesis and anti-inflammatory, therefore is an ideal drug candidate for treatment of pterygium. See "—Our DME Drug Pipeline—ZK002—Mechanism of Action" for details.

Preclinical Studies

See "—Our DME Drug Pipeline—ZK002—Preclinical Studies" for details.

Market Opportunity and Competition

Pterygium is a wing-shaped fibrovascular proliferation of the conjunctiva that grows across the cornea. It is a common inflammatory and degenerative ocular surface disease with worldwide prevalence. Pterygium is believed to be associated with corneal and conjunctival microtrauma from exposure to sunlight and/or dust. According to CIC, in China, the number of pterygium patients increased from 40.3 million in 2015 to 45.0 million in 2019, and is forecast to increase to 58.2 million by 2030. Pterygium needs treatment if the fibrovascular proliferation involves threats to the visual axis, leading to vision loss from astigmatism, restricting eye movement or causing atypical appearance. In addition, pterygium can be a concern to patients because of the increasing size of fibrovascular proliferation, associated irritations and cosmetic damages (*e.g.*, the abnormal appearance it confers upon the eye). However, current treatment options for pterygium are very limited. Medications such as artificial tears and lubricants and steroids could be used when the pterygium does not affect vision. When it starts threat the vision, surgery is the only way to remove the pterygium. However, there still exist a postsurgical recurrence rate of 10% to 20%. As of the Latest Practicable Date, there was no approved drug or drug candidate registered with the NMPA indicated for pterygium in China.

Currently, there is no drug approved to market or under clinical development in China. We are developing ZK002 for the pterygium indication in addition to the DME indication, which is the potential groundbreaking first pterygium drug in China. In addition, we plan to formulate ZK002 in eye drop formulation for this ocular surface disease, which could be directly applied to the eye with great convenience. As compared to surgery treatment for pterygium, ZK002 is expected to significantly lower the treatment hurdle and provide greater convenience to patients.

Clinical Development Plan

We plan to submit an IND application to the NMPA for pterygium in the second half of 2022 and for DME in 2023, respectively. As a clinical trial for pterygium only needs approximate one month to be completed, as compared to 10 months to one year for DME, we plan to conduct a Phase I clinical trial for pterygium first under a fast-to-market and cost-effective approach. After the safety and preliminary efficacy are verified in the pterygium trial, we will then initiate the clinical trials for DME. See "—Our DME Drug Pipeline—ZK002—Clinical Development Plan."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ZK002 SUCCESSFULLY

NTC010

NTC010 is an eye drop indicated for the prevention and treatment of inflammation and infection associated with cataract surgery. It is a fixed combination of levofloxacin, a quinolone antibiotic with a broad spectrum of action, at 0.5% concentration and dexamethasone, a corticosteroid anti-inflammatory agent, at 0.1% concentration. NTC010 is designed as a one-week treatment, which limits the development of antibiotic resistance as compared to other steroid/antibiotic combinations, which must be administered for longer periods.

NTC010 was launched in six countries of the EU as of February 2021, with further launches expected across Europe in the coming months. According to CIC, NTC010 is the first product available in the EU to combine a quinolone antibiotic with an anti-inflammatory steroid in eye drops.

We entered into a license and supply agreement with NTC in February 2021 and obtained an exclusive license and distribution right to distribute and sell NTC010 in the PRC. See "—Collaboration and License Agreements—License of NTC010."

We plan to submit an IND in the second quarter of 2021 and plan to apply for a waiver for clinical trials in China, given that NTC010 has been approved and launched in certain countries of the EU. If the clinical trial waiver is granted, the IND application will automatically be under NDA review.

Mechanism of Action

NTC010 is a fixed combination of levofloxacin 0.5% and dexamethasone 0.1%. Levofloxacin is a quinolone antibiotic with a broad spectrum of action and confirmed activity on both Gram+ and Gram- bacteria, which are most frequently responsible for post-surgical eye infections. Levofloxacin may only lead to limited antibiotic resistance, which makes its use more appropriate when compared to other antibiotics in fixed combination with steroids in post cataract surgery. Dexamethasone is a commonly used corticosteroid and an anti-inflammatory agent.

Market Opportunity and Competition

According to CIC, approximately 4.7 million cataract surgeries were performed in 2020 in China, and a large number of Chinese patients may develop postoperative inflammation and infection as a result of cataract surgery. The current standard of care in China for treating post-cataract surgery inflammation and infection is primarily use of anti-inflammatory and antibiotic agents. Further, cataract surgery patients are often elderly and can have compromised cognitive function, osteoarthritis in their hands and poor eyesight due to the cataract surgery. These complexities can lead to poor compliance by, for example, failing to administer eye drops according to the prescribed schedule, attempting to administer but failing to direct eye drops into the eye, or not finishing the treatment regimen. The following table sets forth a comparison of major steroid/antibiotic combination eye drops marketed in China:

Generic name	Representative Products		Number of other manufacturers	Earliest NMPA approval date	NRDL inclusion
	Product name	Manufacturer			
Steroid/antibiotic combination					
Dexamethasone/Tobramycin	Tobradex	Alcon	8	2001	√
Dexamethasone/Neomycin	Fredex	Bausch Health	6	2002	×
Loteprednol/Tobramycin	Loteprednol Etabonate	Bausch Health	0	2012	×
Fluoroethylenes/Gentamicin	Di Li Shu	Tianjin Kingyork	0	2005	√

Source: CIC Report

Advantages

- *Combination of a broad-spectrum antibiotic with a highly effective corticosteroid.* NTC010 combines levofloxacin, a quinolone antibiotic with a broad spectrum of action and confirmed activity on both Gram+ and Gram- bacteria, which are most frequently responsible for post-surgical eye infections, with dexamethasone, a commonly used corticosteroid and a potent anti-inflammatory agent. The combination of both ingredients allows NTC010 to have stronger efficacy and its administration period can be reduced to one week. See below for details.

- *One-week administration period reduces risk of antibiotic resistance.* NTC010 differentiates itself from other steroid/antibiotic combinations by its significantly shorter one-week administration period. According to CIC, NTC010 is currently the only steroid/antibiotic combination that has demonstrated sufficiency in preventing and treating post-cataract surgical inflammations and infections through a one-week administration. See "—Summary of Clinical Trial Data—Clinical Trial Comparing NTC010 and Tobramycin/Dexamethasone Combination, or LEADER 7 Study" below. Given such shorter administration period, NTC010 reduces patients' antibiotic exposure and therefore limits the development of antibiotic resistance. In addition, such shorter treatment period is expected to enhance patients' compliance, as compared to those with longer treatment periods and more complicated regimens.

Summary of Clinical Trial Data

In 2018, NTC completed a Phase II clinical trial and a Phase III clinical trial for NTC010. The Phase II clinical trial, or iPERME study, evaluated the penetration of levofloxacin and dexamethasone when administered in combination or separately. The Phase III clinical trial, or LEADER 7 study, evaluated the noninferiority of NTC010 as compared with tobramycin/dexamethasone combination, which is the current standard treatment.

Phase III Clinical Trial Comparing NTC010 and Tobramycin/Dexamethasone Combination, or LEADER 7 Study (NCT03739528)

Overview. This Phase III clinical trial was a multicenter, randomized, blinded-assessor, parallel study to evaluate the noninferiority in preventing and treating postoperative ocular inflammation and prevention of infection of a one-week administration of levofloxacin/dexamethasone fixed-dose combination, followed by a one-week administration of dexamethasone alone, versus a two-week administration of tobramycin/dexamethasone combination, which is the current standard treatment. This clinical trial also evaluated the safety of NTC010.

Trial design. The treatment group would receive NTC010 four times a day for seven days, followed by dexamethasone ophthalmic suspension four times a day for an additional seven days. The control group would receive tobramycin-dexamethasone ophthalmic suspension four times a day for 14 days. The primary endpoint for this study was the number of participants without signs of anterior chamber inflammation on day 15. The secondary endpoints included the number of participants with endophthalmitis, or the inflammation of the interior cavity of the eye, on day 4, 8 and 15. This clinical trial also evaluated the safety of NTC010.

Trial status. A total of 808 patients were enrolled in 53 centers in Italy, Germany, Spain and Russia. The trial started in September 2018 and was completed in December 2018.

Efficacy results. This study confirmed noninferiority of the one-week treatment of NTC010, followed by a one-week dexamethasone alone, as compared against the two-week treatment of tobramycin/dexamethasone combination. In particular, 95.2% patients in the treatment group and 94.9% patients in the control group had no signs of inflammation in the anterior chamber, respectively. No case of endophthalmitis was reported. No statistically significant difference was evident in any of the other secondary endpoints.

Safety results. Both treatments were well tolerated.

Phase II Clinical Trial on Aqueous Humor Concentration, or iPERME Study (NCT03740659)

Between September and December 2018, NTC conducted a Phase II clinical trial on aqueous humor concentration, or iPERME study, to evaluate the penetration of levofloxacin and dexamethasone when administered in combination or separately. A total of 125 subjects were randomized into three groups, and received combination of levofloxacin 5 mg/ml and dexamethasone 1.32 mg/ml, levofloxacin 5 mg/ml only and dexamethasone 1.5 mg/ml only, respectively.

The study demonstrated that administering levofloxacin in combination with dexamethasone does not materially affect its ability to penetrate into aqueous humor. Specifically, only a minimal difference in concentration of levofloxacin was found between the levofloxacin/dexamethasone group and the levofloxacin group, which were both well above the minimum effective concentration for Gram+ and Gram- bacteria. The concentration of dexamethasone was slightly lower in the levofloxacin/dexamethasone group than the dexamethasone group, but was still above the minimum effective concentration.

Development Plan

As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA for NTC010. We plan to submit an IND in the second quarter of 2021 and plan to apply for a waiver for clinical trials in China, given that NTC010 has been approved and launched in certain countries of the EU. If the clinical trial waiver is granted, the IND application will be automatically under NDA review.

Licensing

We entered into a license and supply agreement with NTC in February 2021 and obtained an exclusive license and distribution right to distribute and sell NTC010 in the PRC. See "—Collaboration and License Agreements—License of NTC010."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET NTC010 SUCCESSFULLY

NTC014

NTC014 is an eye drop under development for the indication of moderate-to-severe bacterial conjunctivitis. It is an innovative fixed combination of levofloxacin 0.5% and ketorolac trometamol 0.5%. We obtained an exclusive license and distribution rights of NTC014 through a license and supply agreement with NTC in December 2020. We were granted an exclusive license to develop and commercialize NTC014 in Greater China, South Korea and certain Southeast Asian countries. See "—Collaboration and License Agreements—License of NTC014."

Levofloxacin is a quinolone antibiotic highly effective on the pathogenic bacteria that most frequently cause eye infections. Ketorolac trometamol is a nonsteroidal anti-inflammatory drug, or NSAID, which effectively controls bacterial conjunctivitis symptoms, such as pain, itching, tearing, redness, hyperemia and secretion. For conjunctivitis patients with intense symptoms, the treatment with antibiotic alone usually cannot provide rapid relieves. By combining an antibiotic and an anti-inflammatory drug, patients are expected to receive a faster relief. See "Industry Overview—Bacterial Conjunctivitis" for market opportunities and competition for bacterial conjunctivitis drugs.

Given that levofloxacin and ketorolac trometamol are commonly used active ingredients, NTC plans to skip Phase I clinical trials and commence a Phase II clinical trial in the first quarter of 2021 to compare the efficacy of NTC014 against levofloxacin alone. We plan to submit an IND in the third quarter of 2021 and expect to obtain the clinical trial approval for a Phase II clinical trial in China in the fourth quarter of 2021. We target to submit an NDA in 2023. As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA for NTC014.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET NTC014 SUCCESSFULLY

Our Pipeline of Generic Drugs

As of the Latest Practicable Date, our pipeline of generic drugs included 12 drug candidates, among which 7 were indicated for glaucoma, 2 were indicated for other ophthalmic diseases and 3 were indicated for ophthalmic surgery and diagnostic therapies.

Among the 12 drug candidates, 10 candidates were initially developed by Lee's Pharm Group and one candidate was initially acquired by Lee's Pharm Group and then subsequently assigned to us in 2019. For the 10 candidates which were initially developed by Lee's Pharm Group (including bimatoprost, bimatoprost timolol, latanoprost, latanoprost timolol, travaprost, travaprost timolol, epinastine HCl, proparacaine HCl, povidone iodine and fluorescein sodium), Lee's Pharm Group's research and development work primarily included

comparability studies, prescription and formulation research, scale-up production research, product quality and stability research. Lee's Pharm Group incurred research and development expenses of approximately RMB3.7 million, RMB1.1 million, RMB2.4 million and RMB1.7 million for bimatoprost (and bimatoprost timolol), latanoprost timolol, epinastine HCl and proparacaine HCl, respectively. Lee's Pharm Group incurred insignificant costs for the other five drug candidates. For the candidate which was initially acquired by Lee's Pharm Group, levobetaxolol HCl, Lee's Pharm Group had initiated a Phase III clinical trial before the assignment. As of the date of the assignment, ten subjects had been enrolled and Lee's Pharm Group had incurred research and development expenses of approximately RMB10.5 million. See "Levobetaxolol Hydrochloride ("HCl")—Comparability Studies and Clinical Trial."

Our Glaucoma Drug Pipeline

Glaucoma and Its Market Opportunity

Glaucoma is a chronic and progressive disease associated with high intraocular pressure, or IOP, resulting in optic nerve damage. The IOP is determined by the balance of fluid production versus fluid drainage in the eye. According to CIC, glaucoma is the second largest cause of blindness worldwide, about 25% to 30% of glaucoma patients progress to blindness within 20 years in at least one eye. According to CIC, the prevalence of glaucoma in China is forecast to increase from 15.3 million in 2019 to 20.0 million in 2030, driven by the accelerating aging population. According to the same source, China's diagnosis rate of glaucoma was only 20.0% in 2019, significantly lower than that of 78.2% in the United States, however, such rate is expected to grow rapidly to 60.6% in 2030, indicating a significant growth potential for the overall glaucoma market. Accordingly, the market size of glaucoma drugs in China is expected to rapidly grow from US$162.7 million in 2019 to US$2.0 billion in 2030, representing a CAGR of 25.4%.

Glaucoma can be primarily divided into two types, open-angle glaucoma and angle-closure glaucoma, based on whether the anterior chamber angle, which is where the majority of ocular fluid outflow, is open or closed. In contrast to angle-closure glaucoma where patients experience obvious signs and symptoms, individuals with open-angle glaucoma rarely experience symptoms. Thus, open-angle glaucoma is poorly diagnosed and generally detected incidentally during comprehensive ophthalmic examination or at a relatively late stage where the risk of irreversible visual loss is high. Among the 15.3 million patients with glaucoma in China in 2019, the ratio between open-angle glaucoma and angle-closure glaucoma is approximately 40% versus 60%.

The overarching principle in many glaucoma treatment guidelines is to reduce IOP to a target level, and accordingly, exploit the following paths.

- For open-angle glaucoma, prostaglandin analogs, or PGAs, and β blockers are usually considered the first-line therapies in China. PGAs generally work by increasing aqueous humor outflows through the trabecula or uveoscleral outflow pathway. β blockers generally work by decreasing aqueous humor production. And

other non-PGA drug classes include alpha agonists and carbonic anhydrase inhibitors. Where a PGA monotherapy is insufficient to control IOP, non-PGA drugs are used either as alternative monotherapies or add-on combination therapies. For example, a fixed-dose combination therapy of PGA and β blocker is often used as an alternative therapy in patients with open-angle glaucoma who have failed to achieve target IOP by using a PGA monotherapy. Such PGA and β blocker combination generally works by enhancing the aqueous flow while reducing the aqueous production at the same time. Compared with PGA or β blocker monotherapies, fixed-dose combination eye drops could inevitably limit patient's customized dosage and administration regimens, leading to potential over-treatment. Under medical guidelines, the PGA monotherapy eye drops are recommended as first-line therapy, fixed-combination eye drops are only used in patients with progression or who have failed to achieve target IOP after receiving monotherapy drugs. On the other hand, fixed-dose combination eye drops offer more convenience and enhance patient compliance, lower the washout effect resulting from subsequent instillation, and have less ocular surface exposure and toxicity than multiple medication regiment.

- For angle-closure glaucoma, in particular, acute angle-closure glaucoma, non-drug therapies including laser treatment and surgery are mainstream treatments. β blocker monotherapies are also used to lower IOP for angle-closure glaucoma after glaucoma surgery. Similarly, patients with angle-closure glaucoma may also change to other drug treatments, such as agonists and other β blocker eye drops if current β blocker eye drop is insufficient to control IOP after using for a prolonged period.

The following table sets forth a comparison of top-selling monotherapies of PGAs and β blockers and fixed-dose combination drugs for glaucoma in China:

Top selling individual component drugs for glaucoma in China

Treatment	Name	Component	Company	First approval year	Approval year in China	Dosage	Preservative	Price (USD)	China sales, 2019 (mn USD)	Market Share in China, 2019
PGA	Travatan	Travoprost	Alcon	2001	2004	Once daily	✓	~31/2.5ml	~30	~15-20%
	Xalatan	Latanoprost	Pfizer	1996	1999	Once daily	✓	~31/2.5ml	~15	~10%
	Lumigan	Bimatoprost	Allergan	2001	2005	Once daily	✓	~24/3ml	~4	~2.5%
β blocker	/	Timolol Maleate	Wujing	2006	2006	1-2x daily	✓	~3/5ml	~8	~5%

Top selling fixed combination drugs for glaucoma in China

Treatment	Name	Component	Company	First approval year	Approval year in China	Dosage	Preservative	Price (USD)	China sales, 2019 (mn USD)	Market Share in China, 2019
PGA + β blocker	Xalacom	Latanoprost + Timolol	Pfizer	2001	2008	Once daily	✓	~33/2.5ml	~3	~2%
	DuoTrav	Travoprost + Timolol	Alcon	2006	2014	Once daily	✓	~45/2ml	<1	<1%
	Ganfort	Bimatoprost + Timolol	Allergan	2006	2013	Once daily	✓	~54/3ml	~2	~1-2%

Source: CIC Report

Glaucoma is a fundamental condition encountered in a wide spectrum of ophthalmic disorders and, in the majority of cases, a lifelong disease that typically cannot be managed by any single therapy over time and requires multiple combinations of drugs with different mechanisms of action. According to CIC, it is common for glaucoma patients to prescribe multiple glaucoma medications if one monotherapy fails to fully achieve expected treatment effects. In this situation, fixed-dose combination eye drops have potential benefits and would not increase patients' medication burden if multiple medications are needed in the first place.

In light of the characteristics of this disease, we are developing a comprehensive glaucoma franchise of seven drug candidates, including three PGAs, one β blocker, and three fixed-dose combination eye drops, which covers both IOP-lowering mechanisms (namely, increased fluid outflow and/or decrease fluid production) and both forms of open-angle and angle-closure glaucoma. We believe our menu of products will help us serve a broad glaucoma patient population in China, as physicians can choose the drugs most suitable to their patients based on individual factors. These factors may include stage of the disease (acute, subacute or chronic), severity, safety-benefit considerations and other individual variables related to cost, convenience and compliance. In addition, given the chronicity and the continued requirement for refills, we are developing a glaucoma product portfolio to fulfill the evolving needs of modern supply chain accessing to generics.

Bimatoprost

Bimatoprost is a PGA monotherapy eye drop that is used to treat open-angle glaucoma and ocular hypertension. According to CIC, bimatoprost is one of the most frequently prescribed PGAs for open-angle glaucoma in China. We are developing our bimatoprost eye drop as a generic to Lumigan, which was developed by Allergan. Our bimatoprost eye drop is potential first-to-market generic in China targeting glaucoma and potentially the only bimatoprost eye drop without any preservatives. Compared to available competing drugs, we believe our bimatoprost eye drop has the following advantages:

- *Preservative-free*. Our bimatoprost eye drop has a better safety profile because it does not contain preservatives and therefore is expected to reduce adverse drug reactions, such as eye irritation and hyperemia.

- *Single-dose packaging*. Our bimatoprost eye drop uses a single-dose packaging which can effectively lower the risk of contamination. A single-dose packaging is also easier for patients' self-administration and is more convenient to carry, which is expected to improve compliance.

Background of Reference Drug

Lumigan was developed by Allergan for the reduction of elevated IOP in patients with open-angle glaucoma or ocular hypertension. It was initially approved by the FDA in 2001 and was approved by NMPA for commercial sales in China in 2005. In 2019, the global sales of Lumigan amounted to US$520 million and the sales of Lumigan in China amounted to US$4 million according to CIC. Additionally, in 2019, the global sales of bimatoprost amounted to US$1 billion, according to CIC.

Comparability Studies

We are only required to conduct comparability and safety studies for our bimatoprost eye drop as required for Class 4 generic drug, which refers to domestic drugs that imitate innovative drugs that have been marketed within China. We have conducted substantial research and development work for our bimatoprost eye drop and carried out reference drug analysis, prescription and formulation research, scale-up production research, product quality research and stability research in-house. In addition, we also engaged CROs to conduct filter compatibility study, packaging material compatibility research and safety analysis. The completed studies established the comparability of our bimatoprost eye drop to Lumigan in terms of safety and quality. As of the Latest Practicable Date, no regulatory objection or material concern towards our abbreviated NDA submission had been raised, and no material adverse change had occurred with respect to the regulatory review or approval process of this drug candidate.

Development and Marketing Plan

We submitted an abbreviated NDA to the NMPA for our bimatoprost eye drop in August 2019. We expect to receive approval in the fourth quarter of 2021 and plan to manufacture the product in-house after regulatory approval.

For the commercialization of our bimatoprost eye drop after regulatory approval, we plan to focus on differentiating our drug with competing drugs in terms of its preservative-free and single-dose packaging advantages. We plan to set the price of our bimatoprost eye drop by considering the pricing of Lumigan and other originator drugs. We also plan to establish a strong brand in the glaucoma field and strengthen our connections with ophthalmologists through diversified marketing activities, such as sponsoring glaucoma-related national and regional conferences. For details, see "—Commercialization."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET BIMATOPROST EYE DROP SUCCESSFULLY

Bimatoprost Timolol

Bimatoprost timolol is a combination PGA and β blocker eye drop to lower IOP. For details of bimatoprost, see "—Bimatoprost." Timolol is a nonselective β-adrenergic blocking agent to lower IOP in both open-angle glaucoma and angle-closure glaucoma. Bimatoprost timolol eye drop is an alternative therapy for resistant open-angle glaucoma. It has a dual mechanism of action, which can help achieve target IOP for patients who do not respond sufficiently to eye drops containing just PGAs or β blockers. We are developing our bimatoprost timolol eye drop as a generic to Ganfort. Our bimatoprost timolol eye drop is potential first-to-market generic bimatoprost timolol in China targeting glaucoma. Compared to Ganfort, our bimatoprost timolol is a preservative-free eye drop using a single-dose packaging, which is expected to reduce adverse drug reactions and effectively lower the risk of contamination.

Background of Reference Drug

Ganfort was developed by Allergan to reduce IOP in patients with open-angle glaucoma or ocular hypertension who are insufficiently responsive to other PGAs or typical β blockers. It initially was approved by EMEA in 2006 and was approved by NMPA for commercial sales in China in 2013. In 2019, the global sales of Ganfort amounted to US$100 million and the sales of Ganfort in China amounted to US$2 million, according to CIC. Additionally, in 2019, the global sales of bimatoprost timolol amounted to US$200 million, according to CIC.

Comparability Studies

We are only required to conduct comparability and safety studies for our bimatoprost timolol eye drop as required for Class 4 generic drug. We have conducted substantial R&D work for our bimatoprost timolol eye drop and carried out reference drug analysis, prescription and formulation research, scale-up production research, product quality research and stability research in-house. We engaged CROs for filter compatibility study, packaging material compatibility research and safety analysis. The completed studies indicated that the comparability of our bimatoprost timolol to Ganfort in terms of safety and quality. As of the Latest Practicable Date, no regulatory objection or material concern towards our abbreviated NDA submission had been raised, and no material adverse change had occurred with respect to the regulatory review or approval process of this drug candidate.

Development Plan

We submitted an abbreviated NDA to the NMPA for our bimatoprost timolol eye drop in October 2020. We expect to receive approval in the first half of 2022 and plan to manufacture the product in-house after regulatory approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET BIMATOPROST TIMOLOL EYE DROP SUCCESSFULLY

Latanoprost

Latanoprost is a PGA monotherapy eye drop that is used to treat open-angle glaucoma and ocular hypertension. According to CIC, latanoprost is one of the most frequently prescribed PGAs for open-angle glaucoma in China. We are developing our latanoprost eye drop as a generic to Xalatan, which was developed by Pfizer.

Background of Reference Drug

Xalatan was developed by Pfizer for the reduction of elevated IOP in patients with open-angle glaucoma or ocular hypertension. It was initially approved by the FDA in 1996 and was approved by NMPA for commercial sales in China in 1999. In 2019, the global sales of Xalatan amounted to US$230 million and the sales of Xalatan in China amounted to US$15 million. In 2019, Xalatan had the second-largest market share of approximately 10% among the overall glaucoma drug market in China. Additionally, in 2019, the global sales of latanoprost amounted to US$700 million, according to CIC.

Comparability Studies

We are only required to conduct comparability and safety studies for our latanoprost eye drop as required for Class 4 generic drug. We are currently conducting the comparability studies in terms of safety and quality. We plan to carry out the reference drug analysis, formulation research and small-scale production research in-house. We plan to engage CROs for filter compatibility study, packaging material compatibility research and safety study. As of the Latest Practicable Date, we had no material communication with regulatory authorities.

Development Plan

We plan to submit an abbreviated NDA to the NMPA for our latanoprost eye drop in the first half of 2022. We expect to receive approval in 2023 and plan to manufacture the product in-house after regulatory approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET LATANOPROST EYE DROP SUCCESSFULLY

Latanoprost Timolol

Latanoprost timolol is a combination PGA and β blocker eye drop to lower IOP. For details of latanoprost and timolol, see "—Latanoprost" and "—Bimatoprost Timolol." Latanoprost timolol eye drop is an alternative therapy for resistant open-angle glaucoma. It has a dual mechanism of action, which can help achieve target IOP for patients who do not respond sufficiently to eye drops containing only PGAs or β blockers. We are developing our latanoprost timolol eye drop as a generic to Xalacom, which was developed by Pfizer.

Background of Reference Drug

Xalacom was developed by Pfizer to reduce IOP in patients with open-angle glaucoma or ocular hypertension. It initially was approved by the EMEA in 2001 and was approved by NMPA for commercial sales in China in 2008. In 2019, the global sales of Xalacom amounted to US$95 million and sales of Xalacom in China amounted to US$3 million, according to CIC. Additionally, in 2019, the global sales of latanoprost timolol amounted to US$140 million, according to CIC.

Comparability Studies

We are only required to conduct comparability and safety studies for our latanoprost timolol eye drop as required for Class 4 generic drug. We are currently conducting the comparability studies in terms of safety and quality and are carrying out reference drug analysis and small-scale production research in-house. As of the Latest Practicable Date, we had had no material communication with regulatory authorities.

Development Plan

We plan to submit an abbreviated NDA to the NMPA for our latanoprost timolol eye drop in the first half of 2022. We expect to receive approval in 2024 and plan to manufacture the product in-house after regulatory approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET LATANOPROST TIMOLOL EYE DROP SUCCESSFULLY

Travoprost

Travoprost is a PGA monotherapy eye drop that is used to treat open-angle glaucoma and ocular hypertension. According to CIC, travoprost is the most frequently prescribed PGAs for open-angle glaucoma in China. When compared with fixed combinations of latanoprost and timolol, travoprost alone can reduce mean IOP in a similar or superior manner. In addition, the long duration of action of travoprost can also provide better control of IOP fluctuation, due to its stronger prostaglandin F receptor mechanism. We are developing our travoprost eye drop as a generic to Travatan, which was developed by Alcon.

Background of Reference Drug

Travatan was developed by Alcon to reduce IOP in patients with open-angle glaucoma or ocular hypertension. It was initially approved by the FDA in 2001 and was approved by NMPA for commercial sales in China in 2004. Accordingly to CIC, in 2019, the global sales of Travatan amounted to US$410 million and sales of Travatan in China amounted to US$30 million. In 2019, Travatan had the largest market share of approximately 20% among the overall glaucoma drug market in China. Additionally, in 2019, the global sales of travoprost amounted to US$650 million, according to CIC.

Comparability Studies

We are only required to conduct comparability and safety studies for our travoprost eye drop as required for Class 4 generic drug. We are currently conducting the comparability studies in terms of safety and quality. We have completed reference drug analysis, formulation research, and small-scale production research in-house and are currently carrying out studies related to analytical method validation and process optimization. We plan to engage CROs for filter compatibility study, packaging material compatibility research and safety analysis. As of the Latest Practicable Date, we had had no material communication with regulatory authorities.

Development Plan

We plan to submit an abbreviated NDA to the NMPA for our travoprost eye drop in the first half of 2022. We expect to receive approval in 2023 and plan to manufacture the product in-house after regulatory approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TRAVOPROST EYE DROP SUCCESSFULLY

Travoprost Timolol

Travoprost timolol is a combination PGA and β blocker eye drop to lower IOP. For details of travoprost and timolol, see "—Travoprost" and "—Bimatoprost Timolol." Travoprost timolol eye drop is an alternative therapy for resistant open-angle glaucoma. It has a dual mechanism of action, which can help achieve target IOP for patients who do not respond sufficiently to eye drops containing only PGAs or β blockers. We are developing our travoprost timolol eye drop as a generic to DuoTrav, which was developed by Alcon. Our travoprost timolol eye drop is potential first-to-market generic travoprost timolol in China targeting glaucoma.

Background of Reference Drug

DuoTrav was developed by Alcon to reduce IOP in patients with open-angle glaucoma or ocular hypertension who are insufficiently responsive to other PGAs or typical β blockers. It was initially approved by the EMA in April 2006 and was approved by the NMPA for commercial sales in China in 2014. Accordingly to CIC, in 2019, the global sales of DuoTrav amounted to US$95 million and the sales of DuoTrav in China amounted to US$1 million. Additionally, in 2019, the global sales of travoprost timolol amounted to US$150 million, according to CIC.

Comparability Studies

We are only required to conduct comparability and safety studies for our travoprost timolol eye drop as required for Class 4 generic drug. We are currently in the process of initiating the comparability studies in terms of safety and quality. We plan to engage CROs for filter compatibility study, packaging material compatibility research and safety analysis. As of the Latest Practicable Date, we had no material communication with regulatory authorities.

Development Plan

We plan to submit an abbreviated NDA to the NMPA for our travoprost timolol eye drop in the second half of 2022. We expect to receive approval in 2024 and plan to manufacture the product in-house after regulatory approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TRAVOPROST TIMOLOL EYE DROP SUCCESSFULLY

Levobetaxolol Hydrochloride ("HCl")

Levobetaxolol HCl is a monotherapy β blocker eye drop that is used to lower the pressure in the eye. We are developing levobetaxolol HCl as a generic to Betaxon. Our levobetaxolol HCl eye drop is potential first-to-market generic levobetaxolol hydrochloride in China targeting glaucoma.

Background of Reference Drug

Betaxon was developed by Alcon for lowering IOP in patients with chronic open-angle glaucoma or angle-closure glaucoma. It was initially approved by the FDA in February 2000, but discontinued in 2010. Betaxon has not been approved in China. Accordingly to CIC, in 2019, the global sales of Betaxon amounted to US$0.2 million.

Comparability Studies and Clinical Trial

In addition to comparability and safety studies for our levobetaxolol HCl as required for Class 3 generic drug, which refers to domestic drugs that imitate innovative drugs that have been marketed outside of China but not yet within China. We are also required to complete a Phase III clinical trial for such drug candidates due to the previous regulatory pathway under the current Provisions for Drug Registration. In April 2019, after the assignment from Lee's Pharm Hefei, we engaged Lee's Pharm Hefei as a CRO to conduct a Phase III clinical for levobetaxolol HCl in accordance with the requirements of clinical trial permission. The levobetaxolol HCl Phase III clinical trial is a randomized, open, positive drug parallel controlled, multi-center, superior effect trial design to evaluate the safety and efficacy of levobetaxolol HCl for the treatment of glaucoma and ocular hypertension. We plan to enroll 366 subjects and randomize them in a 1:1 ratio between the levobetaxolol HCl group and the Betaxon group. This trial was initiated in 2018 and is scheduled to be completed in December 2021. We had enrolled 355 subjects as of the Latest Practical Date. As of the Latest Practicable Date, no material adverse change had occurred with respect to the regulatory review or approval process of this drug candidate. As of the Latest Practicable Date, we had had no material communication with regulatory authorities.

Development Plan

We plan to submit an abbreviated NDA to the NMPA for our levobetaxolol HCl eye drop in the first half of 2022. We expect to receive approval in 2023 and plan to manufacture the product in-house after regulatory approval.

Technology Transfer

In November 2014, Lee's Pharm Hefei entered into a levobetaxolol HCl technology transfer agreement with Boji Biomedicals. In April 2019, the agreement was amended and assigned by Lee's Pharm Hefei to us without any economic change to the agreement. Thereafter, we are entitled to all technologies related to levobetaxolol HCl suspension eye drop. See "—Collaboration and License Agreements—Technology Transfer of Levobetaxolol HCl."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET LEVOBETAXOLOL HCl EYE DROP SUCCESSFULLY

Our Other Diseases Drug Pipeline

Epinastine HCl

Epinastine HCl is an epinastine eye drop for the treatment of allergic conjunctivitis. Epinastine HCl is a candidate with a dual mechanism of action of anti-histamine and mast cell stabilization. It is the first-line therapy for allergic conjunctivitis in China, especially for acute patients. We are developing epinastine HCl as a generic to Elestat, which was developed by Allergan. Our epinastine HCl eye drop is a potential first-to-market generic in China.

Background of Reference Drug

Elestat was developed by Allergan for the treatment of allergic conjunctivitis. It was initially approved by the FDA in 2003. Elestat has not been approved in China. In 2019, the global sales of Elestat amounted to approximately US$8 million, according to CIC.

Mechanism of Action

Histamine and its receptors (H1 receptor to H4 receptor) play a crucial role in the development of various allergic diseases. Mast cells are the major producer of histamine in the body. Epinastine is a topically active, direct H1 receptor blocking agent and an inhibitor of the release of histamine from the mast cell. It also has affinity for the histamine H2 receptor. As a result, epinastine has a multi-action effect that inhibits the allergic response through (i) stabilizing mast cells by preventing mast cell degranulation to control the allergic response; (ii) preventing histamine binding to both the H1 and H2 receptors to stop itching and provide lasting protection and (iii) preventing the release of proinflammatory chemical mediators from the blood vessel to halt progression of the allergic response.

Comparability Studies

We are only required to conduct comparability and safety studies for our epinastine HCl as required for Class 3 generic drug. We engaged CROs and CMCs for comparability studies, which mainly included reference drug analysis, prescription and formulation research, scale-up production research, product quality research, stability research, filter compatibility study, packaging material compatibility research and safety analysis. The completed studies indicated that the comparability of our epinastine HCl to Elestat in terms safety and quality. As of the Latest Practicable Date, no regulatory objection or material concern towards our abbreviated NDA submission had been raised, and no material adverse change had occurred with respect to the regulatory review or approval process of this drug candidate.

Development and Marketing Plan

We submitted an abbreviated NDA to the NMPA for our epinastine HCl in June 2020. We expect to receive approval in first half of 2022 and plan to manufacture the product in-house after regulatory approval.

For the commercialization of our epinastine HCl after approval, we plan to focus on patients' education as it is potential first-to-market generic in China. Depending on the public bidding progress, we plan to strategically focus on penetrating the top-tier hospitals as the first step of our marketing strategy, and visit the sites and physicians in person for pre-launch training and liaison. For details, see "—Commercialization."

WE MAY NOT BE ABLE TO ULTIMATELY MARKET EPINASTINE HCl SUCCESSFULLY

Natamycin

Natamycin is an antifungal ophthalmic eye drop used to treat fungal infections around the eye. According to CIC, natamycin is the first-line therapy for treatment of fungal infections around the eye and can be effective at low level. We are developing natamycin as a generic to Natacyn.

Background of Reference Drug

Natacyn was developed by Alcon as an antifungal drug for topical ophthalmic administration. It initially approved by the FDA in 1978 and was approved by NMPA for commercial sales in China in 2000. In 2019, the global sales of Natacyn amounted to approximately US$4 million and the sales of Natacyn in China amounted to approximately US$2 million.

Mechanism of Action

Natamycin inhibits the growth of fungi by specifically binding to ergosterol, the main fungal sterol in fungal cell membranes. Natamycin inhibits the growth of fungi through the inhibition of amino acid-and glucose-transport proteins, leading to a loss of nutrient transport across the plasma membrane. While this binding is reversible, ergosterol binding acts as a universal mechanism of fungal inhibition, allowing natamycin to act on diverse fungal pathogens. Natamycin is unique amongst related antifungals specifically because it does not cause membrane permeabilization.

Comparability Studies

We are only required to conduct comparability and safety studies for our natamycin eye drop as required for Class 4 generic drug. We engaged CROs and CMCs which are currently conducting comparability studies in terms of safety and quality. The studies mainly include the development and production of APIs, reference drug analysis, prescription and formulation research, scale-up production research, product quality research and stability research. As of the Latest Practicable Date, we had had no material communication with regulatory authorities.

Development Plan

We plan to submit an abbreviated NDA to the NMPA for our natamycin eye drop in 2022. We expect to receive approval in 2024 and plan to manufacture the product in-house after the regulatory approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET NATAMYCIN EYE DROP SUCCESSFULLY

Our Surgery and Diagnostic Therapies

Proparacaine HCl

Proparacaine HCl is a single-dose preservative-free eye drop for short-acting surface anesthesia. It is indicated for procedures in which a topical ophthalmic anesthetic is needed. We are developing our proparacaine HCl as a generic to a proparacaine HCl 0.5% approved in the United States. Compared to the reference drug, our proparacaine HCl uses a preservative-free single-use packaging, which is expected to reduce adverse drug reactions and effectively lower the risk of cross contamination.

Background of Reference Drug

The reference drug, a proparacaine HCl 0.5% approved in the United States, is indicated for corneal anesthesia of short duration. It was initially approved by the FDA in 2000. In 2019, the global sales of this reference drug amounted to approximately US$3.0 million, according to CIC.

Mechanism of Action

After topical application to the eye, proparacaine HCl penetrates to sensory nerve endings in the corneal tissue. It blocks both the initiation and conduction of nerve impulses by decreasing the neuronal membrane's permeability to sodium ions. This reversibly stabilizes the membrane and inhibits the process of reversing the charge across a cell membrane, resulting in the failure of a propagated action potential and subsequent conduction blockade.

Comparability Studies

We are only required to conduct comparability and safety studies for our proparacaine HCl as required for Class 4 generic drug. We submitted an abbreviated NDA in June 2020 using Alcaine, a drug by Alcon approved by the FDA in 1971, as our reference drug. We have conducted substantial R&D work for our proparacaine HCl and carried out reference drug analysis, prescription and formulation research, scale-up production research, product quality research and stability research in-house. We engaged CROs for filter compatibility study, packaging material compatibility research and safety analysis. The completed studies indicated that the comparability of our proparacaine HCl to Alcaine in terms of safety and quality. We withdrew this application in January 2021 because another reference drug is more in line with CDE's requirements on the reference drugs for generic drugs. Accordingly, we plan to conduct a comparability study between our proparacaine HCl and the reference drug and re-submit the abbreviated NDA in the fourth quarter of 2021.

Development and Marketing Plan

We plan to submit an abbreviated NDA to the NMPA for our proparacaine HCl in the fourth quarter of 2021. We expect to receive approval in 2023 and we plan to manufacture the product in-house after regulatory approval.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET PROPARACAINE HCl SUCCESSFULLY

Povidone Iodine

Povidone iodine is a single-dose preservative-free eye drop for skin disinfection before and after surgery. We are developing povidone iodine as a generic to Betadine, which was developed by Alcon. Compared to other drugs that contain povidone iodine, our drug candidate is potentially the first povidone iodine eye drop in China. In addition, as a single-dose preservative-free eye drop, it can reduce adverse drug reactions and effectively lower the risk of contamination.

Background of Reference Drug

Betadine was developed by Alcon for prepping of the periocular region (lids, brow and cheek) and irrigation of the ocular surface (cornea, conjunctiva and palpebral fornices). It was initially approved by FDA in 1986. Betadine has not been approved in China. In 2019, the global sales of Betadine for the treatment of ophthalmic diseases amounted to approximately US$9 million, according to CIC.

Mechanism of Action

Povidone iodine is an iodine-bearing compound. It has an established use as a broad-spectrum antiseptic, and contains 10% active available iodine. Solutions of povidone iodine can be effective against bacteria, fungi, viruses and spores.

Comparability Studies

We are only required to conduct comparability and safety studies for our povidone iodine as required for Class 3 generic drug. We are currently conducting the comparability studies in-house in terms of safety and quality. We have completed reference drug analysis, formulation research, stability research and small-scale production studies in-house and are currently carrying out studies related to analytical method validation and process optimization. We plan to engage CROs for filter compatibility study, packaging material compatibility research and safety analysis. As of the Latest Practicable Date, we had no material communication with regulatory authorities.

Development and Marketing Plan

We plan to submit an abbreviated NDA to the NMPA for our povidone iodine in the third quarter of 2021.We expect to receive approval in 2023 and plan to manufacture the final product in-house after regulatory approval.

WE MAY NOT BE ABLE TO ULTIMATELY MARKET POVIDONE IODINE SUCCESSFULLY

Fluorescein Sodium

Fluorescein sodium is a chemical dye that is used to locate and diagnose corneal abrasions, corneal ulcers and herpetic corneal infections. Fluorescein sodium can only enter damaged cells of the eye, and enables the damaged areas of the eye to be detected accurately. We are developing our fluorescein sodium eye drop as a generic to Minims fluorescein sodium. Our fluorescein sodium eye drop is potential first-to-market generic in China and potentially the first fluorescein sodium in eye drop formulation.

Background of Reference Drug

Minims fluorescein sodium was initially approved by the EMEA in externally applied drugs and cosmetics for diagnostic imaging. Minims fluorescein sodium has not been approved in China. In 2019, the global sales of Minims fluorescein sodium for the treatment of ophthalmic diseases amounted to US$1 million.

Mechanism of Action

Fluorescein sodium responds to electromagnetic radiation and light between the wavelengths of 465-490 nm. Thus, the hydrocarbon is excited by blue light and emits light that appears yellowish-green. Following intravenous injection of fluorescein sodium in an aqueous solution, the unbound fraction of the fluorescein can be excited with a blue light flash from a fundus camera as it circulates through the ocular vasculature, and the yellowish green fluorescence of the dye is captured by the camera. In the fundus, the fluorescence of the dye demarcates the retinal and/or choroidal vasculature under observation, distinguishing it from adjacent areas/structures.

Comparability Studies

We are only required to conduct comparability and safety studies for our fluorescein sodium eye drop as required for Class 3 generic drug. We are currently conducting the comparability studies in-house in terms of safety and quality, and are carrying out analytical method studies, reference drug analysis, formulation research and stability research. We plan to engage CROs for filter compatibility study, packaging material compatibility research and safety analysis. As of the Latest Practicable Date, we had had no material communication with regulatory authorities.

Development Plan

We plan to submit an abbreviated NDA to the NMPA for our fluorescein sodium eye drop in 2023. We plan to manufacture the product in-house after regulatory approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET FLUORESCEIN SODIUM EYE DROP SUCCESSFULLY

COLLABORATION AND LICENSE AGREEMENTS

License of RGN-259

In July 2012, Lee's Pharm (HK) entered into a license agreement, or the Thymosin β4 License Agreement, with RegeneRx for the license of Thymosin β4 in RGN-259 and any other Thymosin β4-based drug candidates developed by RegeneRx, together, the Thymosin β4-based Products. In 2019, the agreement was amended and assigned by Lee's Pharm (HK) to us free of charge without any economic change to the agreement. Under the Thymosin β4 License Agreement, we were granted an exclusive irrevocable royalty-bearing license to use the licensed patents and know-how to manufacture, offer to sell, sell and import the Thymosin β4-based Products for the diagnosis, prevention and treatment of all human and animal diseases and conditions in Greater China, and we were also granted a non-exclusive, irrevocable, royalty-free license to use the licensed patent and the licensed know-how to develop such products in Greater China. RegeneRx (OTCQB:RGRX) is a biopharmaceutical company focused on the development of Thymosin β4-based drug candidates.

According to RegeneRx, in addition to RGN-259, RegeneRx's portfolio also includes two Thymosin β4-based products, namely, RGN-137, a topical gel for dermal wounds and reduction of scar tissue, and RGN-352, an injectable formulation to treat cardiovascular diseases, central and peripheral nervous system diseases. According to its annual report of 2020, RegeneRx had three full-time employees and three independent contractors. RegeneRx is an Independent Third Party. As of the Latest Practicable Date, the market capitalization of RegeneRx was approximately US$31.0 million.

Lee's Pharm (HK) paid license fees of US$0.4 million to RegeneRx in 2012. We shall pay aggregate potential milestone payments associated with commercial sales of the products of up to US$3.6 million. As of the Latest Practicable Date, we had not made any milestone payments to RegeneRx as we are obligated to make the first milestone payment upon initiation of the first commercial sale in the PRC. RegeneRx is also entitled to an amount equal to 30% of any sublicense participation fees received by us, provided that any license fees or milestone payments already paid to RegeneRx shall be creditable against the amount payable in this regard. During the royalty term, on an annual basis, we shall pay RegeneRx royalties ranging from mid-single digit to low-teen percentage of net sales of the licensed products in the licensed territory.

The Thymosin β4 License Agreement shall remain effective from the agreement effective date until the expiration of the last-to-expire valid and applicable licensed patent within the licensed territory or ten years from the first commercial sale of each licensed product in the PRC, whichever is later. Upon the expiration of such effective period, we shall have a royalty-free, fully paid up, perpetual and irrevocable license, with the right to sublicense and/or assign, for the use of the licensed patents and licensed know-how.

RegeneRx shall manufacture and supply to us Thymosin β4 at no charge for a Phase II clinical trial, and supply Thymosin β4 at cost for other clinical trials to be conducted by us in the licensed territory. We shall at all times be entitled to manufacture or source Thymosin β4 from suppliers of our choice. Upon our written request, we may purchase all or part of our commercial requirements of Thymosin β4 from RegeneRx at a cost plus price to be discussed and agreed upon by both parties, subject to RegeneRx's ability of delivery.

We shall carry out all commercialization activities with respect to the Thymosin β4-based Products in accordance with a commercialization plan. The initial commercialization plan shall be provided to RegeneRx within 90 days from the expected first commercial sale date with respect to PRC. The commercialization plan shall include a reasonable description of the activities that we shall undertake in order to market the Thymosin β4-based Products, including, but not limited to, (i) media marketing plans, promotional activities and similar matters, and (ii) the identity of intended major distributors and sublicensees.

We and RegeneRx shall establish a joint development committee to coordinate and oversee the development of the Thymosin β4-based Products. The joint development committee shall be comprised of an equal number of representatives from us and RegeneRx, and shall be responsible for establishing and approving the development plan. In the event that the joint development committee cannot reach a decision in any matter properly before it, we shall have final decision-making authority with respect to such matter, including approval and amendments of the development plan, provided that such matter under dispute shall first be referred to our and RegeneRx's presidents or chief executive officers for attempted resolution by good faith negotiations within fourteen days. In addition, any final decision made by us shall (i) be consistent with the terms of this agreement; (ii) not materially affect the rights and obligations of RegeneRx under this agreement without RegeneRx's consent; (iii) not materially affect the development, manufacture or commercialization of the licensed products outside the licensed field and/or territory.

Under the Thymosin β4 License Agreement, we will own all inventions created by our employees, consultants or contractors, and RegeneRx will own all inventions created by its employees, consultants or contractors. We and RegeneRx will jointly own inventions jointly created by both parties. RegeneRx has the right, but not the obligation, to prepare, file, prosecute and maintain the licensed patent in the licensed territory, and such costs and expenses shall be shared equally by both parties. We and RegeneRx agree to utilize our local intellectual property counsel, and the counsel shall promptly provide RegeneRx with all information related to such prosecution.

The Thymosin β4 License Agreement also includes a clause in relation to LQ-7, the functional fragment of Thymosin β4 and the active ingredient of ZKY001, which grants us the right to develop ZKY001 using LQ-7 subject to this agreement. This clause stipulates that if Lee's Pharm (HK) wishes to pursue the development, promotion, marketing, distribution and sale of products based on LQ-7, and if such activities would infringe upon the patent rights owned or controlled by RegeneRx in the licensed territory (given that LQ-7 is a functional domain of Thymosin β4 and RegeneRx had licensed in Thymosin β4 from NIH in 2001), then

the license granted to Lee's Pharm (HK) for Thymosin β4 under the Thymosin β4 License Agreement shall be automatically expanded to include also Lee's Pharm (HK)'s right to exploit such LQ-7 patent. In such a case, RegeneRx and Lee's Pharm (HK) would negotiate in good faith an appropriate royalty on the net sales of the LQ-7-based product, which would in no event be more than 70% of the annual royalty rates as stipulated above. In such case, there will be no license fees, milestone payments nor sublicense participation fees owed by us to RegeneRx in connection with the sales of ZKY001. Thymosin β4 License Agreement may be terminated upon party's material breach of the agreement, occurrence of governmental actions, patent challenge or bankruptcy.

License of IC-265 and IC-270

In July 2020, we entered into a license agreement, or the IC-265 and IC-270 License Agreement, with IACTA for the license of certain patents and know-how relating to IC-265 and IC-270 in Greater China and certain Southeast Asia countries (including Brunei, Burma, Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam). This grants us an exclusive (even as to IACTA) and sublicensable, royalty-bearing license to develop, make, use, register, distribute, sell, offer for sale, have sold, import, export and otherwise commercialize IC-265 and IC-270 in the licensed field in the licensed territory. The licensed field as stipulated in this agreement is the topical non-systemic administration of licensed products in an ophthalmology indication (but excluding intraocular injection or implant or certain excluded ophthalmic symptoms). IACTA is an ophthalmic-focused pharmaceutical company established to develop and commercialize innovative eyecare products.

According to IACTA, in addition to IC-265 and IC-270, its portfolio also includes four other ophthalmic drug candidates indicated for DED, bacterial conjunctivitis and chronic post-surgical pains. It is a research and development stage company that has raised several million US dollars in capital. IACTA has over 20 employees, strategic advisors and scientific advisors. IATCA is an Independent Third Party.

As of the Latest Practicable Date, we had paid license fees to IACTA of US$1.5 million. We shall pay aggregate potential milestone payments of up to US$31.0 million to IACTA associated with regulatory approval and commercial sales of the licensed products. As of the Latest Practicable Date, we had not made any milestone payments to IACTA as we are obligated to make the first milestone payment upon first submission of the registration dossier with the regulatory authority in the PRC. During the royalty term, for each product, on an annual basis, we shall pay IACTA royalties ranging from upper mid-single digit to low-teen percentages of the aggregate net annual sales of each of IC-265 and IC-270 in the licensed territory.

IACTA shall initially be responsible for the manufacture and supply of GMP-qualified drug substance for use in the development and commercialization of IC-265 and IC-270 in the licensed territories, and we shall procure all of our requirements of such drug substance solely from IACTA. IACTA shall also initially be responsible for the manufacture and supply of

IC-265 and IC-270 for use by us as permitted under this agreement. Such drug substance and drug products will be supplied by IACTA itself or through a contracted manufacturer designated by IACTA. Notwithstanding the forgoing, we have the right to manufacture IC-265 and IC-270 drug products, including fill and finish, in the licensed territories, for use in the development and commercialization of products in the licensed territories, and IACTA will provide reasonable support to us to accomplish this goal.

We and IACTA shall establish a joint development committee, which will be responsible to (i) set the strategic direction of, and to encourage and facilitate ongoing communication and cooperation between IACTA and us with respect to, the development (including the strategy related to any development partner) of the licensed products; (ii) review and approve any development plan on an annual basis or more frequently if appropriate; (iii) review clinical study protocols; (iv) review and approve publications related to the licensed products; and (v) perform other obligations specifically delegated to it under the agreement. The joint development committee shall consist of two executives from IACTA and us, respectively.

We and IACTA shall also establish a joint commercialization committee, which will be responsible to (i) encourage and facilitate ongoing communication and cooperation between IACTA and us with respect to, the commercialization (including the strategy related to any commercialization partner) of the licensed products; (ii) review and approve any commercialization plans, including any marketing plans, sales forecasts, sales programs and publications on an annual basis or more frequently if appropriate; and (iii) perform other obligations specifically delegated to it under the agreement.

Subject to the terms and conditions of this agreement, we shall have the exclusive right to commercialize the licensed products in the licensed field in the licensed territory, at our sole cost and expense. The commercialization of each product shall be conducted pursuant to a written commercialization plan, which shall describe our activities for the commercialization of such product from preparation of product launch, to launch, to post-launch activities. The commercialization plan shall also include the commercialization budget and the projected sales volume of such product. With respect to each product, we shall prepare and provide the initial commercialization plan to the joint commercialization committee for review and discussion no later than nine months prior to the anticipated date of first regulatory approval of such product.

All inventions conceived, reduced to practice, discovered or invented solely by our or IACTA's employees, affiliates or parties acting on behalf of us or IACTA shall be solely owned by us or IACTA, and all inventions jointly conceived, reduced to practice, discovered or invented by us and IACTA shall be jointly owned by both parties.

The IC-265 and IC-270 License Agreement remains in full force and effect, on a country-by-country and product-by-product basis, until the expiration of the royalty term in the applicable country for such product. Royalties will be payable on a product-by-product and country-by-country basis from first commercial sale of such product in such country, until the latest of: (1) the expiration of the last to expire valid claim of the relevant patents in such country; (2) the expiration of the last to expire government exclusivity for such product in such

country and (3) one or more generic product(s) has/have entered the market in such country whereby the generic product has taken 50% market share of such product; or (4) ten years from the first commercial sale of such product in such country; provided that, after the expiration of the time period set forth in clause (1), the royalty rate applicable to such product in such country will be reduced to fifty percent (50%) of the otherwise applicable royalty rate until the occurrence of the event in clauses (2) and (3) or in clause (4), respectively. Upon expiration of the royalty term, the licenses granted to us shall continue in effect, as exclusive, fully paid-up, royalty-free, transferable, perpetual and irrevocable with respect to such country for such product. The agreement may be terminated by us at our sole discretion and for any reason or no reason, by providing written notice of termination to IACTA, and may be terminated upon by either party upon the other party's material breach of the agreement or bankruptcy. In addition, IACTA may terminate the agreement upon a patent challenge by us. The effect of agreement termination may result in the termination of licenses and rights granted by IACTA to us.

License of TAB014

In January 2017, we entered into a product licensing, development and commercialization agreement with TOT BIOPHARM, which was further amended in April 2020 (the original agreement and the amendment, collectively, the "**TAB014 In-license Agreement**"), under which TOT BIOPHARM granted us an exclusive license to commercialize TAB014 for neovascularization-related eye diseases in China.

Pursuant to the TAB014 In-license Agreement, we and TOT BIOPHARM should form a joint committee to oversee the development and commercialization of TAB014 in China. TOT BIOPHARM would lead the development of TAB014. We undertake to pay costs under the CRO agreements and to pay development management expenses to TOT BIOPHARM. All preclinical and clinical research data will be jointly owned by TOT BIOPHARM and us. Upon the receipt of the requisite regulatory approvals, we will be responsible for the commercialization and distribution of TAB014 in China and TOT BIOPHARM will be responsible for manufacturing and supply of TAB014 to us.

TOT BIOPHARM owns all the intellectual property rights of TAB014. We are responsible to apply for trademark(s) for TAB014 under our name at our own cost for commercialization purposes. If TOT BIOPHARM allows us to use any of its own trademarks to accompany our trademark(s) in China, it will enter into a separate trademark license agreement with us to grant us an exclusive royalty-free license for related trademark(s).

Under the TAB014 In-license Agreement, in addition to the purchase price for the products, TOT BIOPHARM is entitled to receive from us a one-time upfront fee and certain additional milestone payments associated with research and development progress and commercial sales of TAB014. TOT BIOPHARM is also entitled to receive a certain percentage of net profits on sales of TAB014 in China. The TAB014 In-license Agreement has a term of 10 years and extendable upon prior mutual consent. This agreement may be terminated upon one party's uncured material breach of this agreement or one party's experience of certain

insolvency-related events. TOT BIOPHARM is a clinical-stage biopharmaceutical company listed on the Stock Exchange, with a focus on development and commercialization of innovative oncology drugs and therapies (stock code: 1875).

According to TOT BIOPHARM's 2020 interim report, in addition to TAB014, its portfolio also includes 11 drug candidates covering a wide range of indications, such as lung cancer, breast cancer, pancreatic cancer, bladder cancer and leukemia. As of June 30, 2020, TOT BIOPHARM had over 300 employees. TOT BIOPHARM is an Independent Third Party. As of the Latest Practicable Date, the market capitalization of TOT BIOPHARM was approximately HK$2.4 billion.

License of NVK-002

In October 2020, we entered into a license agreement, or the NVK-002 License Agreement, with Nevakar for an exclusive license to develop, manufacture, register, import and commercialize NVK-002 in Greater China, South Korea and certain countries in Southeast Asia (including Brunei, Burma, Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam).

According to Nevakar, it is a privately held, pre-revenue pharmaceutical development company with a focus on ophthalmic drugs and hospital injectables. Nevakar's ophthalmic drug pipeline includes NVK-002 and several other pharmaceutical candidates indicated for refractive errors. Nevakar's hospital injectable pipeline includes multiple candidates for anti-infection, anesthesia, treating acute pains, cancer and cardiovascular diseases. Since its inception, Nevakar has raised over US$200 million, including revenue from out-licensing arrangements. Nevakar currently has approximately 70 employees in the United States and India. Nevakar is an Independent Third Party.

As of the Latest Practicable Date, we had paid Nevakar a license fee of US$10.0 million. We shall pay aggregate potential milestone payments of up to US$92.0 million to Nevakar associated with regulatory approval and commercial sales of NVK-002. As of the Latest Practicable Date, we had not made any milestone payments to Nevakar as we are obligated to make the first milestone payment upon acceptance of the regulatory application submission by the NMPA. During the royalty term, we shall pay Nevakar tiered, mid-teens percentage of the aggregate net annual sales of NVK-002 in the licensed territory.

We are solely responsible, at our own cost and expense, for the development of NVK-002 in the licensed territory, including all clinical trials and regulatory activities that are necessary for, or otherwise support, obtaining and maintaining the regulatory approval in the licensed territory. We shall conduct all development activities in accordance with the development plan agreed upon by both parties.

Nevakar and we shall establish a joint steering committee to oversee, review and coordinate the development and commercialization of NVK-002, which primarily include (i) review and discuss the development and commercialization of the product; (ii) discuss and approve the development plan; and (iii) review and discuss the regulatory strategy plan. The joint steering committee shall consist of equal members from Nevakar and us.

We shall lead all regulatory activities in the licensed territory and pay all fees and costs related to obtaining and maintaining the regulatory registration. We shall own the regulatory registration in the licensed territory in accordance with applicable laws. In any case, the registration and maintenance costs of the product before the relevant governmental authorities and the regulatory authorities in the licensed territory will be borne by us, unless such variations are requested by Nevakar.

We, as soon as practically possible after regulatory approval, and in any case no later than six months after approval, shall use commercially reasonable efforts to launch and fully commercialize NVK-002 in the licensed territory and shall be responsible for all commercialization activities including sales and marketing of the product.

Pursuant to the NVK-002 License Agreement, Nevakar shall grant an exclusive license and unrestricted access for the licensed territory to all Nevakar know-how and patents related to NVK-002 for treatment of myopia. Any inventions or any other intellectual property rights developed jointly shall be jointly owned by both parties.

We shall prepare a commercialization plan for NVK-002's launch and the marketing and promotion of NVK-002 in the licensed territory during the period commencing at least two years prior to the product launch and ending three years after first commercial sales of the product anywhere in the territory.

This agreement has been effective since the effective date and shall continue in effect for 15 years after the first commercial sale of NVK-002 in any country of the licensed territory (other than the PRC) or for 15 years after the first commercial sale of NVK-002 in the PRC, whichever is later. We have a right of first offer to extend this agreement upon its expiry, which right shall be exercised by us within 30 days after receipt of the right of first offer of extension notice from Nevakar. The agreement may be terminated by either party upon the other party's material breach of the agreement, or by Nevakar upon a patent challenge by us.

License of Resolv ER

In September 2016, Zhaoke Pharmaceutical (HK) Limited entered into a license agreement, or the Resolv ER License Agreement, with Kato Pharmaceuticals for an exclusive license of a group of patent rights, or the Kato Patent Rights, and Kato Pharmaceuticals' know-how to develop, make, use, register, distribute, sell, offer for sale, have sold, import, export and otherwise commercialize ophthalmic drug products containing small molecule formulations of urea or urea derivatives, including, without limitation, urea in a liposome formulation, namely, Resolv ER, in Greater China and certain countries in Southeast Asia

(including Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam). The Resolv ER License Agreement was assigned to us free of charge in 2019 without any economic change to the agreement.

According to Kato Pharmaceuticals, it is a privately held, clinical-stage, pre-revenue pharmaceutical company focusing on the clinical and commercial development of proprietary medicines for the treatment of diseases of the eye, with nine employees. Resolv ER is the major product that Kato Pharmaceuticals is developing. Kato Pharmaceuticals is an Independent Third Party.

Zhaoke Pharmaceutical (HK) Limited paid license fees of US$0.2 million to Kato Pharmaceuticals in 2016. We shall pay milestone payments to Kato Pharmaceuticals associated with regulatory approval and commercial sales of Resolv ER in an aggregate of up to US$4.3 million. As of the Latest Practicable Date, we had not made any milestone payments to Kato as we are obligated to make the first milestone payment six months following FDA's approval of Kato's IND to initiate a Phase II clinical trial. In addition, on a semi-annual basis, we shall pay Kato Pharmaceuticals royalties of high-single digit to low-teen percentage of the aggregate annual net sales of Resolv ER. The royalty payments are payable, on a country-by-country basis, until the later of (i) ten years after product launch in such country, or (ii) expiration of the last-to-expire patent rights within the Kato Patent Rights having at least one valid claim applicable to and covering the product in such country.

Kato and we shall form a joint development committee consisting of two representatives from Kato and us, respectively. The joint development committee shall be responsible for, for example, (i) providing a forum for exchange of information between Kato and us relating to the development and commercialization of Resolv ER, (ii) review and approval of the initial development plan and its material amendments; and (iii) review and set strategies for obtaining regulatory approvals.

Under the Resolv ER License Agreement, we are solely responsible for the manufacturing and supply activities in the licensed territories. We shall use commercially reasonable efforts to carry out the development and commercialization of Resolv ER in the licensed territories. In addition, Kato Pharmaceuticals and us shall form a joint development committee to guide the development and commercialization of Resolv ER.

All inventions or any other intellectual property rights that are developed during the term of the agreement, including all improvement, enhancements or modifications that rely, use or incorporate any Kato Patent Rights or Kato Pharmaceuticals' know-how, shall be the exclusive property of Kato Pharmaceuticals. Patent rights for all new inventions jointly created or solely created by us that are covered by a valid claim within Kato Patent Rights shall be owned by Kato Pharmaceuticals, and all new jointly created inventions that are not covered by such valid claim shall be jointly owned by both parties.

The Resolv ER License Agreement remains effective until the expiration of the last-to-expire payment obligation as set forth above. Upon the expiration of the term, the licenses granted to us shall become fully paid-up, royalty-free, perpetual and irrevocable. This agreement may be terminated upon party's material breach of the agreement, patent challenge, bankruptcy or change of control.

License of PAN-90806

On December 15, 2020, we entered into an exclusive license agreement with PanOptica, Inc. for PAN-90806 (the "**PAN-90806 License Agreement**"). Under the PAN-90806 License Agreement, PanOptica granted us an exclusive, royalty-bearing, sublicensable license, under certain know-how and patents (the "**Licensed IP**"), to research, develop, make, have made, use, sell, offer for sale and import any product that is comprised of or based on PAN-90806 compound (as defined thereunder), or that uses or embodies the licensed know-how and/or is covered by a licensed patent within the Licensed IP (the "**Licensed Products**"), for the prophylaxis, mitigation and treatment of all diseases or conditions in humans and/or animals (the "**Field**"), in Greater China, South Korea and certain other Southeast Asian countries (the "**Licensed Territory**"). Until the 36 month anniversary of the effective date of the PAN-90806 License Agreement, we have a right of first negotiation with PanOptica if PanOptica elects to enter into a license agreement with a third party under which PanOptica grants such third party certain rights under the Licensed IP relating to Licensed Products in the Field in any part of the world other than the Licensed Territory.

According to PanOptica, it is a private, clinical-stage biopharmaceutical company focused on developing a topical eye drop for the treatment of sight-threatening eye diseases caused by abnormal or leaky blood vessels, such as wAMD and diabetic retinopathy. PAN-90806 is the major product that PanOptica is developing. PanOptica has raised approximately US$55 million in venture capital to support its research and development activities since being founded in 2010. PanOptica has assembled an experienced team of one employee and four consultants to support the selection, research and development of PAN-90806, together with a network of consultants, CDMOs, CROs and opinion leaders in the field. PanOptica is an Independent Third Party.

Under the PAN-90806 License Agreement, we and PanOptica will establish a joint steering committee with equal representation from each party for the overall coordination and oversight of both parties' activities under this agreement. Each party is obligated to provide to the other party full access to all data and other intellectual property generated in its development of the Licensed Products and rights to reference or use such data and intellectual property rights in the receiving party's regulatory and commercialization activities for the Licensed Products in the receiving party's territory, free of additional charge. We will file and own all INDs, marketing authorization applications and regulatory approvals for Licensed Products in the Licensed Territory. We will be solely responsible, at our own cost, for

manufacturing Licensed Products for our needs under the PAN-90806 License Agreement. If requested by PanOptica, we will enter into clinical or commercial supply agreements with PanOptica to supply the Licensed Products on an agreed cost-plus basis. Pursuant to the PAN-90806 License Agreement, PanOptica is entitled to an upfront payment and milestone payments from us upon the achievement of specified regulatory and commercialization milestones up to a total of US$30 million. PanOptica is also entitled to receive tiered mid-single digit royalties on future Licensed Product sales by us in the Licensed Territory.

Under the PAN-90806 License Agreement, we granted PanOptica an exclusive and sub-licensable license to use the Zhaoke technology (as defined in the PAN-90806 License Agreement) to research, develop, make, have made, use, sell, offer for sale and import Licensed Products outside the Licensed Territory. We are also entitled to an agreed portion of upfront payment and development milestone payments received by PanOptica under its Licenses of the Licensed IP to third parties if the results of our clinical development meet specified requirements and such results are shared by PanOptica with the relevant third parties.

Each Party will own all know-how developed and inventions conceived or reduced to practice solely by its employees, agents or independent contractors. If both parties jointly develop any know-how or inventions, the parties will jointly own the intellectual property rights.

The PAN-90806 Licensing Agreement became effective on December 15, 2020 and unless rendered void or otherwise terminated earlier, will remain in effect on a country-by-country basis and Licensed Product-by-Product basis until the expiration of the last to expire of (i) 10-year anniversary of the first commercial sale of a Licensed Product in that country within the Licensed Territory; or (ii) the last-to-expire valid claim of a patent within the Licensed IP that covers such Licensed Product in such country, whichever is later. Thereafter, the licenses granted by PanOptica or us will become fully-paid, perpetual and exclusive in the applicable country only. Either party may terminate the PAN-90806 License Agreement (i) on a country-by-country basis or in its entirety, as the case may be, in the event of the other party's material breach of the agreement or default in the performance of any obligation for 60 days after receiving notice from the non-breaching party; or (ii) in the event of bankruptcy of the other party. PanOptica may also terminate the PAN-90806 Licensing Agreement in the event we challenge, or assist others in challenging, the validity of any patent that is part of the Licensed IP.

License of NTC010

In February 2021, we entered into a license and supply agreement with NTC. We were granted an exclusive license to import, register, obtain price and seek reimbursement for, promote, market, distribute and sell NTC010 in the PRC. 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.

According to NTC, its portfolio includes over 20 ophthalmic drug products and medical devices, and over 50 drug products and medical devices covering gynecology, gastro-metabolism, pediatrics and other therapeutic areas. In addition, NTC is also currently developing several drug candidates for otitis media, ocular infections and inflammations, bacterial conjunctivitis, colonoscopy preparation, glaucoma and post cataract surgery. NTC generated a revenue of approximately US$50 million in 2020. NTC currently has approximately 120 employees. NTC is an Independent Third Party.

Pursuant to the agreement, we shall purchase NTC010 exclusively from NTC or its designated affiliate, and NTC shall supply NTC010 to us in accordance with the terms and conditions set forth in the agreement. For the first two marketing years since the launch of NTC010 in the PRC, we commit to purchase 160,000 and 320,000 units, respectively, of NTC010 from NTC. NTC has engaged manufacturers in the EU to produce NTC010 on its behalf. We and NTC agree that, for NTC010 to be sold in the PRC, both parties may contemplate in good faith for manufacturing such products by utilizing our manufacturing capabilities in the PRC. Upon our request, both parties will discuss in good faith a technology transfer to allow such local manufacturing to take place. NTC will have the final decision regarding the local manufacturing arrangement.

Upon entering into the agreement, we paid NTC license fees of €0.3 million. We shall make payments of €0.6 million upon dossier delivery and €1.4 million when the first order is issued. For products that NTC will supply to us, the supply price is approximately 30% of the local ex-factory price. We shall place a purchase order within three months of obtaining market authorization or import drug license in the PRC.

NTC and its affiliates shall retain the exclusive right to the relevant intellectual properties of NTC. We acknowledge that such intellectual properties can only be used within the scope of the agreement and shall not be used outside the field of use stipulated by the agreement.

The agreement shall continue in effect as long as NTC010 is sold in the PRC by or on behalf of us. This agreement may be terminated by either party due to the other party's material breach, insolvency, negligence, willful misconduct or misrepresentation.

License of NTC014

In December 2020, we entered into a license and supply agreement with NTC. We were granted an exclusive license to develop, import, register, obtain price and seek reimbursement, promote, market, distribute and sell NTC014 in Greater China, South Korea and certain Southeast Asian countries.

Pursuant to the agreement, we shall purchase NTC014 exclusively from NTC or its designated affiliate, and NTC shall supply NTC014 to us in accordance with the terms and conditions set forth in the agreement. For the first two marketing years since the launch of NTC014 in the PRC, we commit to purchase 0.7 and 1.5 million units, respectively, of NTC014 from NTC. NTC has engaged a manufacturer in the EU to manufacture NTC014 on its behalf.

We and NTC agree that both parties may contemplate in good faith for the manufacturing of NTC014 to be carried out within the licensed territories by utilizing our manufacturing capabilities in the PRC. Upon our request, both parties will discuss in good faith for a technology transfer to allow such local manufacturing to take place. NTC will have the final decision regarding the local manufacturing arrangement.

Upon entering into the agreement, we paid NTC license fees of €0.3 million. We shall make another upfront payment and milestone payments to NTC in an aggregate of up to €2.5 million, which are associated with clinical development, regulatory approval and commercial sales of NTC014. For products that NTC will supply to us, the supply price is 20% to 40% of the local ex-factory price.

NTC and its affiliates shall retain the exclusive right to the relevant intellectual properties of NTC. We acknowledge that such intellectual properties can only be used within the scope of the agreement and shall not be used outside the field of use stipulated by the agreement.

The initial term of the agreement is 12 years after the launch in any country of the licensed territory outside the PRC, or 12 years after the launch in the PRC, whichever is later. At the end of the initial term, we have the unilateral right to renew this agreement for period(s) of five years. This agreement may be terminated by either party due to the other party's material breach, insolvency, negligence, willful misconduct or misrepresentation.

Technology Transfer of Levobetaxolol HCl

In November 2014, Lee's Pharm Hefei entered into a technology transfer agreement, with Guangzhou Boji Medical & Biotechnological Co. Ltd., or Boji Biomedicals. Boji Biomedicals is a listed Company on the GEM Board of the Shenzhen Stock Exchange (stock code: 300404) that provides CRO and CDMO service for domestic and international pharmaceutical companies. As of the Latest Practicable Date, the market capitalization of Boji Biomedicals was approximately RMB2.6 billion. Boji Biomedicals had over 700 employees according to its 2019 annual report. Pursuant the technology transfer agreement, Boji Biomedicals agreed to transfer all its rights to levobetaxolol HCl suspension eye drop to Lee's Pharm Hefei. Lee's Pharm Hefei had, by installments, paid the entirety of the RMB3.5 million technology transfer fees under the agreement to Boji Biomedicals. The technology transfer agreement was one-off. In April 2019, the agreement was amended and assigned by Lee's Pharm Hefei to us free of charge without any economic change to the agreement. Thereafter, we are entitled to all technologies related to levobetaxolol HCl suspension eye drop, including CTA approval, intellectual property rights, preclinical research data, other relevant research data, and manufacturing technologies.

RESEARCH AND DEVELOPMENT

We believe that research and development is critical to our goal of discovering and validating new ophthalmic disease targets and developing novel therapies for the treatment of ophthalmic diseases. We are dedicated to enhancing and expanding our drug pipeline by leveraging our research and development capabilities.

Our research and development activities are led by an international management team with decades of industry experience at global biotechnology and pharmaceutical companies. Our chairman and CEO, Dr. Li Xiaoyi, our president and chief operating officer, Dr. Lau Lit Fui, and our senior vice president of research and development, Dr. Li Lok Yee Mandy, oversee our research and development activities.

Our research and development team, which was comprised of 51 employees as of the Latest Practicable Date, has a time-tested, solid track record and a full suite of capabilities, covering discovery, preclinical research and execution of clinical trials. Specifically, our research and development team conducts feasibility studies for potential drug candidates, analyzes the availability of alternative treatments in China, characterizes drug candidates' critical attributes, and designs and executes clinical trials. As of the Latest Practicable Date, we internally developed a total of 3 innovative drug candidates and 11 generic drug candidates. Furthermore, we have a dedicated formulation team, which can develop novel formulation for new drugs and transfer formulation technology from abroad to China for domestic manufacturing. Our formulation team is comprised of personnel with extensive experience in formulation development, and we believe our formulation capabilities provide a competitive advantage over other pharmaceutical companies. For the years ended December 31, 2019 and 2020, our research and development expenses were RMB93.4 million and RMB81.8 million, respectively. We expect that our research and development expenses will increase in line with the growth of our business as we further expand our coverage of indications, in-license new drugs, and diversify our products and treatment therapies, such as gene therapies and medical devices in the future.

Drug Discovery and Preclinical Research

Our research and development process begins with drug discovery. Our senior management and research and development team members review and discuss feedback from KOLs, physicians and academic institutions to identify potential research and development opportunities. Through the communications, we identify clinical needs and develop or adjust our products to address these needs, which in turn ensures the market acceptance and demand for our products later on. We also research the regulatory pathways and proactively communicate with relevant regulatory authorities for obtaining clinical trial approvals and marketing approvals in China. As the bridge between research and development and commercialization, the CMC function establishes practical qualitative and quantitative methods for executable quality management and effectively translates drug discovery to manufacturing. As of the Latest Practicable Date, our CMC team had 27 members, including one member holding Ph.D. degree and three members holding master's degrees. Members of

our CMC team have multidisciplinary backgrounds, with extensive expertise in ophthalmology, pharmacology, toxicology, traditional medicine and chemistry. In accordance with relevant rules and regulations and guidelines, our CMC team enables us to develop high-quality drugs and provides efficient clinical development support.

Specifically, our CMC team performs the following functions:

- *Preclinical support*. Our CMC team supports our drug discovery process. It assists in evaluating the feasibility of potential drug candidates and assessing in-licensing opportunities.

- *Formulation development*. Our CMC team conducts delicate formulation studies and analysis to ensure the effectiveness of our drug candidates. It conducts research on the characterization of a drug's physical, chemical, and mechanical properties and select excipients and packaging materials used in the preparation. It also employs a wide range of technologies to improve the drug properties, such as bioavailability, stabilities and solubility. For example, CsA ophthalmic gel, our late-stage Core Product developed in-house, has used an innovative hydrogel formulation to improve its bioavailability. The improved bioavailability enables once-daily dosing compared to the incumbent drug's twice-daily dosing regimen.

- *Clinical support*. During the clinical trial stage, our CMC team works with our supply partners to secure high-quality GMP materials and to ensure the timely supply of investigational drug products.

- *Process development*. Our CMC team is responsible for the development and validation of analytical methods for raw materials and APIs, technical transfer of process and analytical methods.

- *Quality control*. Prior to commercial manufacturing, our CMC team is responsible for developing full-scale industrial manufacturing processes. Our CMC team is also expected to enforce quality control measures, such as raw material testing, laboratory and equipment management, drug substance and drug product quality assessment.

We also have an advanced preclinical research laboratory, which enables us to conduct *in vitro* experiments to dissect the mechanisms of action and efficacies of drug candidates during drug process development. Leveraging our in-house laboratory, it enables us to create various ophthalmic disease models to mirror disease mechanisms, locations of the affected region and the levels of severity. In addition, we also have an established pharmacology platform, in which we develop animal disease models for testing drug efficacy. Such platform further enables us to conduct preclinical experiments to identify potential drug candidates.

Clinical Development

Our clinical team has solid capabilities with respect to clinical trial design, execution and regulatory expertise spanning all clinical phases of drug development. Our clinical team performs core functions such as designing clinical development strategies, plans and protocols, and executing clinical trials. We strategically design the clinical trials of our drug candidates, critically select the registration pathways and diligently conduct our clinical trials to ensure speed of execution, optimal clinical efficacy and data quality. We also maintain constructive dialogs with regulatory authorities to accelerate the approval process of our drug candidates. Our clinical team is comprised of personnel with extensive research expertise and rich practical experience.

In addition to our in-house research and development team, we also engage reputable CROs from time to time to support our research and development activities. For further information, please see "—Collaboration with CROs."

Research and Development for In-licensed Drug Candidates

We also have a solid track record in in-licensing a number of drug candidates from international partners. We have adopted a partnership approach which correlates with our product selection strategy. We promptly commence research and development activities after in-licensing drug candidates from our licensing partners. We design the clinical trials to be implemented, complete any required preclinical studies and proactively communicate with relevant regulatory authorities for obtaining the IND approvals. As of the Latest Practicable Date, we had in-licensed eight drug candidates across major indications with high growth potential. Going forward, we plan to continue to strategically in-license (i) market-leading ophthalmic drug candidates that address significant unmet medical needs in China and globally and (ii) complementary and/or meaningful ophthalmic drugs with different mechanisms of action.

Scientific Advisory Board

Our in-house research and development team is supported by our SAB. Each member of our SAB is an influential expert and thought leader in the ophthalmic pharmaceutical field, holding high level positions in prestigious academic institutions, hospitals, laboratories and universities across China, the United States and Singapore. The key members of our SAB are: Dr. Ge Jian (葛坚), an honorary lifetime director of State Key Laboratory of Ophthalmology and the honorary chairman of the Chinese Ophthalmologic Society; Dr. Lv Lin (吕林), the director of Fundus Disease Center of Zhongshan Ophthalmic Center; Dr. Pan Zhiqiang (潘志強), the director of ophthalmology department of Beijing Tongren Hospital; Dr. David Guyer, who launched Macugen, an anti-angiogenic medicine for the treatment of neovascular wAMD, and has acted as the CEO and co-founder of a number of biotechnology companies; Dr. Wong Tienyin, the chairman of Singapore Eye Research Institute, the medical director of Singapore National Eye Center and the vice-dean of Duke-National University of Singapore Medical School. We believe, we are able to further enhance our research and development capabilities

by virtue of the valuable and unique expertise and domain-specific insight of the members of our SAB in various disciplines. In addition, our SAB includes well-known ophthalmologists who have close relationships with many of the key opinion leaders and academic experts in the retinal field, which we believe could also facilitate our marketing initiatives.

Strategic Collaborations

We believe our strategic collaborations give us significant advantages in respect of scientific know-how, research and development and sales. We will continue to work closely with our partners and established strategic channels, including ophthalmologists and hospitals, to penetrate the Chinese ophthalmic pharmaceutical market and enhance our brand name.

To expand our brand equity beyond China, we plan to, through organic growth and collaborations, increase our brand awareness in the neighboring ASEAN countries, building on rights we already have for certain drugs in these markets. We have entered into a memorandum of understanding with SERI with respect to preclinical research, animal model testing, potential in-license arrangement, academic communication and training. We also intend to continue to seek licensing opportunities with global partners to gain international influence.

COLLABORATION WITH CROs

In addition to our focus on in-house research and development, we also engage CROs to manage, conduct and support our preclinical research and clinical trials. We select preclinical CROs based on various factors, such as professional qualifications, research experience, industry reputation and adequacy of clinical trial equipment. We choose clinical CROs based on their ability to facilitate site selection, timely recruit patients and conduct complex clinical trials efficiently. We generally enter into service agreements with CROs on a project basis. To ensure that these CROs comply with our protocols and applicable laws, which in turn protects the integrity and authenticity of the data from our trials and studies, we closely supervise these CROs. Additionally, we have procured and expect to continue to procure CRO services for our Core Products from a connected person, a subsidiary of Lee's Pharm. For details, see "Connected Transactions—Non-Exempt Continuing Connected Transactions—Procurement of CRO Services."

Below is a summary of the key terms of an agreement that we typically enter into with our CROs:

- *Services*. The CRO provides us with services such as the design, implementation and management of a clinical development project as specified in the general service agreement or a work order. Specifically, such services usually include preclinical researches, clinical trial implementation, project management and monitoring, data management, statistical analysis and report writing.

- *Term*. The CRO is required to perform its services within the prescribed time limit set out in each work order.

- *Payments*. We are required to make payments to the CRO in accordance with the payment schedule according to the achievement of each development milestone.

- *Intellectual property rights*. We typically own all intellectual property rights arising from the clinical trials.

We believe, with the assistance from CROs, our in-house research and development capabilities will enable us to rapidly advance our drug candidates to different stages.

MANUFACTURING

Our Manufacturing Facility

Setting us apart form competitors, we have an established manufacturing facility, which occupies approximately 7,600 sq.m. in Nansha New District, Guangzhou. It is designed and built for ophthalmic drugs in compliance with cGMP requirements of China, the United States and the EU with full manufacturing capability and ready for commercial-scale production. A specialized ophthalmic manufacturing capability of this level of sophistication requires years of efforts to develop and cannot be replicated easily.

Our manufacturing facility, or the Nansha manufacturing facility, has five manufacturing lines, including one mono-dose eye drop manufacturing line, one multi-dose eye drop manufacturing line, one aseptic gel manufacturing line, one external gel manufacturing line and one mono-dose filling line. Our Nansha manufacturing facility has full manufacturing capabilities, covering production, dosing, filling, packaging and quality assurance, and is capable of producing various formulations and preservative-free ophthalmic drugs. To ensure adherence to the cGMP requirements of China, the United States and the EU, we procured advanced equipment and machinery from leading global suppliers and completed complex commissioning and qualification steps to verify that the equipment and programs are installed with the requisite specification. We believe the advanced manufacturing facility enables us to control production costs while ensuring quality. Our Nansha manufacturing facility is currently responsible for producing clinical trial supplies for certain of our drug candidates, namely, CsA ophthalmic gel, ZKY001 and levobetaxolol HCl.

In anticipation of our product launches in the coming years, we are expanding our annual manufacturing capacity from 2.5 million pieces of multi-dose eye drops, 6.0 million pieces of mono-dose eye drops, 0.4 million pieces of aseptic gel and 4.0 million pieces of external gel to 7.0 million pieces of multi-dose eye drops, 70.0 million pieces of mono-dose eye drops and 6.0 million pieces of external gel. We expect to complete the expansion by the first quarter of 2022.

Below is a photograph of the interior of our Nansha manufacturing facility (corridors outside a sterile production room).

Below is a photograph of our production equipment for external gel.

Manufacturing Team

We have a strong and specialized manufacturing team, uniquely positioned to bring proprietary technologies or processes into GMP production in various dosage forms and formulations. Our manufacturing team is led by Mr. Zhang Guohui (張國輝), who has 15 years of experience in CMC and manufacturing management. As of the Latest Practicable Date, we had 51 manufacturing personnel. We provide training to our manufacturing personnel to ensure

that they possess the skill sets and techniques required in the relevant manufacturing process, and comply with our quality control requirements as well as applicable laws and regulations in China, the United States and the EU.

Quality Control and Assurance

We believe that manufacturing of ophthalmic drugs is particularly challenging given the stringent manufacturing standards and quality requirements. We have established a set of comprehensive quality control and quality assurance procedures to ensure that our manufacturing process complies with relevant regulatory requirements and our internal quality requirements. As of the Latest Practicable Date, we had 29 quality control personnel. We have an approximately 900 sq.m. independent area for quality functions, including (i) a quality control laboratory, equipped with various testing facilities and instruments and (ii) a quality assurance system, equipped with advanced verification instruments such as temperature verifier, plankton sampler to meet the needs of daily monitoring and verification. To meet the inspection requirements of specific materials, we also have physical and chemical inspection area and sterile area.

We implement various quality control measures covering the entire manufacturing process:

- *Quality Control for Raw Materials*. We implement stringent quality control standards with respect to raw materials and stringent evaluation and engagement policies for suppliers. We only purchase from qualified suppliers, and the qualification process includes rigorous requirements on quality control in accordance with cGMP standards. We also perform background checks on the operating history and market reputation of potential suppliers, and procure product samples from the potential suppliers for inspection and testing to ensure quality and consistency of the raw materials. We conduct inspection and examination of raw materials upon delivery to our warehouse.

- *Quality Control During Production*. We adopt stringent safety and quality standards at each stage of our manufacturing process, including the implementation of the corrective and preventive action plans. Our manufacturing facility, equipment and machinery are designed, constructed, maintained and inspected in accordance with applicable quality standards, laws and regulations, and the cGMP requirements. We require our personnel involved in production activities to strictly follow our quality standards. We also adopt strict hygiene standards in quarantined zones and at our production lines. Each stage of our manufacturing process is closely monitored by our quality assurance personnel. Semi-finished products are tested after each stage of the manufacturing process to ensure their compliance with our quality standards.

- *Quality Control for Finished Products*. Each batch of our products is subject to a strict inspection before leaving our warehouse. We inspect the documentation relating to the quality of finished products, including its batch records, production process records and other information that may impact product quality. Products that do not meet our quality standards are destroyed or otherwise disposed of in accordance with the relevant disposal requirements.

CMO for Our Strategic Licensing Partners

Pharmaceutical companies are increasingly relying on contract manufacturing to fulfill their basic needs and specialized competencies. To enhance competitiveness and capacities in securing market-leading in-licensing opportunities, we plan to strategically develop a CMO business in the future to provide manufacturing services to our international strategic partners. By leveraging our manufacturing capabilities, we believe a CMO business would help us differentiate ourselves from competitors, and highlight our advantages during licensing negotiations. Additionally, it would help us further improve the efficiency of R&D activities, effectively control manufacturing costs, expand our service offerings and enhance our market competitiveness.

COMMERCIALIZATION

Commercialization of our drug candidates is critical to our future growth and success. To drive our product launch and bring our innovative ophthalmic therapies to market, we are assembling our core commercial leadership team in anticipation of near-term product launch. Mr. Feng Jiang, our sales and marketing director, has over 12 years of experience in leading commercial teams in multinational pharmaceutical companies, including Eli Lilly Asia, Inc. and Allergan Information Consulting (Shanghai) Co., Ltd, or Allergan China (now part of AbbVie). At Allergan China, Mr. Feng headed its south China sales team for eye care products and successfully launched one of its core products, OZURDEX (Dexamethasone Intravitreal Implant), in China in 2018. The core members of our commercial team have extensive experience in collaborating with nationwide sales channels coupled with capabilities to market and promote our drug candidates directly with ophthalmologists. In addition, we plan to build our commercial team to cover different sales regions in order to ensure adequate market coverage in most of the public bidding provinces in China. We are currently expanding our commercial team and target to have about 50 members by 2021, 100 members by 2022, and 200 to 300 members within the next five years.

Currently, our commercialization strategies focus on building brand recognition, especially for promoting the near commercial-stage generic drug candidates that targeting glaucoma. We are, and plan to continue to participate in or sponsor medical conferences and industry exhibitions in the ophthalmology field. For example, we introduced our Company and our drug pipeline at the National Corneal and Ocular Surface Disease Academic Conference (全國角膜及眼表疾病學術大會) which was held in October 2020 in Nanjing, China. We also communicated and established connections with leading ophthalmologists at this conference. In addition, we attended the 2020 Annual Meeting of Ophthalmic Management Committee of

Guangdong Medical Industry Association (廣東省醫療行業協會眼科管理分會年會) which was held in December 2020 in Guangzhou, China and gave speech on ophthalmic pharmaceutical market and research and development of ophthalmic drugs. We also plan to sponsor academic conferences to introduce our drug portfolio, that covers most major ocular indications affecting the front and the back of the eye, and raise our brand awareness and recognition. We believe that these academic-oriented marketing efforts will be beneficial for improving alignment of expert opinions on, and promoting clinical use of, our drug candidates, after they become commercially available.

Additionally, after the commercial launch of our drug candidates, we plan to firstly sell our products to private eye hospitals and institutions, which are rapidly growing in China with increasing patient acceptance. We also plan to sell our products through e-commerce platforms. The online pharmacy will complement our offline sales (such as hospitals and physical drugstores) and allow chronic disease patients to get diagnosis and prescription in a more convenient manner. Depending on the public bidding progress, we plan to focus on penetrating into public hospitals and gradually establish a physician base, especially in those top-tier public hospitals across China. According to CIC, the Chinese ophthalmic pharmaceutical market is highly concentrated with respect to hospitals. For example, in terms of sales volume of prostaglandin drug for glaucoma, the top 40 public hospitals accounted for 60% of the market in China in 2019. We plan to initially cover top 40 hospitals and assign dedicated sales representatives targeting ophthalmologists in such hospitals, including visiting the sites and physicians in person for pre-launch training and liaison. In addition, to expand our market share in these hospitals, we plan to interact and communicate with KOLs from these hospitals from time to time. We plan to invite these KOLs to carry out clinical studies for our pipeline products. We expect our commercial team to cover a growing number of selected public and private hospitals and ophthalmologists in China. In addition to the continued coverage in private hospitals, we plan to penetrate into the top 40 public hospitals in terms of sales volume of prostaglandin drug for glaucoma by 2021 and the top 100 public hospitals in terms of sales volume of prostaglandin drug for glaucoma by 2022.

SUPPLIERS

During the Track Record Period, our suppliers primarily consisted of (i) CROs, who provided contracting services for research and development and (ii) suppliers of raw materials, reference drugs, machinery and equipment used in our research and development and manufacturing activities. For further details, see "—Collaboration with CROs." We have established relationships with qualified suppliers for raw materials who we believe have sufficient capacity to meet our demands. Nevertheless, we believe that adequate alternative sources for such supplies exist.

For the years ended December 31, 2019 and 2020, our purchases from our five largest suppliers in the aggregate accounted for 34.9% and 19.4%, respectively, of our total purchases, and purchases from our largest supplier alone accounted for 29.7% and 11.3%, respectively, of our total purchases.

2019

Rank	Supplier	Supplier background	Credit term (days)	Products/ Service purchased	Purchase amount	Percentage of total purchase	Location
					(RMB'000)	*(%)*	
1	A	CRO	30	Clinical trial services	29,597.7	29.7	PRC
2	B	API supplier	3-7	APIs	1,719.2	1.7	PRC
3	C	SMO	10	Clinical trial coordination services	1,255.9	1.3	PRC
4	D	API supplier	30	APIs	1,135.6	1.1	PRC
5	E	API supplier	Payment in advance	APIs	1,065.5	1.1	PRC

2020

Rank	Supplier	Supplier background	Credit term (days)	Products/ Service purchased	Purchase amount	Percentage of total purchase	Location
					(RMB'000)	*(%)*	
1	A	CRO	30	Clinical trial services	13,383.2	11.3	PRC
2	F	CRO	10	Clinical trial services	2,943.4	2.5	PRC
3	G	R&D service provider	5	R&D services	2,850.0	2.4	PRC
4	D	API supplier	30	APIs	2,120.5	1.8	PRC
5	H	API supplier	15	APIs	1,631.0	1.4	PRC

To the best of our knowledge, except for Lee's Pharm Hefei and Lee's Pharm Guangzhou, all of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We also maintain product liability insurance covering our clinical trials. We maintain social welfare insurance and commercial insurance for our employees in accordance with relevant PRC laws and regulations, except as otherwise disclosed in the prospectus. For risk related to our social welfare insurance, see "Risk Factors—We may be subject to additional payments to statutory social welfare contribution for our employees." In the future, to the extent that any of the

foregoing types of insurances becomes mandatory due to changes of law or other reasons, we will acquire such insurance in compliance with law. Our Directors consider that our existing insurance coverage is sufficient for our present operations and in line with the industry practice in the PRC.

EMPLOYEES

As of the Latest Practicable Date, we had 163 employees. Substantially all of our employees are based in China. The following table sets forth the details of our employees by function as of the Latest Practicable Date:

Function	Number
Management	5
Research and development	51
Manufacturing	51
Quality control	29
Sales and marketing	6
EHS	1
Administrative	20
Total	163

Our Group was founded by Lee's Pharm Group with a view to building up an independent platform for development of ophthalmic drugs. Since our inception, six of Lee's Pharm Group's employees, covering research and development, production and quality control functions, were transferred to our Group to kickstart our business operations and facilitate the research and development activities of our drug candidates, including those drug candidates which were initially in-licensed or developed by Lee's Pharm Group and subsequently assigned to us. These six personnel were responsible for the research and development of the drug candidates which were initially in-licensed or developed by Lee's Pharm Group prior to the assignment. After the assignment, we proactively expanded our talent pool and recruited personnel of various functions. For example, to further enhance our research and development capabilities, we had expanded our research and development team to 51 personnel as of the Latest Practicable Date, ten of whom have Ph.D. or master's degrees. These research and development personnel who joined us after the assignment have extensive experience in drug discovery, preclinical research and clinical development, and many of them have solid experience working in leading pharmaceutical companies. For example, Dr. Jin Yixuan, our associate medical director, who joined us in October 2019 and is responsible for overseeing our clinical development, worked at Beijing Novartis Pharma Co., Ltd. (北京諾華製藥有限公司), a global healthcare company, as medical science liaison manager and also had three years' experience as an ophthalmologist. For details, see "Directors and Senior Management—Senior Management."

We recruit our personnel through online platforms, recruiting websites, job fairs and internal referrals. We enter into employment agreements with our employees to cover matters such as wages, benefits and grounds for termination. We also enter into standard confidentiality and non-compete agreements with our key personnel, such as our management and research and development employees. The confidentiality and non-compete agreements typically include a standard non-compete clause that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for at least two years after the termination of his or her employment. The confidentiality and non-compete agreements also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment. For further details regarding the terms of confidentiality and employment agreements with our key management, please see "Directors and Senior Management." We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any significant difficulty in recruiting staff for our operations. None of our employees are currently represented by labor unions.

We provide formal and comprehensive company-level and department-level training to our new employees, followed by on-the-job training. We also provide training and development programs to our employees regularly to ensure their awareness and compliance with our various policies and procedures. Some of the training is conducted jointly by departments serving different functions but working with or supporting each other in our day-to-day operations. In addition, we also invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

Our employees' remuneration comprises salaries, bonuses, employee provident fund and social security insurance contributions and other welfare payments. In accordance with the relevant laws and regulations, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. As of the Latest Practicable Date, we had complied with statutory social security insurance fund and housing fund obligations in all material aspects. However, during the Track Record Period, we failed to make adequate social insurance and housing provident fund contributions for certain employees. As a result, we made provisions of approximately RMB0.8 million and RMB1.0 million, respectively, for the years ended December 31, 2019 and 2020. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident. Furthermore, we plan to make the required contributions to social insurance and housing provident fund for all of PRC employees as soon as reasonably practicable upon receiving the rectification orders from the competent PRC authorities. We also plan to arrange payment of social insurance and housing provident fund for our employees in accordance with the relevant PRC laws and regulations to the extent possible. We believe that neither the outstanding social insurance contribution nor housing provident fund contributions will be systematic or will have a material adverse impact on our Group's business and operations.

LAND AND PROPERTIES

As of the Latest Practicable Date, we did not own any properties. As of the same date, we leased a number of properties with an aggregate gross floor area of approximately 9,165 sq.m. in Guangzhou, which we use for research, manufacturing and administrative functions. These properties were leased from Lee's Pharm Guangzhou. For details, see "Connected Transactions—Lease Agreements." Certain leased property is subject to a title deficiency, however, taking into account the construction project planning permit we have received, our Directors are of the view that such title deficiency would not have a material adverse impact on our operations. Among the leased properties above, our existing manufacturing facility occupied an aggregate gross floor area of approximately 7,636 sq.m. The relevant lease agreements have lease expiration dates ranging from July 2021 to July 2022. We can renew the relevant lease term upon expiration pursuant to the relevant lease agreement or negotiate before the expiration of the lease agreement.

INTELLECTUAL PROPERTY

Intellectual property rights are important to the success of our business. Our future commercial success depends, in part, on our ability to obtain and maintain patent and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties. As of the Latest Practicable Date, we owned eight issued PRC patents and two issued EU patents, and had filed two EU patent applications, six PRC patent applications, two patent applications under the PCT, and four patent applications in other jurisdictions. Among our patents and patent applications, (i) two patents were in relation to ZKY001, one of our Core Products, and were material to our business and (ii) one patent and two patent applications were in relation to CsA ophthalmic gel, our other Core Product, and were material to our business. As of the Latest Practicable Date, we were the owner or had the right to all the patents and patent applications which are material to our business. The table below lists the material patents and patent applications as of the Latest Practicable Date.

Product	Patent No./ Application No.	Title of Invention	Jurisdiction	Patent status	Patent expiration
ZK002	ZL201010252717.7	Angiogenesis inhibitant, purification method and medicinal composition therewith (一種抑血管生成素、純化方法及含有它們的藥物組合物)	PRC	Granted	August 12, 2030
	202110037053.0; PCT/CN2021/071407	Angiogenesis and anti-inflammatory protein and preparation methods thereof (一種具有抑制新生血管生長及抑制炎症反應活性的蛋白質及其製備方法)	PRC & PCT application	Pending	N/A

Product	Patent No./ Application No.	Title of Invention	Jurisdiction	Patent status	Patent expiration
ZKY001	ZL201210454279.1	Actin binding peptide and purpose thereof (一種肌動蛋白結合肽及其用途)	PRC	Granted	November 12, 2032
	ZL201510972013.X	Polypeptide solid-phase synthesis monitoring method (一種多肽固相合成的監測方法)	PRC	Granted	December 17, 2035
Adapalene/ Clindamycin hydrochloric compound gel (阿達帕林鹽酸克林霉素複方凝膠)	ZL200810004156.1	Adapalene and hydrochloric clindamycin compound gel preparation and preparation method thereof (阿達帕林鹽酸克林霉素複方凝膠製劑及其製備方法)	PRC	Granted	January 17, 2028
	ZL201711336457.X	A method of controlling impurities for Clindamycin Hydrochloride (一種鹽酸克林霉素的雜質控制方法)	PRC	Granted	December 13, 2037
	201711392438.9	Dispersion process of Adapalene in a gel preparation (一種凝膠製劑中阿達帕林的分散工藝)	PRC	Pending	N/A
Cyclosporine A eye gel (環孢素A眼凝膠)	ZL201410033737.3	Cyclosporin eye gel and preparation method thereof (一種環孢素眼凝膠及其製備方法)	PRC	Granted	January 22, 2034
	201711391728.1	Method for controlling impurity of cyclosporin A eye gel (一種環孢素A 眼凝膠的雜質控制方法)	PRC	Pending	N/A
	201711427891.9	Manufacturing process of cyclosporin eye gel (一種環孢素眼凝膠的處理工藝)	PRC	Pending	N/A

Product	Patent No./ Application No.	Title of Invention	Jurisdiction	Patent status	Patent expiration
Proparacaine gel (丙美卡因凝膠)	201810241754.4	Gynecological postoperative analgesic pharmaceutical composition and preparation method thereof (一種婦科術後止痛藥物組合物及其製備方法)	PRC	Pending	N/A
Levobetaxolol hydrochloride (鹽酸左倍他洛爾)	ZL201711461666.7	Preparation method of levobetaxolol hydrochloride eye drops (一種鹽酸左倍他洛爾滴眼液的製備方法)	PRC	Granted	December 27, 2037

The term of individual patents depends on the legal term for patents in the jurisdictions in which they are granted. In most jurisdictions, the patent term for inventions is generally 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable jurisdiction. We may rely, in some circumstances, on trade secret and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality arrangements with our consultants, scientific advisors, contractors, and employees. However, these agreements may not provide sufficient protection of our trade secrets and/or confidential information. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See "Risk Factors—Risks Relating to Our Intellectual Property Rights."

We conduct our business under the trade name "Zhaoke Ophthalmology" ("兆科眼科"). As of the Latest Practicable Date, we had registered three trademarks in the PRC and had registered two domain names.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that might be threatened or pending as claimant or respondent.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to any material legal or administrative proceedings, and our Directors had not been involved in any such proceedings. As of the Latest Practicable Date, we are not aware of any threatened proceedings that may have material impact on the assets, business operations or financial positions of the Company. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

SOCIAL, HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

In respect of social responsibilities, we have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations. We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics.

We are subject to environmental protection and occupational health and safety laws and regulations in China. For more details, see "Regulatory Overview." Our operations involve the use of hazardous and flammable chemical materials. During the Track Record Period and up to the Latest Practicable Date, we complied with the relevant environmental and occupational health and safety laws and regulations in all material aspects and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations during the period. During the Track Record Period, we engaged qualified third parties for the disposal of these materials and wastes, and since we have not yet commenced the commercial manufacturing, our expenses in relation to environmental protection were insignificant. We expect our costs of complying with current and future environmental protection laws to increase in the future, as we further our research and development efforts and commence commercial manufacturing of our products after regulatory approval.

We aim to operate our facilities in a manner that protects the environment and the health and safety of our employees and communities. We have implemented company-wide environmental, health and safety (EHS) policies and operating procedures relating to waste treatment, process safety management, worker health and safety requirements and emergency planning and response. To further ensure our compliance with applicable environmental protection and health and safety laws and regulations, we (i) have established various guidelines governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes to ensure such guidelines are strictly enforced for the disposal of laboratory materials and wastes; (ii) inspect our equipment and facilities regularly to identify and eliminate safety hazards; (iii) provide regular safety awareness training to our employees; (iv) keep health records for all employees and conduct health examinations before, during and after their time at the company, especially for employees engaged in work involving occupational hazards; and (v) conduct regular fire safety inspections, maintenance of fire-fighting equipment and regular emergency drills.

Our EHS function is responsible for monitoring and enforcing the compliance of our operations with environment, health and safety laws and regulations. This responsibility is executed through formulation and implementation of EHS policies and procedures, EHS audits and incident response planning. We have not had any significant workplace accidents in the history of our Company.

PERMITS, LICENSES AND OTHER APPROVALS

As of the Latest Practicable Date, we had obtained requisite licenses, approvals and permits from relevant authorities that are material to our operations. The following table sets forth permits, licenses and other approvals relating to our business and operations (apart from those pertaining to general business requirements):

Licenses/Permit/Certificate	Holder	Scope	Authority	Status
Drug Manufacturing Permit (藥品生產許可證)	Zhaoke Guangzhou	External use gel, eye drops, gel eye drops, sterile gel	Medical Products Administration of Guangdong Province	Effective until April 18, 2023

We had not encountered any difficulties in renewing our permits and licenses during the Track Record Period. Our PRC Legal Advisors are of the view that there are no foreseeable legal obstacles for our PRC subsidiary to renew the Drug Manufacturing Permit provided that relevant laws, regulations and regulatory requirements are fully met and the application are made in accordance with applicable laws, regulations and procedures required at the time of applying. Based on the foregoing, our Directors believe that we will be able to timely renew our Drug Manufacturing Permit. Each Drug Manufacturing Permit is valid for a period of five years and we are required to apply for renewal of the permit within six months prior to its expiration date and will be subject to reassessment by the authority. For details of the procedures for renewal, see "Regulatory Overview—Drug Regulatory Regime—Regulations in relation to the Manufacturing of Drugs—Drug Manufacturing Permit."

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the PRC and global pharmaceutical markets, our ability to develop, manufacture and commercialize our drug candidates, and our ability to compete with other ophthalmic pharmaceutical companies. See "Risk Factors." We also face various market risks. In particular, we are exposed to credit, liquidity and currency risks that arise in the normal course of our business. See "Financial Information—Market and Other Financial Risks."

We are in the process of adopting a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Our senior management, and ultimately our Directors, supervise the implementation of our risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

The following key principles outline our Group's approach to risk management and internal control we plan to implement:

Our senior management oversees and manages the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; and (iii) ensuring the appropriate application of our risk management framework across our Group. Our senior management is responsible for developing and implementing our risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We believe that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an internal control consultant (the "Internal Control Consultant") to perform internal control review for the period from July 1, 2019 to June 30, 2020 of our Company and our major operating subsidiaries covering our Group's entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, procurement, accounts payable and payment, fixed assets, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, tax management, insurance management, research and development (including patent and licensing) and clinical trial. The Internal Control Consultant has not identified any deficiencies in our risk management and internal control system in the review that would have had a material adverse impact on our business, financial condition or results of operations.

During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding our business operation and we provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of these measures and procedures.

- We maintain strict codes of conduct for our sales and marketing personnel. For example, we formulated detailed guidelines for promoting our drug products. Our sales and marketing personnel are not allowed to promote drugs for unapproved uses or patient populations, and they are required to avoid using terms or phrases which may exaggerate the effectiveness of our drugs or mislead the patients. Additionally, our sales and marketing personnel are required to make detailed records of any payments made for business purposes and must submit receipts to our accounting department. We also enforce strict restrictions on sponsoring scientific and educational activities, and we establish review and internal approval procedures for proposals of such sponsorships. Furthermore, our sales and marketing personnel are trained to identify potential conflicts of interests in business interactions with suppliers, medical professional, patients, government officers and other external parties. Our sales and marketing personnel are required to report to their immediate or higher-level supervisors when any potential conflict of interests is identified. The supervisors are required to report to our senior management if any material conflict of interests is identified.

- We provide various training programs to keep our employees updated of relevant laws, regulations and policies. Our new employees are required to attend compliance training programs soon after on-boarding, and must pass tests which examine their understanding of the compliance issues addressed by the training programs. Our employees are also required to regularly attend further onsite and online training sessions to keep them informed of the recent updates in the relevant laws and regulations.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our compliance adviser, will also regularly review our compliance status with all relevant laws and regulations upon the Listing.

- An audit committee will be effective upon the Listing, which will review the risk management and internal control systems and procedures for compliance of the Listing Rules.

In addition, as part of our risk management measures, we have implemented specific measures against corruption and bribery, including providing anti-corruption and anti-bribery compliance training for our Directors and senior management in order to enhance their knowledge and compliance of applicable laws and regulations. We require our employees, especially those involved in procurement, sales and marketing and other business functions which are more susceptible to bribery and corruptions, to abide by our compliance requirements, and make necessary representations and warranties to the Company. We also have established a system of supervision that allows complaints and reports to be submitted to management regarding non-compliant behavior of our internal employees.

BOARD OF DIRECTORS

Our Board of Directors is comprised of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon re-election and/or reappointment at the general meetings of our Company in accordance with the Articles of Association.

The table below sets out certain information in respect of the members of our Board.

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and Responsibilities
Dr. Li Xiaoyi (李小羿博士)*Note*	58	Chairman of the Board, executive Director and CEO	June 16, 2016	January 20, 2017	Formulation of the corporate development strategies and direction for our Group as well as overall day-to-day management of our business and operations
Mr. Dai Xiangrong (戴向榮先生)	41	Executive Director	June 16, 2016	October 23, 2020	Overseeing research and development and daily operation of our Group
Ms. Leelalertsuphakun Wanee (李燁妮女士)*Note*	67	Non-executive Director	June 16, 2016	January 20, 2017	Providing guidance and advice on the corporate and business strategies
Ms. Tiantian Zhang	38	Non-executive Director	February 5, 2021	February 5, 2021	Providing guidance and advice on the corporate and business strategies
Ms. Cai Li (蔡俐女士)	37	Non-executive Director	October 23, 2020	October 23, 2020	Providing guidance and advice on the corporate and business strategies
Mr. Chen Yu (陳宇先生)	39	Non-executive Director	October 23, 2020	October 23, 2020	Providing guidance and advice on the corporate and business strategies

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and Responsibilities
Mr. Wong Hin Wing (黃顯榮先生)	58	Independent non-executive Director	April 1, 2021	April 1, 2021	Supervising and providing independent judgment to our Board
Prof. Lo Yuk Lam (盧毓琳教授)	72	Independent non-executive Director	April 1, 2021	April 1, 2021	Supervising and providing independent judgment to our Board
Dr. Tam Lai Fan Gloria (譚麗芬醫生)	63	Independent non-executive Director	April 1, 2021	April 1, 2021	Supervising and providing independent judgment to our Board

Note: Dr. Li Xiaoyi is a brother of Ms. Leelalertsuphakun Wanee.

Executive Directors

Dr. Li Xiaoyi (李小羿博士), aged 58, was appointed as the chairman of the Board, an executive Director and the CEO on January 20, 2017. He is mainly responsible for the formulation of the corporate development strategies and direction for our Group as well as overall day-to-day management of our business and operations. Dr. Li Xiaoyi also holds directorship at each subsidiary of our Group since its establishment.

Dr. Li has over 25 years of experience in pharmaceutical research and development as well as management and strategic planning for pharmaceutical companies. Dr. Li founded Lee's Pharm in 1994 and has been the chief technical officer since then. Dr. Li was appointed as an executive director and the chief executive officer of Lee's Pharm in September 2003, where he is responsible for the overall operations and management and research and development of Lee's Pharm. Dr. Li will resign as the chief technical officer, the chief executive officer and executive director of Lee's Pharm before the Listing.

In addition to his roles in Lee's Pharm, Dr. Li also has multiple experience in the management and strategic planning for many other pharmaceutical institutions. Since 2014, he has been serving as the vice president of Hong Kong Biotechnology Organization, mainly responsible for developing the biotech industry in Hong Kong. Since March 2016, he has been serving as the president of Guangzhou Pharmaceutical Association* (廣州藥學會), an academic and non-profit social organization formed by pharmaceutical researchers in Guangzhou, where he is mainly responsible for providing industrial insights for developing the pharmaceutical industry in Guangzhou. Dr. Li is also a member of the review committee of Innovation and Technology Fund of Hong Kong Government, a fund supported by the government of Hong Kong to promote and facilitate technology companies.

Dr. Li obtained his Ph.D. in pharmacology from the medicine college of the University of Illinois in the United States in May 1992.

Dr. Li has earned multiple awards and esteemed recognitions. He has been an adjunct professor at the Hong Kong University of Science and Technology since November 2013 and an honorary fellow since June 2016. In August 2018, he was awarded the leading innovation talent* (廣州創新領軍人才) by the Guangzhou government. In January 2018, Dr. Li was appointed as a member of the People's Political Consultative Conference of Anhui Province in the PRC, and was honored with the 16th World Outstanding Chinese Award (世界傑出華人獎) by the World Chinese Business Investment Foundation (世界華商投資基金會) in August 2018.

Dissolution of companies of which Dr. Li was one of the directors

Dr. Li was a director of the following companies incorporated in Hong Kong, which were dissolved (otherwise than by a members' voluntary winding-up) when he was a director:

Name of Company	Nature of business	Date of dissolution	Company status
Lee Siu-Fung & Company Limited	Investment holding	May 17, 2002	Dissolved by deregistration
Siu-Fung (Holdings) Company Limited	Investment holding	June 22, 2007	Dissolved by striking off
Asia Healthcare Company Limited	Investment holding	October 14, 2005	Dissolved by deregistration

To the best of our Directors' knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Dr. Li involved in the dissolution of the aforementioned companies, and as at the Latest Practicable Date, there was no outstanding liability or ongoing claim or litigation against Dr. Li in his capacity as a director prior to their respective dissolution. Dr. Li also confirmed that to the best of his knowledge, the above companies were solvent at the time of their respective dissolutions.

Winding-up orders against Siu-Fung Ceramics Holdings Limited ("SFCH") and certain of its subsidiaries of which Dr. Li was one of the directors and public criticism by the Stock Exchange against Dr. Li in relation to SFCH

SFCH was a company listed on the Main Board of the Stock Exchange from 1993 to 2001. SFCH and its subsidiaries were engaged in the manufacture and sales of ceramics products prior to its liquidation. On March 26, 1999, compulsory winding-up proceedings were initiated upon petitions filed by a creditor against SFCH and certain of its subsidiaries, namely NHD Systems (Asia) Limited, NHD Systems (Holdings) Limited and Siu-Fung Ceramics Concept Company Limited, in respect of which winding-up orders were made by the Court of First Instance of Hong Kong (the "**Court of First Instance**") on May 9, 2000. On June 14, 2000, compulsory winding-up proceedings were also initiated upon petition by a creditor against Siu Fung Concept Limited, another subsidiary of SFCH, in respect of which a winding-up order was made by the Court of First Instance on August 9, 2000. Claims of creditors admitted for SFCH and its subsidiaries and associated companies (the "**SFCH Group**") totaled approximately HK$8,436 million. Dr. Li was a director of each of SFCH and its abovementioned subsidiaries (the "**Winding-up Companies**") at the time of or within 12 months prior to their respective winding-ups.

SFCH was a company incorporated in Bermuda. NHD Systems (Asia) Limited, NHD Systems (Holdings) Limited and Siu Fung Concept Limited were companies incorporated in Hong Kong. Siu-Fung Ceramics Concept Company Limited was a company incorporated in the BVI.

In addition, Dr. Li and the other director of SFCH were publicly criticized by the Stock Exchange on December 5, 2000 in respect of the failure to publish financial results of the company within the required time frame. SFCH attributed such failure to its financial difficulties and the need to allocate limited resources to other tasks.

Dr. Li confirmed that, to the best of his knowledge:

(i) the SFCH Group encountered financial difficulties and became insolvent due to its over expansion in mainland China, against the backdrop of the 1997 Asian financial crisis. In light of SFCH's financial situation, SFCH proposed a debt restructuring and refinancing arrangement to creditors in 1997 ("**Restructuring**"). Winding-up proceedings against SFCH and its subsidiaries were initiated by creditors after SFCH failed to resolve its liquidity issues after almost two years of efforts on the Restructuring;

(ii) Dr. Li was mainly responsible for the U.S. operation of the SFCH Group after he obtained his Ph.D. degree from the University of Illinois in 1992 and was not responsible for the daily operation and financial management of SFCH. Dr. Li was not part of the senior management team nor member of any board committee of SFCH, and thus Dr. Li's involvement in the management, daily operation and financial planning of SFCH prior to the Restructuring was limited;

(iii) Dr. Li was not a respondent in the winding-up proceedings of the Winding-up Companies and was not personally liable to any of the then creditors of the Winding-up Companies; and

(iv) none of the above incidents will have any material adverse impact on the business operations or financial positions of the Company.

To the best of our Directors' knowledge, information and belief having made reasonable enquiries, there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on the part of Dr. Li regarding the winding-up of the Winding-up Companies. As at the Latest Practicable Date, there was no outstanding liability against Dr. Li in his capacity as a director of the Winding-up Companies prior to their respective winding-ups.

Based on the above, our Directors and the Joint Sponsors consider that the above incident would not affect the suitability of Dr. Li to be our executive Director under Rules 3.08 and 3.09 of the Listing Rules.

Examination order against Dr. Li

Given the bankruptcy of an extended family member of Dr. Li, a private examination order was granted by the Court of First Instance for the discovery of documents and oral examination of Dr. Li by the master of the court in respect of the conduct, dealings and property of such member, which continues to have effect as of the Latest Practicable Date.

Dr. Li confirmed that, to the best of his knowledge, none of the above incidents will have any material adverse impact on the business operations or financial positions of the Company.

Mr. Dai Xiangrong (戴向榮先生), aged 41, joined our Group in June 2016 and was appointed as an executive Director on October 23, 2020. He is mainly responsible for overseeing research and development and daily operation of our Group.

As a licensed pharmacist, Mr. Dai has over 13 years of extensive experience in preclinical studies, clinical research and registration of new drugs. Prior to joining our Group, Mr. Dai had worked in Lee's Pharm since July 2007, where he was responsible for various new drug development programs and succeeded in bringing the programs to the clinical trial stage, and was further promoted to senior director of the research and development centre in February 2016.

Mr. Dai obtained both his bachelor's degree in horticulture and his master's degree in biochemistry from Anhui Agricultural University (安徽農業大學) in Anhui Province, China, in July 2003 and June 2007, respectively.

Non-executive Directors

Ms. Leelalertsuphakun Wanee (李燁妮女士), aged 67, was appointed as a non-executive Director on February 20, 2017 and is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group.

Ms. Leelalertsuphakun is an entrepreneur and had established and run several companies since the 1990s. Prior to joining our Group, she joined Lee's Pharm in April 1997. She has been appointed as an executive director and managing director of Lee's Pharm since December 2001, and further as the chief marketing and sales officer of Lee's Pharm since September 2003, where she was responsible for the sales and marketing activities of Lee's Pharm.

Given the bankruptcy of an extended family member of Ms. Leelalertsuphakun, a private examination order was granted by the Court of First Instance for the discovery of documents and oral examination of Ms. Leelalertsuphakun by the master of the court in respect of the conduct, dealings and property of such member, which continues to have effect as of the Latest Practicable Date.

Ms. Leelalertsuphakun confirmed that, to the best of her knowledge, none of the above incidents will have any material adverse impact on the business operations or financial positions of the Company.

Ms. Tiantian Zhang, aged 38, was appointed as a non-executive Director on February 5, 2021 and is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group. Ms. Zhang was nominated as a Director by Panacea Venture Healthcare Fund I, L.P., a Pre-IPO Investor.

Ms. Zhang has over 10 years of management and investment experience in healthcare industry. From January 2009 to April 2012, Ms. Zhang worked as a manager of business development at Hutchison MediPharma Limited, which is a subsidiary of Hutchison China MediTech Limited, a company whose share are traded on the NASDAQ (ticker symbol: HCM), where she was responsible for drug out-licensing and project management. From July 2014 to December 2015, Ms. Zhang worked as an associate manager at Zimmer Biomet Holdings, Inc., a company whose shares are traded on the New York Stock Exchange (ticker symbol: ZBH), where she was responsible for management of strategic initiatives. In January 2016, Ms. Zhang joined and is now a partner of Kleiner Perkins Caufield & Byers China (凱鵬華盈中國基金) focusing on the firm's life science practice and portfolio management. Ms. Zhang joined Panacea Venture since January 2018, a venture capital focusing on investments in innovative and transformative early and growth stage healthcare and life sciences companies worldwide, where she involves in the firm's life science practice, portfolio management and fund raising.

Ms. Zhang graduated from the University of Texas at Austin, the United States with a bachelor of science degree in biochemistry in December 2006. She obtained a master degree in biotechnology from the Graduate School of Arts and Sciences of Columbia University, the United States in October 2008, and a master of business administration degree from the Fuqua School of Business of Duke University, the United States, in May 2014.

Ms. Cai Li (蔡俐女士), aged 37, was appointed as a non-executive Director on October 23, 2020 and is mainly responsible for providing guidance and advice on the corporate and business strategies. Ms. Cai was nominated as a Director by TPG Asia VII SF Pte. Ltd., a Pre-IPO Investor.

From 2007 through 2008, Ms. Cai worked as a research analyst at Credit Suisse AG (New York), where she was responsible for equity research for large cap of medical supplies and devices companies. From March 2009 to July 2011, Ms. Cai worked as an investment associate at HAO Capital (Haotian Jinsheng Investment Management (Beijing) Limited), focusing on growth stage healthcare investments. Ms. Cai joined TPG Capital in August 2011 and is latest serving as a managing director of TPG Capital, a leading global alternative asset firm, responsible for TPG Capital's healthcare investments in Greater China.

Ms. Cai also concurrently holds the following positions outside our Group:

- a supervisor at Shanghai Deyu Deqi Enterprise Management Consulting Co., Ltd. (上海德虞得起企業管理諮詢有限公司) since November 2016;

- a director at PPC Holding Company (Cayman) since August 2017, PPC Intermediate Holding Company (Cayman) since August 2017, PPC K.K. (Japan) since September 2017, PPC Korea since August 2017, PPC China Corporation Limited (上海百利佳生醫藥科技有限公司) since October 2017, PPC China Clinical Research Corporation Limited (上海立興佳生醫藥科技有限公司) since February 2018, Jiasheng (Shanghai) Pharmaceutical Consulting Co., Ltd. (佳生(上海)醫藥諮詢有限公司) since September 2017, APLUS Pharmaceutical Consulting (Shanghai) Co., Ltd. (佳永醫藥諮詢(上海)有限公司) since August 2017, Bailixing (Xiamen) Equity Investment Co., Ltd. (百立興(廈門)股權投資有限公司) since August 2017, Acrostar Pharmaservices Corporation (徐州立順康達醫藥科技有限公司) since August 2017, Acrostar Site Management Co., Ltd. (南京立順康達醫藥科技有限公司) since January 2019, Biosuntek Laboratory Co., Ltd. since December 2019, Novotech Aus Holdco Pty Ltd since July 2020, Novotech Holdings Pty Ltd since July 2020, Novotech (Australia) Pty Ltd since July 2020 and Novotech Health Holdings Pte. Ltd. since December 2020, respectively, which are all member companies of Novotech Health Holdings Pte. Ltd. invested by TPG Capital;

- a non-executive director at Kangji Medical Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 9997), since March 2020;

- a non-executive director at Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司) since September 2020;

- a director at Zhejiang Choisun Tea Development Co., Ltd. (浙江久晟油茶科技股份有限公司) since December 2015, whose shares were once traded on the National Equities Exchange and Quotations (stock code: 837518).

Ms. Cai obtained her bachelor's degree in biomedical engineering and economics from Yale University in Connecticut, the United States in May 2007.

Mr. Chen Yu (陳宇先生), aged 39, was appointed as a non-executive Director on October 23, 2020 and is mainly responsible for providing guidance and advice on the corporate and business strategies. Mr. Chen was nominated as a Director by COFL Holdings Limited, a Pre-IPO Investor.

Mr. Chen has over 13 years of experience in investment. From June 2007 to September 2007 and from January 2008 to September 2010, he was an analyst in the investment banking department of Bank of America Merrill Lynch. From September 2010 to June 2011, he served as an associate of the China investment banking department at Citigroup Global Markets Asia Limited. From January 2012 to July 2015, he was a senior investment manager of Shanghai Panxin Equity Investment Management Co., Ltd. (上海磐信股權投資管理有限公司). Since August 2015, he has been an executive director, and currently managing director, of Hillhouse.

Mr. Chen has been serving as a director of JHBP (CY) Holdings Limited, a pharmaceutical company whose shares are listed on the Main Board of the Stock Exchange (stock code: 6998), since December 2018.

Mr. Chen obtained a bachelor's degree in electrical engineering (information and communication engineering) from the Hong Kong University of Science and Technology in November 2003, a master's degree in electrical engineering from Yale University in Connecticut, the United States in May 2005 and a master's degree in management science and engineering from Stanford University in California, the United States in January 2008.

Independent Non-executive Directors

Mr. Wong Hin Wing (黃顯榮先生), aged 58, was appointed as an independent non-executive Director on April 1, 2021 and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Wong has 36 years of experience in accounting, finance, investment management and advisory. From July 1985 to September 1996, Mr. Wong worked successively as an auditor in an international audit firm for four years and chief financial officer of a Hong Kong listed company for seven years. Subsequently in 1997, Mr. Wong co-founded Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation

under the SFO, and led the company as an executive director and the responsible officer for 23 years. Since 2020, Mr. Wong has been serving as the managing partner and the responsible officer of Hermitage Capital HK Limited, a licensed corporation under the SFO.

Mr. Wong concurrently serves as an independent non-executive director of the following companies outside our Group:

- CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1786), since November 2015;

- Inner Mongolia Yitai Coal Co., Ltd (內蒙古伊泰煤炭股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 900948) and the Main Board of the Stock Exchange (stock code: 3948), since May 2017;

- Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600332) and the Main Board of the Stock Exchange (stock code: 874), since June 2017;

- Wine's Link International Holdings Limited (威揚酒業國際控股有限公司), whose shares are listed on the GEM of the Stock Exchange (stock code: 8509), since December 2017; and

- Jiangxi Bank Co., Ltd. (江西銀行股份有限公司), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1916) since February 2018.

Mr. Wong also served as an independent non-executive director of the following companies during the last three years:

- China Agri-Products Exchange Limited (中國農產品交易有限公司), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 149), from December 2016 to November 2018;

- Dongjiang Environmental Company Limited (東江環保股份有限公司), a company whose shares are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange (stock code: 2672) and the Main Board of the Stock Exchange (stock code: 895), from June 2014 to December 2020; and

- AEON Credit Service (Asia) Co., Ltd. a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 900), from October 2004 to June 2020.

In addition to the above, Mr. Wong has been a member of Anhui Provincial Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議安徽省委員會委員) since January 2013. He has also been a member of the Securities and Futures Appeals Tribunal since April 2017, a member of the Construction Industry Council since February 2018, a member of Public Interest Entities Auditors Review Tribunal since October 2019, a member of the Betting and Lotteries Commission since August 2019 and a member of The Medical Council of Hong Kong since January 2021.

Mr. Wong obtained his master's degree in Executive Business Administration from The Chinese University of Hong Kong in December 1996. Mr. Wong has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1995, a fellow member of the Chartered Association of Certified Accountants since July 1992, a fellow member of the Institute of Chartered Accountants in England and Wales since March 2015, a fellow member of the Institute of Chartered Secretaries and Administrators of the United Kingdom since June 1995, a fellow member of the Hong Kong Institute of Directors since April 2002, a member of the American Institute of Certified Public Accountants since February 1991, a chartered member of Chartered Institute for Securities and Investment of the United Kingdom since March 2011.

Prof. Lo Yuk Lam (盧毓琳教授), aged 72, was appointed as an independent non-executive Director on April 1, 2021 and is primarily responsible for supervising and providing independent judgment to our Board.

Prof. Lo has extensive experience in biotechnology industry, corporate management, academic research and community service. Since July 2019, he has been serving as the Chairman of GT Healthcare Capital Partners, a private investment partnership specializing in healthcare investments. From July 2007 to June 2009, he was a member of the Hong Kong Government Research Grants Council. He was the Chairman of the Advisory Council on Food and Environmental Hygiene of the Hong Kong Government from April 2015 to March 2021 and he has been the president for HK Bio-Med Innotech Association. He also serves as the honorary chairman of the Hong Kong Biotechnology Organisation. Since February 2019, he has been serving as the partner of Hongsen Investment Management Ltd, an investment company focusing on growing biotech companies.

Prof. Lo also holds the following positions outside our Group:

- an independent director of Sinovac Biotech Ltd., a company whose shares are listed on NASDAQ Global Select Market (ticker symbol:SVA), since March 2006; and

- an independent non-executive director of Luye Pharma Group Ltd., a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2186), since June 2014.

In recognition of his leadership in the community and dedication to his field, Prof. Lo has received many awards. In 2000, he was the first to be bestowed with the title of honorary fellow by the Hong Kong University of Science and Technology for his role in establishing Hong Kong's biotechnology industry. He was awarded China's "Top Ten Financial and Intelligent Persons" in 2007 in recognition of his outstanding contribution to economic development and business innovation in China. He was honored with the World Outstanding Chinese Award (世界傑出華人獎) by the World Chinese Business Investment Foundation (世界華商投資基金會) in June 2008, the Pericles International Prize 2019 by the Alcmaeon International Academy in June 2019, and the HKSAR Bronze Bauhinia Star by the government of Hong Kong in October 2020.

Dr. Tam Lai Fan Gloria (譚麗芬), aged 63, was appointed as an independent non-executive Director on April 1, 2021 and is primarily responsible for supervising and providing independent judgment to our Board.

In 1982, Dr. Tam joined the Hong Kong Government and worked at the Maternal and Child Health Service of the then Hong Kong Government's Medical and Health Department. Afterwards, she took up private practice from before rejoining Hong Kong Government in 1985. Initially, she was posted to assume clinical obstetrics and gynecology duty, followed by another maternal and child health job in the newly established Department of Health of the Hong Kong Government, before being promoted to Senior Medical Officer in 1992 and then advanced to directorate position in 1995. Dr. Tam served as the Assistant Director of Health in charge of Hong Kong's food safety in Department of Health from 1997 to 1999. She then moved over to another newly established Government department, namely the Food and Environmental Hygiene Department for the same duty from 2000 to 2003. She returned to Department of Health to become the Assistant Director responsible for health administration and planning from 2004 to 2007. Dr. Tam was the Deputy Director of Health from July 2007 to June 2012, during when she basically oversaw all departmental duties, except dental health and disease prevention and control services. To note, she supervised the operation of the Chinese and western drug regulatory programs. Dr Tam's last position in Hong Kong Government was as Controller for Food Safety in the Centre for Food Safety from June 2012 until she retired in June 2017. Currently, Dr. Tam serves as a member of Food and Agriculture Organization of the United Nations and World Health Organization (WHO)'s Joint Expert Meeting on Microbiological Risk Assessment.

Dr. Tam was granted bachelor degrees in medicine and surgery by The University of Hong Kong in November 1983. She obtained her Master in Medicine (Public Health) degree from the National University of Singapore in May 1993 under a WHO scholarship. She was elected as a Fellow of the Faculty of Public Health of the Royal Colleges of Physicians, United Kingdom in February 2007. She finished the Wharton Advanced Management Program of The Wharton School, University of Pennsylvania in the United States in July 2010. In September 2016, Dr. Tam was awarded a certificate of appreciation by the United States Department of Agriculture for sustained excellence in the administration and facilitation of trade of U.S. food to Hong Kong.

Save as otherwise disclosed in this prospectus, none of our Directors held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

Save as otherwise disclosed in this prospectus, to the best of the knowledge and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

The senior management of our Company are responsible for the day-to-day management of the business. The following table sets out information about our senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as our senior management member	Roles and Responsibilities
Dr. Li Xiaoyi (李小羿博士)	58	Chairman of the Board, executive Director and CEO	June 16, 2016	February 20, 2017	Formulation of the corporate development strategies and direction for our Group as well as overall day-to-day management of our business and operations
Dr. Lau Lit Fui (柳烈奎博士)	58	President and chief operating officer	June 16, 2016	April 1, 2019	Overseeing the overall operation of our Group
Dr. Li Lok Yee Mandy (李洛誼博士)	42	Senior vice president, R&D	June 16, 2016	September 1, 2020	Facilitating the business development and execution of scientific strategies of research and taking charge of project management (including both in-licensed and in-house developed pipeline products)
Mr. Zhang Guohui (張國輝先生)	46	Deputy general manager	June 16, 2016	July 1, 2016	Overseeing production and quality control
Mr. Jiang Su (江蘇先生)	40	Clinical operations director	January 1, 2018	June 1, 2019	Conducting and organizing clinical trials

Name	Age	Position	Date of joining our Group	Date of appointment as our senior management member	Roles and Responsibilities
Mr. Ma Jian (馬鍵先生)	34	Senior manager of quality control	January 1, 2017	September 1, 2018	Devising procedures to inspect and report quality assurance issues, identifying critical control points and preventive measures
Mr. Zhang Xingshuan (張興門先生)	33	Deputy manager of production	January 1, 2017	November 1, 2017	Overseeing production process, monitoring productivity rates and product standards and implementing quality control programs
Ms. Feng Xinyan (馮新彥女士)	44	Chief financial officer	December 7, 2020	December 7, 2020	Financial planning and initiatives and investor relations management
Mr. Mauro Bove	65	Business development director	January 1, 2019	January 1, 2019	Overseeing business development activities and identifying new business opportunities
Mr. Feng Jiang (馮江先生)	45	Sales and marketing director	October 1, 2020	October 1, 2020	Overseeing branding, sales and marketing activities
Ms. Yau Suk Yan (邱淑欣女士)	38	Financial controller and company secretary	September 9, 2019	September 9, 2019	Management and supervision of auditing, report analysis and budget control
Dr. Jin Yixuan (金怡軒博士)	39	Associate medical director	October 8, 2019	October 8, 2019	Overseeing clinical trial development in terms of protocol development and providing medical insight for clinical trial strategy and model design

Dr. Li Xiaoyi (李小羿博士), aged 58, is the chairman of the Board, an executive Director and the CEO. For details of his biography, please see "—Board of Directors—Executive Directors."

Dr. Lau Lit Fui (柳烈奎博士), aged 58, joined our Group in June 2016 and was appointed as president and chief operating officer of our Group on April 1, 2019. He is primarily responsible for overseeing the overall operation of our Group.

Dr. Lau has 23 years of extensive experience in operation management and research and development of new drugs. From August 1998 to January 2008, he worked in the global research and development department of Pfizer Inc., a worldwide leading pharmaceutical company, where his last position was senior principal scientist heading a biology laboratory and supervising technicians in testing drug candidates. From January 2008 to August 2012, Dr. Lau worked as the associate director of the new product and alliance development department of GlaxoSmithKline (China) R&D Co., Ltd., a science-led global healthcare company, where he was responsible for department management and research and development of new drugs treating neurodegenerative diseases. Dr. Lau joined Lee's Pharm in October 2012 and had been managing the operation and research and development of Lee's Pharm until April 2016.

Dr. Lau obtained both his bachelor's degree in science and master degree of philosophy from The Chinese University of Hong Kong in December 1985 and December 1987, respectively, where he was awarded the Wong Siew Chan Scholarship. In December 1993, he obtained his Ph.D. in biochemical science from the University of Connecticut in the United States. He completed his research fellowship in neuroscience at the School of Medicine of John Hopkins University in the United States in August 1998.

Dr. Lau's outstanding performances have been recognized by several leading corporations. In February 1991, he was granted SmithKline Beecham Student Pharmacology Award by SmithKline Beecham Pharmaceuticals, a company focused on pharmaceuticals, biologics, vaccines, and consumer healthcare. During his employment with Pfizer, Inc., he was granted several awards by the global research & development department of the company, for his leadership, team work spirit and contribution in research and development. In 2014, he was awarded the Medicines for Life Award by UTASIA Inc., a subsidiary of United Therapeutics Corporation, a company mainly focusing on pharmaceutical preparations business. In 2018, Dr. Lau received an award from CVie Therapeutics Co. Ltd., a subsidiary of Lee's Pharm, for his sustained contribution and commitment.

Dr. Li Lok Yee Mandy (李洛誼博士), aged 42, joined our Group in June 2016 and was appointed as the senior vice president, R&D of our Group on September 1, 2020. She is mainly responsible for facilitating the business development and execution of scientific strategies of research and project management (including both in-licensed and in-house developed pipeline products) of our Group.

From 2004 to 2006, Dr. Li worked as a research associate at the department of chemical pathology of The Chinese University of Hong Kong. From 2006 to 2007, she worked as a post-doctoral fellow at the department of surgery of The University of Hong Kong. From October 2007 to April 2010, Dr. Li served as a research scientist of Bio-Cancer Treatment

International Limited, a Hong Kong company focused on the research and development of innovative anticancer drugs, where she led a research team to conduct research on innovative anti-cancer, playing an active role in responding to FDA queries.

Dr. Li joined Lee's Pharm in February 2014, where she was first responsible for the research and development of new drugs, project management, business development and drug licensing, and further promoted to a senior vice president of Lee's Pharm, leading and managing Lee's Pharm's research and development center.

Dr. Li obtained her bachelor of science degree in biochemistry and her Ph.D. in biochemistry from The Chinese University of Hong Kong, in December 2000 and December 2004, respectively.

Mr. Zhang Guohui (張國輝先生), aged 46, joined our Group in June 2016 and was appointed as deputy general manager of our Group on July 1, 2016. He is mainly responsible for overseeing production and quality control of our Group.

Mr. Zhang has over 23 years of experience in pharmaceutical industry. Since his graduation in July 1997 and until June 2016, Mr. Zhang had been working in Lee's Pharm for more than 18 years. He was first responsible for the research and development of new drugs, quality control and good manufacturing practice management and further promoted as the head of research and development of the company, where he accumulated extensive experience in the research and development and registration of new drugs, as well as project management.

Mr. Zhang obtained his bachelor's degree in biochemical engineering from the Beijing Institute of Light Industry (北京輕工業學院), currently known as Beijing Technology and Business University (北京工商大學) in Beijing, China in July 1997. He obtained his master's degree in business administration from Asia International Open University (Macau) in January 2009.

Mr. Jiang Su (江蘇先生), aged 40, joined our Group in January 2018 and was appointed as the clinical operations director of our Group on June 1, 2019. He is mainly responsible for conducting and organizing clinical trials.

Mr. Jiang has over 17 years of experience in pharmaceutical industry. Since his graduation in July 2003 and until January 2018, Mr. Jiang had been working in Lee's Pharm for almost 15 years. He was first responsible for carrying out clinical trials and further promoted to the head of clinical quality in charge of quality control of clinical trials.

Mr. Jiang obtained his bachelor's degree in maternal and child health from the Anhui Medical University (安徽醫科大學) in Anhui Province, China in June 2003.

Mr. Ma Jian (馬鍵先生), aged 34, joined our Group in January 2017. He was appointed as assistant manager of quality assurance and quality control on September 1, 2018, and was further promoted as the senior manager of quality control of our Group in August 2020. He is mainly responsible for devising procedures to inspect and report quality assurance issues, identifying critical control points and preventive measures.

From 2007 to 2012, Mr. Ma had been working in the R&D department of various pharmaceutical companies. From March 2012 to January 2017, Mr. Ma had been working at Lee's Pharm where he was first the leader of document quality assurance group and further promoted as the leader of onsite quality assurance.

Mr. Ma obtained his bachelor's degree in medicine from Anhui Medical University (安徽醫科大學) in Anhui Province, China in June 2007.

Mr. Zhang Xingshuan (張興閂先生), aged 33, joined our Group in January 2017 and was appointed as the deputy manager of production on November 1, 2017. He is mainly responsible for overseeing production process for clinical sample, monitoring productivity rates and product standards and implementing quality control programs.

From February 2012 to December 2016, Mr. Zhang worked at Lee's Pharm Hefei where he was responsible for production and system management.

Mr. Zhang obtained his college degree in traditional Chinese medicine pharmaceutical technology from Bozhou Vocational and Technical College (亳州職業技術學院) in Anhui Province, China in July 2008 and his bachelor's degree in traditional Chinese medicine (online course) from Anhui University of Chinese Medicine (安徽中醫藥大學) in Anhui Province, China in January 2015.

Ms. Feng Xinyan (馮新彥女士), aged 44, was appointed as the chief financial officer of our Group on December 7, 2020. She is primarily responsible for financial planning and initiatives and investor relations management of our Group.

From 2000 to 2002, she worked as an analyst at McKinsey & Company. From August 2004 to July 2012, she worked at Goldman Sachs (Asia) L.L.C. and successively held various positions, including the executive director. From July 2012 to September 2014, she served as managing director and head of China equity capital markets at Standard Chartered Bank. From September 2014 to August 2018, she served as executive director of strategic business development and investor relations at Global Brands Group Holding Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 0787). She served as chief financial officer at ACEA Therapeutics, Inc, a company engaged in developing and delivering innovative treatments to life-threatening diseases from April 2019 to November 2019.

Ms. Feng obtained her bachelor's degree in computer appliance from Fudan University (復旦大學) in Shanghai, China in July 1998. She obtained a master's degree in computer science from University of Virginia in the United States in August 2000, and a master of business administration degree from the University of Chicago Booth School of Business in the United States in March 2004.

Mr. Mauro Bove, aged 65, was appointed as the business development director of our Group on January 1, 2019. He is mainly responsible for overseeing business development activities and identifying new business opportunities and finalizing the relevant negotiations on a global basis.

Mr. Bove has almost 40 years of business and management experience within the pharmaceutical industry working in Europe, North America and Asia. Mr. Bove led for many years until March 2014 the corporate and business development of Sigma-Tau Finanziaria S.p.A.. From May 2005 to December 2014, he served as a non-executive director of Lee's Pharm. From December 2014 to December 2018, he served as the senior vice president of corporate and business development department of Lee's Pharm, overseeing the business development activities and identifying new business opportunities for the group.

In addition to the above, Mr. Bove has also served as a director of many other private or listed pharmaceutical companies. He serves as a director at RegeneRx Biopharmaceuticals, Inc., a biopharmaceutical company listed on the OTCQB market under the ticker symbol "RGRX" in the United States; Kato Pharmaceuticals Incorporation, a privately held U.S. bio-pharmaceutical company dedicated to the development of novel therapies for pathologies of the eye with an emphasis on unmet medical needs; Adastra Pharmaceuticals Inc., a private U.S. clinical-stage biopharmaceutical company focused on providing novel solutions to advance patient care in oncology; and Eyesense AG, a European company focusing on the scientific research and development in the area of medical devices applied to the diabetes segment.

Mr. Bove obtained his law degree from the University of Parma in Italy in July 1980. In 1985, he attended the Academy of American and International Law at International and Comparative Law Center in Texas, the United States.

Mr. Feng Jiang (馮江先生), aged 45, was appointed as sales and marketing director of our Group on October 1, 2020. He is primarily responsible for overseeing the branding, sales and marketing activities of our Group.

From 2000 to 2006, Mr. Feng served at various China offices of multinational pharmaceutical companies as sales or medical representative. From January 2007 to April 2010, he worked for Eli Lilly Asia, Inc., where he was responsible for the promotion and sales of products in Guangdong Province and his last position was regional manager. From April 2010 to September 2020, he served successively as the regional manager and deputy director

of the ophthalmic business department of Allergan Information Consulting (Shanghai) Co., Ltd, where he was responsible for the sales and marketing of the company's ophthalmic pharmaceutical products and was granted several awards by the company in recognition of his great performance.

Mr. Feng obtained his bachelor's degree in biotechnology from South China Agricultural University (華南農業大學) in Guangdong Province, China in July 1999.

Ms. Yau Suk Yan (邱淑欣女士), aged 38, was appointed as the financial controller and the company secretary of our Company on September 9, 2019. She is responsible for management and supervision of auditing, report analysis and budget control of our Group.

From September 2004 to January 2010, Ms. Yau served as a manager at KPMG. From February 2010 to July 2015, she was the financial controller and company secretary of Active Group Holdings Limited, currently known as Sino Energy International Limited (中能國際控股集團有限公司), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1096), where she was in charge of finance management and audit of the group. From July 2015 to September 2019, Ms. Yau served as the financial controller and company secretary of Uni-Bio Science Group Limited (聯康生物科技集團有限公司), a company whose shares are listed on the Main Board of Stock Exchange (stock code: 690), where she was responsible for finance management and audit of the group.

Ms. Yau obtained her bachelor's degree of arts (with honors) in accountancy from the Hong Kong Polytechnic University in November 2004 and completed the CPA qualification programme and passed the professional examination for membership admission and was issued with a practicing certificate by Hong Kong Institute of Certified Public Accountants in August 2006. She has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2008 and a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2016.

Dr. Jin Yixuan (金怡軒博士), aged 39, joined our Group as the associate medical director on October 8, 2019, mainly responsible for overseeing clinical trial development in terms of protocol development and providing medical insight for clinical trial strategy and model design.

Dr. Jin started her career as an attending physician of ophthalmology in Nanhai People's Hospital of Foshan City* (佛山市南海區人民醫院) from 2011 to 2014. She worked at Beijing Novartis Pharma Co., Ltd. (北京諾華製藥有限公司), a global healthcare company from June 2018 to September 2019, where her last position was medical science liaison manager.

Dr. Jin obtained her master's degree in clinical medicine from Harbin Medical University (哈爾濱醫科大學) in Heilongjiang Province, China, in July 2008. She then obtained her doctor's degree in ophthalmology from Sun Yat-sen University (中山大學) in Guangdong Province, China in June 2011.

Save as otherwise disclosed in this prospectus, none of our senior management held any directorship in any public companies the shares of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

EXTERNAL CONSULTANT

Dr. Samir Chandrakant Patel, aged 60, was engaged by our Company as strategy consultant of our Group on April 9, 2020, to provide our Group with consulting services in relation to, among others, planning business strategies, sourcing business development opportunities, and providing protocol inputs and clinical development integration inputs.

Dr. Patel has over thirty years of extensive experience in ophthalmology, including 10 years in academic medicine and 20 years in the ophthalmic pharmaceutical industry. He obtained his degree of doctor of medicine from the medical school of University of Massachusetts in the United States in 1985 and completed his residency in ophthalmology at the University of Chicago in 1990. Further, Dr. Patel completed his clinical retinal fellowship at the Massachusetts Eye and Ear Infirmary at the Harvard Medical School, being the primary teaching hospital of Harvard Ophthalmology. Dr. Patel was duly elected as a fellow by the American Academy of Ophthalmology in 1992. Dr. Patel commenced his practice in academic ophthalmology at the University of Chicago in 1992 where he eventually served as an associate professor of ophthalmology and the director of retina service, until July 2000.

Dr. Patel further gained valuable insights and experience in the management and operation of pharmaceutical companies since 2000 when he first started his own business by co-founding Eyetech Pharmaceuticals, Inc., a biopharmaceutical company specializing in novel therapeutics to treat eye diseases, where he served as a director and chief of clinical and commercial strategy. In 2007, Dr. Patel co-founded Ophthotech Corporation, a biopharmaceutical company listed on the NASDAQ under the ticker symbol "OPHT" and specializing in the development of novel therapeutics to treat ophthalmic diseases (currently known as IVERIC bio, Inc. and listed on the NASDAQ Global Select Market under the ticker symbol "ISEE"), and served as the company's founding CEO, president and vice chairman of its board of directors.

COMPANY SECRETARY

Ms. Yau Suk Yan (邱淑欣女士), our company secretary, was appointed on September 9, 2019. Ms. Yau is also our financial controller. For details of her biography, please see "—Senior Management."

BOARD COMMITTEES

We have established three committees of our Board pursuant to the corporate governance practice requirements under the Listing Rules, including the audit committee, remuneration committee, nomination committee.

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and the risk management and internal controls system of our Group, review the financial information of our Company, consider issues relating to the external auditors and their appointment, review and approve connected transactions and to advise the Board. The audit committee comprises two independent non-executive Directors, namely Mr. Wong Hin Wing and Dr. Tam Lai Fan Gloria, and one non-executive Director, namely Ms. Cai Li. Mr. Wong Hin Wing, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include, but are not limited to, the following: (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. The remuneration committee comprises two independent non-executive Directors, namely Prof. Lo Yuk Lam and Mr. Wong Hin Wing, and one non-executive Director, namely Ms. Tiantian Zhang. Prof. Lo Yuk Lam is the chairman of the committee.

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, diversity, size and composition of the Board, assess the independence of the independent non-executive Directors and to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises two independent non-executive Directors, namely Prof. Lo Yuk Lam and Mr. Wong Hin Wing, and one executive Director, namely Dr. Li Xiaoyi. Dr. Li Xiaoyi is the chairman of the committee.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve the diversity of the Board

through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. We have also taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and senior management levels. Currently, three of our Directors are female. We recognize that the gender diversity at our Board level can be improved given the majority of our Directors are male. After the Listing, our nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on our Board and recommend them to our Board for adoption.

Our Directors have a balanced mix of knowledge and skills, including in management, business development, research and development, quality control and corporate finance. They obtained degrees in various majors including medicine, biochemistry and business administration. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Furthermore, our Board has a balanced age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board Diversity Policy.

Our nomination committee is responsible for ensuring the diversity of our Board members. After the Listing, our nomination committee will monitor the implementation of the Board Diversity Policy, review the policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance 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 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 Corporate Governance 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.

Our Directors strive to achieve 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 upon Listing, we will comply with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by the Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

DIRECTORS' REMUNERATION

For details of the service contracts and appointment letters signed between the Company and our Directors, please see "Appendix IV—Statutory and General Information—C. Further Information about Our Directors—1. Particulars of Directors' service contracts and appointment letters."

For the two years ended December 31, 2020, no payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans or other benefits in kind were paid to our Directors. Please refer to "Appendix I—Accountants' Report—Note 9."

According to the current arrangements, the total amounts of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors for the financial year ending December 31, 2021 are expected to be approximately HK$6.3 million.

For the two years ended December 31, 2020, the five highest paid individuals of our Company did not include any Directors and the aggregate amount of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) we paid to the five highest remuneration individuals were approximately RMB3.3 million and RMB8.8 million, respectively.

During the Track Record Period, no remuneration was paid by us nor receivable by Directors or the five highest remuneration individuals as incentives for joining or as rewards upon joining our Company. During the Track Record Period, no remuneration was paid by us nor receivable by directors, past directors or the five highest remuneration individuals as compensation for leaving positions relating to management affairs in any subsidiary of our Company.

During the Track Record Period, none of our Directors has waived any remuneration. Except as otherwise disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to the Directors or the five highest remuneration individuals. Certain of our Directors, senior management and employees were granted with share options under the Pre-IPO Share Option Scheme. For details of the share options granted, please see "Appendix IV—Statutory and General Information—D. Share Option Schemes—1. Pre-IPO Share Option Scheme."

Save as disclosed above, no Director is entitled to receive other special benefits from the Company.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract, and (ii) a confidentiality and non-competition agreement with our senior management members and other key personnel, the key terms of which are summarized below.

Term

- We normally enter into employment contracts with a term of three years or without a fixed term with our senior management members or other key personnel.

Confidentiality

- *Scope of confidential information.* Information that the employee shall keep confidential includes but is not limited to: inventions, trade secrets, confidential information, knowledge or data of the Company, or any of its clients, customers, consultants, shareholders licensees, licensors, vendors or affiliates, that the employee may produce, obtain or otherwise acquire or have access to during the course of his or her employment by the Company.

- *Confidential obligation.* The employee shall (i) keep confidential information in confidence and shall not directly or indirectly use, divulge, publish or otherwise disclose or allow to be disclosed any aspect of confidential information to any entity or person whatsoever; (ii) refrain from any action or conduct which might be reasonable expected to compromise the confidentiality or proprietary nature of the confidential information; and (iii) follow good faith recommendations made by the Board of Directors of the Company from time to time regarding confidential information.

- *Confidential period.* The confidential obligation shall continue to be in effect after the departure of the employee.

Inventions

- *Scope of inventions.* Inventions, discoveries, ideas, designs, copyrightable works, original works of authorship, developments, improvements, concepts, technical methods, knowhow, trade secrets, and other productions or items containing intellectual properties of any nature, whether or not patentable or otherwise registrable under the laws of any jurisdictions, and whether or not reduced to practice, made or conceived by the employee, whether solely by the employee or jointly with others, during the period of the employee's employment with the Company, (i) that relate in any manner to the actual or demonstrably anticipated business, work, or research and development of the Company, its affiliates or subsidiaries, or (ii) that are developed in whole or in part on the Company's time or using the Company's equipment, supplies, facilities or confidential information, or (iii) that result from or are suggested by any task assigned to the employee or any work performed by the employee for or on behalf of the Company, its affiliates or subsidiaries or within the scope of the employee's duties and responsibilities with the Company, its affiliates or subsidiaries, and within one year after termination of the employee's employment with the Company that are based upon any confidential information of the Company.

- *Assignment of inventions.* A complete, absolute and exclusive right, title, and interest in and for any and all of such inventions shall be transferred to the Company. If such transfer is not feasible, the employee shall grant the Company a sole and exclusive (to the extent permissible by law), loyalty-free, transferable, irrevocable and worldwide license to use such inventions.

Non-competition covenants

- *Non-competition obligation during employment term.* The employee shall not, (i) as the investor, employee, consultant or any other participants, engage directly or indirectly in any development, manufacturing, sales or other services for any other person or business entity whose technics, products or services are with substantially similar indications as the products, technics or services that are developed, manufactured, sold or provided by the Company or its subsidiaries, or engage in any other activities which conflict with the obligations to the Company, or (ii) instigate, induce, solicit, encourage or influence any employee of the Company to resign, or otherwise hire or recruit any such employee to perform services that are not conducive to the interests of the Company, or (iii) solicit, induce, encourage or influence any customer, supplier or business partner of the Company to adversely change, reduce or terminate their business relationship with the Company (except when such employees represent the Company).

- *Non-competition obligation upon expiry of employment term.* The non-competition obligation is effective during and for two years after the employee's employment.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Our compliance adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

OVERVIEW

As of the Latest Practicable Date, Lee's Pharm, through Lee's Pharm International and Lee's Healthcare Industry Fund L.P., was interested in approximately 34.1% of the total issued share capital of our Company. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option and the share options granted under the Pre-IPO Share Option Scheme are not exercised), Lee's Pharm will have an interest, through Lee's Pharm International and Lee's Healthcare Industry Fund L.P., in approximately 26.2% of the total issued share capital of our Company. Accordingly, Lee's Pharm will continue to be the single largest shareholder of our Company. Please see "History, Development and Corporate Structure" for the shareholding and corporate structure of our Group.

BACKGROUND OF LEE'S PHARM

Lee's Pharm is a research-driven and market-oriented biopharmaceutical company focused on the PRC market. Through its operating subsidiaries in the PRC, the Lee's Pharm Group develops, manufactures and markets proprietary pharmaceutical products in the PRC. It has established a sale and distribution network for pharmaceuticals covering most provinces and cities in the PRC, marketing both self-developed products and licensed products from abroad.

DELINEATION OF BUSINESS BETWEEN THE RETAINED LEE'S PHARM GROUP AND OUR GROUP

Delineation of Businesses

Prior to the establishment of our Group, Lee's Pharm Group was engaged in the development of ophthalmic pharmaceutical products, where 17 out of 25 of our drug candidates were initially in-licensed or developed by Lee's Pharm Group and were subsequently assigned to us between January and April 2019 (the "**Assignments**"). For further details of Lee's Pharm Group's involvement in the development of our drug candidates, please see "—Business." The Assignments were part of Lee's Pharm Group's intragroup restructuring steps to effect the delineation of business between our Group and the Retained Lee's Pharm Group ahead of the contemplated Spinoff, which are in full force and effect, valid and enforceable and will not result in any licensing arrangement between the Retained Lee's Pharm Group and our Group. Upon completion of the Assignments, the Retained Lee's Pharm Group will not have any rights in the drug candidates in relation to the Assignment.

Following the Listing and the Spin-off, the remaining business of the Retained Lee's Pharm Group (the "**Remaining Business**") will comprise of the following:

(i) the oncology business focusing on chemotherapy induced nausea and vomiting, oral mucositis pain, lymphomas and solid tumors;

(ii) the dermatology business focusing on atopic dermatitis;

(iii) the gynecology business focusing on viral infection, labor-induction, moderate to severe dyspareunia, a symptom of vulvar and vaginal atrophy due to menopausal;

(iv) the cardiovascular business focusing on blood clot and deep vein thrombosis, hemostasis, hypertension, antiplatelet, anticoagulant and acute heart failure;

(v) the psychiatric business focusing on insomnia/depression, schizophrenia and bipolar disorder;

(vi) the pain management business focusing on topical local analgesics, post-operative pain management, anesthesia and sedation and cancer breakthrough pain management;

(vii) other businesses including the rare disease, pediatric and critical care businesses, which focus on pulmonary arterial hypertension, carnitine deficiency and probiotics; and

(viii) one retained ophthalmic product, Eyprotor.

As stated above, except for Eyprotor, the Remaining Business mainly focuses on different medical areas and different types of pharmaceutical products and services, and has over 50 pharmaceutical products, 23 of which have been commercialized as of the Latest Practicable Date. In contrast, our Group mainly focuses on the discovery, development and commercialisation of ophthalmic business with 25 pipeline products treating ophthalmic diseases including but not limited to dry eye, corneal epithelial defects, glaucoma and allergic conjunctivitis. Accordingly, each of Lee's Pharm and our Company believes that our business and the Remaining Business are explicitly differentiated in nature. The major products of our Group and those of the Retained Lee's Pharm Group function independently and are not supplemental to each other.

In addition, the overall business of our Group is at the pre-commercialization stage with R&D as our primary focus. The Retained Lee's Pharm Group, however, is an integrated research-driven and market-oriented biopharmaceutical company publicly listed in Hong Kong with over 25 years of experience in the pharmaceutical industry in China.

As of the Latest Practicable Date, the Remaining Business includes an ophthalmic drug, namely Eyprotor, which is indicated for healing of tissue without angiogenesis effect, while our product candidates include adapalene/clindamycin hydrochloride compound gel ("**ACCG**"), a dermatological drug candidate we used to develop during the Track Record Period indicated for the treatment of moderate acne vulgaris. Each of Lee's Pharm and our Company considers that the existence of Eyprotor and ACCG will not affect the business delineation and give rise to any material competition between our Group and the Retained Lee's Pharm Group for the reasons set out hereunder.

Eyprotor

Upon completion of the Spin-off and the Listing, the Retained Lee's Pharm Group will continue to engage in the manufacturing and marketing of Eyprotor. Despite Eyprotor being an ophthalmic drug, our Company and the Retained Lee's Pharm Group consider that Eyprotor will not affect the business delineation or give rise to any material competition between the two groups because of the following:

(a) Eyprotor and most of our ophthalmic drugs are not interchangeable nor can they be replaced by each other. As set out in the table below, although Eyprotor and one of our core product ZKY001 are both indicated for healing corneal defects, their mechanism of actions are completely different. In addition, despite all focusing on ophthalmic diseases, most of our ophthalmic drugs and Eyprotor are designed to treat different types of ophthalmic diseases, which can be distinguished from each other in nature. Eyprotor cannot be applied to treat the diseases covered by our ophthalmic drugs.

Business	Mechanism of action	Indication
Eyprotor	Eyprotor contains active ingredients derived from calf red blood cell using proprietary and patented technology. Eyprotor can promote the replacement and utilization of glucose and oxygen by eye tissues and cells, and further promote the cell energy metabolism and organize nutrition to stimulate cell regeneration and accelerate tissue healing.	Healing of tissue without angiogenesis effect
ZKY001	Based on a peptide composed of seven amino acids, LQ-7, which is the functional fragment of Thymosin β4 that combines with actin, a type of protein that comprises up to 10% of the protein of non-muscle cells in the body and plays a central role in cell structure and movement. Through its regulation of actin, LQ-7 is able to stimulate the migration of corneal epithelial cells, thereby facilitating the healing of wound in the cornea.	Treating corneal epithelial defects
Other ophthalmic drugs of our Group	Details of mechanism of actions of our ophthalmic drugs are set out is "Business" section of this prospectus.	Dry eye, allergic conjunctivitis, anti-infective/ inflammation, diabetic macular edema, vitreomacular adhesion, wAMD, and glaucoma

(b) The Retained Lee's Pharm Group focuses itself on various medical fields and offers an intensive range of products. It diversifies its resources in the R&D of over 50 drugs covering more than 10 different medical fields. On the other hand, our Group is established to become the new platform for developing our ophthalmic business and will devote most of our financial, technical and human resources to the R&D of drugs treating ophthalmic diseases, while the Retained Lee's Pharm Group, however, has not concentrated its resources in the ophthalmic business and will not do so after the Spin-off.

(c) Eyprotor has been listed on the First Batch of National Key Monitored Drugs for Rational Use (chemical and biological products) (第一批國家重點監控合理用藥藥品目錄(化藥及生物製品)) by the National Health Commission (國家衛生健康委員會) in June 2019, as the authority considered Eyprotor as an adjuvant drug and not sufficiently effective in substance for the treatment of corneal injury, which further led to the removal of Eyprotor from the NRDL since January 2020 by the National Healthcare Security Administration (國家醫療保障局) as the authority was inclined to allocate more of the national medical insurance funds to innovative drugs instead of adjuvant drugs. There was no assurance that Eyprotor will be re-included on the NRDL in the near future. Given the stringent control and monitor on the use of Eyprotor imposed by the competent authorities and lack of support and reimbursement from the national medical insurance funds, the demand for Eyprotor in the PRC market decreased significantly. For the year ended December 31, 2019, Eyprotor recorded a sales of HK$16.4 million, which accounted for 1.34% of the total sales of the Lee's Pharm Group for the same year. After it was removed from the NRDL in January 2020, the sales of Eyprotor declined sharply by 35.8% to HK$10.5 million for the year ended December 31, 2020, which accounted for only 0.86% of the total sales of the Lee's Pharm Group for the same year and represents an extremely small and immaterial contribution to the business of the Lee's Pharm Group. Given the regulatory monitoring on the use of Eyprotor and the exclusion of it from the NDRL, the market and prospects for Eyprotor are expected to further decrease in the future, which gives rise to Lee's Pharm's decision to gradually drop it from its current product line. Taking into account the gradually diminishing market of Eyprotor, the competition between the Retained Lee's Pharm Group and our Group in terms of ophthalmic business is minimal. Save for Eyprotor, the Retained Lee's Pharm Group does not have any other pipeline of ophthalmic drug.

(d) For the purpose of the Spin-off and the Listing, the Retained Lee's Pharm Group undertakes that we will be granted a right of first refusal to purchase the commercial and intellectual property rights of Eyprotor on commercially reasonable terms. We are entitled to consider whether or not to exercise such option when the sales demand of Eyprotor rises. The Retained Lee's Pharm Group also undertakes that upon completion of the Spin-off and the Listing, other than Eyprotor, it will no longer further engage in any other ophthalmic business and, so long as it remains as our single largest shareholder, if any investment or other business opportunity relating to the ophthalmic business is identified, it shall refer such business opportunity to our Group and shall not pursue such business opportunity unless we decline.

ACCG

Upon completion of the Spin-off and the Listing, save for our ophthalmic drugs, our product portfolio will also include ACCG. As a platform for developing the ophthalmic business, our Group has been mainly focusing on the R&D of ophthalmic drugs since our establishment in 2016. Since most of the ophthalmic drugs in our Group's pipeline would be in liquid, gel, hydro gel or paste form, we were also planned to be equipped with the manufacturing capabilities of drugs in these forms for future development. ACCG was expected to be gel or paste drugs and therefore initially held by our Group. The holding of ACCG by our Group was merely a legacy issue.

Our Company and the Retained Lee's Pharm Group consider that ACCG will not affect the business delineation or give rise to any material competition between the two groups because of the following:

(a) ACCG and the relevant products of the Retained Lee's Pharm Group in the same medical fields are different from each other in nature, and they are not interchangeable and cannot be replaced by each other. As set out in the table below, despite focusing on dermatologic diseases, ACCG and the relevant Remaining Business are designed to treat different types of dermatologic diseases, and are with different mechanism of actions and indications. ACCG cannot be applied to treat the diseases covered by the relevant Remaining Business, and vice versa.

Business	Mechanism of action	Indication
ACCG	ACCG is an retinoic acid receptor agonist that stimulates skin growth and clindamycin is an antibiotic that blocks bacterial protein synthesis. Adapalene increases cell turn over and suppresses inflammatory responses in the presence of acne causing bacteria. Another component in ACCG, clindamycin, is an antibiotic that is effective against acne-causing bacteria cutibacterium acnes).	ACCG is a proprietary product candidate indicated for the treatment of moderate acne vulgaris. Symptoms of acne are not mediated by histamine.
Epinastine tablet (relevant Remaining business in dermatologic field)	Epinastine is an orally active non-sedating histamine H1 receptor antagonist with a rapid onset of action.	Epinastine treats allergic symptoms or symptoms mediated by histamine, e.g. allergic rhinitis, eczema, itching associated with psoriasis, etc.

(b) For the Purpose of the Spin-off and the Listing, our Group and the Retained Lee's Pharm Group entered into the License Agreement, pursuant to which, we agreed to out-license ACCG by granting exclusive rights to the Retained Lee's Pharm Group to commercialize ACCG, in the greater China region, In consideration, the Retained Lee's Pharm Group agreed to pay an upfront payment upon signing of the agreement and a milestone payment after obtaining the relevant regulatory approval for the new drug application of ACCG in the PRC, and to share with us the profit derived from the sale of ACCG. The upfront payment was settled by way of repurchase by our Company 22,520 shares held by Lee's Pharm International on October 2, 2020. Such share repurchase has resulted in a disposal of approximately 1.6% equity interest in our Company by Lee's Pharm International, upon completion of which our Company ceased to be a subsidiary of Lee's Pharm. For further details, see "History, Development and Corporate Structure—Corporate History," and "Continuing Connected Transactions—Non-exempt Continuing Connected Transactions—Product Licensing."

(c) Save for ACCG, our Group does not have any other pipeline of dermatological drug. For the purpose of the Spin-off and the Listing, we also undertake that we will not engage in R&D of dermatological drugs upon completion of the Spin-off and the Listing. If any investment or other business opportunity in dermatological field is identified, we shall refer such business opportunity to the Retained Lees' Pharm Group and shall not pursue such business opportunity unless the Retained Lee's Pharm Group declines.

On the basis of the above, each of Lee's Pharm and the Company believes that there is a clear delineation of business between our Group and the Retained Lee's Pharm Group, and our Directors are of the view that the Remaining Business does not compete, and is unlikely to compete, directly or indirectly, with our Group's business.

INDEPENDENCE OF OUR GROUP FROM THE RETAINED LEE'S PHARM GROUP

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Retained Lee's Pharm Group after the Listing.

Operational and Administrative Independence

The business model of our Group involves the use of our own technologies (including the in-licensed technologies), facilities and funds to carry out the ophthalmic business. Our Group is able to operate without reliance on the Retained Lee's Pharm Group on the following basis:

Procurement

We have our own procurement team independent from the Retained Lee's Pharm Group. The Retained Lee's Pharm Group and we have been and will be carrying out respective selection of suppliers independently in accordance with respective supplier management

system. The procurement team of our procurement team may select supplier candidates from respective supplier list or reach out to supplier candidates, which are not within the list according to specific procurement demand. Our procurement team runs the supplier selection process and the procurement process independently, negotiate the terms of the procurement agreements with the suppliers directly and independently.

Sales and marketing

We have our independent sales and marketing teams and channels. Members of our marketing team were recruited by our Group independently, and most of them have prior working experience at other pharmaceutical companies which are not affiliated with the Retained Lee's Pharm Group. We have also established our own sales and marketing network independent from the Retained Lee's Pharm Group. We expect to develop our own sales and marketing team and network in accordance with the commercialization progress of our ophthalmic drugs.

Administration

Our Group has independent R&D center and production facilities, full-time management team and team of staff to carry out our own administration and operation independent of the Retained Lee's Pharm Group. The support services comprising accounting, administration, corporate secretarial, compliance and human resource management will also continue to be handled by a team of staff employed directly by our Group and are separated from the Retained Lee's Pharm Group. As all key administrative function of our Group will be carried out by us without reliance on the support of the Retained Lee's Pharm Group, our Group will remain administratively independent upon completion of the Spin-off and the Listing.

Research and development

Our Group has an R&D center located in Nansha, Guangzhou, which is independent from the R&D centers of the Retained Lee's Pharm Group. As of the Latest Practicable Date, our R&D team comprises 51 members, substantially all of whom are full-time employees of our Group not holding any position in the Retained Lee's Pharm Group. In addition, our Group is the sole owner of over six patents in the PRC which are required for the R&D and manufacturing of our ophthalmic drugs. With such independent R&D center, experienced and independent R&D team and self-owned patents, our Group has the requisite resources to carry on the R&D process independently, and has successfully self-developed CsA ophthalmic gel and other pipeline products.

During the Track Record Period and in the ordinary and usual course of business, we have engaged Lee's Pharm Hefei as our CRO service provider, to conduct clinical study of our CsA ophthalmic gel, levobetaxolol HCl, ZKY001, TAB014 and the adapalene/Clindamycin hydrochloric compound gel. Following the Spin-off and the Listing, we will continue to procure CRO services for conducting clinical study of CsA ophthalmic gel, ZKY001 and levobetaxolol HCl from Lee's Pharm Hefei on an arm's length basis and on normal commercial

terms. Such transactions will constitute continuing connected transactions of our Company upon completion of the Listing. For further details, see "Connected Transactions—Non-exempt Continuing Connected Transactions—Procurement of CRO Services."

Our Company is of the view that such CRO service transactions with Lee's Pharm Hefei will not affect our ability to operate independently from the Retained Lee's Pharm Group for the following reasons:

(a) we are able to function independently of the Retained Lee's Pharm Group in every aspect of our business, including among other things, R&D, pharmaceutical manufacturing, and commercialization. Particularly, we are not relying on the Retained Lee's Pharm Group in relation to conducting R&D and clinical trial for our products, since we have our own R&D team and are able to take lead in all important and core stages of the clinical trial process. Furthermore, we have engaged two other CRO service providers to provide CRO services for phase I clinical trial for each of ZKY001 and TAB014. In the event that Lee's Pharm Hefei ceases to provide CRO services to us, we are able to find alternative CRO service providers in the market;

(b) we were under no obligation to enter into such agreement with the Retained Lee's Pharm Group. Prior to engaging Lee's Pharm Hefei as a CRO service provider, our Group had approached and engaged in discussions and negotiations with other CRO service providers before making the decision. We engaged Lee's Pharm Hefei as a CRO service provider simply because Lee's Pharm Hefei has competent expertise in providing CRO services and can provide such CRO services at arm's length and with good quality. The procurement of CRO services has been conducted in a way following and in compliance with the due internal procurement procedure of our Group as described below;

(c) the procurement of CRO services from Hefei Lee's Pharm are carried out by both parties in the ordinary course of business and are on normal commercial terms which are fair and reasonable to our Group and the Retained Lee's Pharm Group. The fees payable by us to Lee's Pharm Hefei for procuring the CRO services are comparable to the market price; and

(d) the risk that Lee's Pharm Hefei will terminate the relevant agreement in relation to the procurement of CRO services is remote as it has limited termination rights under the relevant agreements, and the termination would not be in the commercial interest of the Retained Lee's Pharm Group. In an unlikely event that Lee's Pharm Hefei terminates the relevant agreement with us, given the reasons set out above and that we are able to find substitute CRO service providers to replace Lee's Pharm Hefei, we do not consider such termination will materially and adversely affect our business.

Leasing and manufacturing

Our Group has been operating on the premises located in Nansha, Guangzhou. The facilities include a complete range of solid dosage production lines for the development and manufacturing of various types of ophthalmic drugs, which are different from and not interchangeable with the production facilities of the Retained Lee's Pharm Group. Our production personnel and the Retained Lee's Pharm Group are trained differently and possess different skills. There is no sharing of production facilities or production personnel between our Group and the Retained Lee's Pharm Group.

The manufacturing site of our Group is located in two premises owned by the Retained Lee's Pharm Group. We are currently leasing and expect to continue to lease the properties from the Lee's Pharm Guangzhou after completion of the Spin-off and the Listing to avoid unnecessary relocation cost. It is a common practice in the pharmaceutical industry that a pre-profit biotech company operates by leasing premises instead of constructing its own premises, and inputs a substantial part of its cash flow into the R&D activities. Such transactions will constitute one-off connected transactions of our Company upon completion of the Listing. For further details, see "Connected Transactions—One-off Connected Transaction—Lease Agreements."

Our Company is of the view that the ongoing leasing of the properties from Lee's Pharm Guangzhou is unlikely to experience disruption, and will not affect our operational independence, on the basis of the following:

(a) the risk that the ongoing leases will be terminated and that we will be forced to relocate is extremely low given that (i) as the lease agreements were entered into by the parties after arm's length negotiations and on normal terms, the Retained Lee's Pharm Group does not have motivation to terminate the leases recklessly; and (ii) most of the lease agreements are valid for a period of three years, and will be automatically extended for additional consecutive renewal terms of three years each unless otherwise notified by us; and

(b) in the event that the Retained Lee's Pharm Group has any plan for sale, we have the right of first refusal to purchase the properties. The properties are currently located in an industrial park located in Nansha, Guangzhou where a large number of lands and buildings are offered for lease in the locality. If we are required to relocate, it is expected that there will not be substantial hurdle for it to find substitutive premises nearby with comparable rental rates.

Connected Transactions with the Retained Lee's Pharm Group

The connected transactions set out in "Connected Transactions" of this prospectus were and will be conducted in the ordinary and usual course of business of our Group, on an arm's length basis and on normal commercial terms or better. Furthermore, the risk of the Retained Lee's Pharm Group terminating the connected transactions is remote as the parties under the relevant agreements have limited termination rights and the termination would not be in the commercial interest of the Retained Lee's Pharm Group in commercial aspect. In an unlikely event that the Retained Lee's Pharm Group terminates any connected transaction with us, given the reasons set out in "Connected Transactions" of this prospectus, we do not consider such termination will materially and adversely affect our business. For further details, see "Connected Transactions."

Based on the above, our Directors believe that we are able to operate independently from the Retained Lee's Pharm Group.

Management Independence

Our Board consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. For further details, see "Directors and Senior Management." Save as disclosed below, our Company and the Retained Lee's Pharm Group have their respective directors and management teams independent of each other.

Name	Positions, Roles and Responsibilities in the Retained Lee's Pharm Group as of the Latest Practicable Date	Positions, Roles and Responsibilities in our Company following the Spin-off
Ms. Leelalertsuphakun Wanee	Managing director and chief marketing and sales officer, responsible for sales and marketing activities	Non-executive Director
Dr. Li Xiaoyi	Executive director, chief executive officer and chief technical officer, responsible for the management and R&D activities	Chairman, executive Director and chief executive officer
Mr. Dai Xiangrong	Deputy general manager, responsible for the operation of a Chinese subsidiary of the Retained Lee's Pharm Group	Executive Director

Our Directors are of the view that our Group will be managed and will operate independently of the Retained Lee's Pharm Group in the interests of our Shareholders as a whole on the following basis:

(a) before completion of the Spin-off and the Listing, Dr. Li Xiaoyi will resign from all his executive positions in the Retained Lee's Pharm Group and only serve as a non-executive director of the Retained Lee's Pharm Group, and Mr. Dai Xiangrong will cease to hold any management position in the Retained Lee's Pharm Group. Although Ms. Leelalertsuphakun will serve as a director of both our Company and Lee's Pharm following the Spin-off and the Listing, she will only take a non-executive role in our Company and will not hold any executive senior management position within our Group;

(b) save as disclosed above, none of our remaining Directors has any ongoing role with the Retained Lee's Pharm Group;

(c) a majority of the members of our Board will be independent of the Retained Lee's Pharm Group;

(d) none of the members of our senior management have any ongoing management role with the Retained Lee's Pharm Group;

(e) should there be a conflict of interest or a connected transaction between our Group (on one hand) and members of the Retained Lee's Pharm Group (on the other hand), the relevant common directors will abstain from voting on, and will not be counted in the quorum for, the relevant board resolution(s) of our Company and relevant member(s) of the Retained Lee's Pharm Group; and

(f) we will adopt corporate governance policies, including but not limited to, rules relating to the procedure for board meetings and decision-making protocols on connected transactions, setting out circumstances that require the relevant common directors to abstain from voting on, and not to be counted in the quorum for, the relevant board resolutions.

Financial Independence

We are able to finance our own operations. As of the Latest Practicable Date, we did not have any outstanding loans owing to the Retained Lee's Pharm Group, and we did not have any share pledges or guarantees provided by the Retained Lee's Pharm Group and their respective associates on our borrowing. As of the same date, there is not any form of outstanding financial assistance, including among others, provision of guarantee, provided by the Retained Lee's Pharm Group to us. We have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing.

CORPORATE GOVERNANCE MEASURES

We will comply with the provisions of the Corporate Governance Code set forth in Appendix 14 to the Listing Rules, which sets out the principles of good corporate governance.

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his associates have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see "Directors and Senior Management—Board of Directors";

(d) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and the Retained Lee's Pharm Group and provide impartial and professional advice to protect the interests of our minority Shareholders;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;

(f) we have established internal control mechanisms to identify connected transactions. Upon the Listing, if we enter into connected transactions with the Retained Lee's Pharm Group or any of its associates, we will comply with the applicable Listing Rules;

(g) as required by the Listing Rules, our independent non-executive Directors shall review connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our Shareholders as a whole;

(h) should there be a conflict of interest or a connected transaction between our Company (on one hand) and members of the Retained Lee's Pharm Group (on the other hand), the relevant common directors will abstain from voting on, and will not be counted in the quorum for, the relevant board resolution(s) of our Company;

(i) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(j) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and the Retained Lee's Pharm Group, and to protect our minority Shareholders' interests after the Listing.

OVERVIEW

Prior to the Listing, our Group has entered into certain transactions in our ordinary and usual course of business with parties who will, upon the Listing, become connected persons of our Company. Details of such one-off connected transaction and continuing connected transactions of our Company following the Listing are set out below.

RELEVANT CONNECTED PERSONS

Upon the Listing, the following entities with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules:

Connected Person	Connected Relationship
Lee's Pharm Guangzhou	Lee's Pharm Guangzhou is an indirect wholly owned subsidiary of Lee's Pharm, our Substantial Shareholder
Lee's Pharm International	Lee's Pharm International is our Substantial Shareholder
Lee's Pharm Hefei	Lee's Pharm Hefei is an indirect wholly owned subsidiary of Lee's Pharm, our Substantial Shareholder

ONE-OFF CONNECTED TRANSACTION

Lease Agreements

Principal terms

Our Group has entered into several lease agreements (the "**Lease Agreements**") with Lee's Pharm Guangzhou, pursuant to which Lee's Pharm Guangzhou agreed to lease to our Group the premises with a total gross area of approximately 9,165 sq.m. located at Zhujiang Industrial Park, Nansha, Guangzhou (the "**Premises**"), for our uses as office, production plant and warehouse.

The Lease Agreements were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the rental being determined with reference to, among others, the prevailing market rental prices of comparable premises in the locality and the acreage of the Premises.

The value of the lease liabilities which includes the present value of the lease payments recognized by our Group according to IFRS 16 as of December 31, 2019 and 2020 amounted to approximately RMB30.8 million and RMB27.5 million, respectively. For the two years ended December 31, 2020, the value of the right-of-use assets acquired by us from Lee's Pharm Guangzhou were approximately RMB26.8 million and RMB23.4 million, respectively.

Reasons for and benefits of the transactions

It is a common practice in the pharmaceutical industry that a pre-profit biotech company, like us, operates by leasing premises instead of constructing its own premises, so as to input a substantial part of its cash flow into the research and development activities, especially when we are a pre-profit biotech company with over 20 proprietary pharmaceuticals in the R&D process.

We have been leasing the Premises from the Retained Lee's Pharm Group for operation and using the Premises primarily for the research and development of our products during the Track Record Period. Given any relocation of facility or change of the current arrangements under the Lease Agreements may cause disruption to our business operation and incur additional relocation costs, it is cost efficient and beneficial to our operations to continue to lease the Premises from Lee's Pharm Guangzhou. In light of the above, our Directors are of the view that such arrangement is fair and reasonable and in the best interest of our Group and our Shareholders as a whole.

Notwithstanding the above, such arrangement under the Lease Agreements does not affect our operational independence. For further details, see "Relationship with Lee's Pharm—Independence of Our Group from the Retained Lee's Pharm Group—Operational and Administrative Independence—Leasing and manufacturing."

Listing Rules implications

In accordance with IFRS 16 "Leases" (which became effective from January 1, 2019), we recognized a right-of-use asset on our balance sheet in connection with the lease of the Premises from the Retained Lee's Pharm Group. Therefore, the lease of the Premises from the Retained Lee's Pharm Group under the Lease Agreements is regarded as an acquisition of a capital asset and a one-off connected transaction entered into by our Group prior to the Listing for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions will be regarded as non-exempt continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The following table sets forth a summary of our non-exempt continuing connected transactions:

	Transactions	Applicable Listing Rules	Waivers sought	Proposed annual caps (in RMB millions without VAT) for the years ending December 31,		
				2021	2022	2023
1.	Procurement of CRO Services under the Master CRO Service Agreement	14A.34 to 14A.36, 14A.49, 14A.51, to 14A.59 and 14A.71	Requirements as to announcement, circular and independent shareholders' approval and a maximum term of three years under Chapter 14A of the Listing Rules	75	31	11
2.	Licensed Product Supply and Profit Sharing under the License Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Requirements as to monetary annual cap, announcement, circular, independent shareholders' approval and a maximum term of three years under Chapter 14A of the Listing Rules	N/A	N/A	N/A

Procurement of CRO Services

Historically, Zhaoke Guangzhou has entered into with Lee's Pharm Hefei, an indirect wholly owned subsidiary of Lee's Pharm, several CRO service agreements in the ordinary and usual course of our business to procure CRO services for conducting clinical study for our CsA ophthalmic gel, ZKY001, levobetaxolol HCl, TAB014 and adapalene/clindamycin hydrochloride compound gel. Upon the Listing, we will continue to procure CRO services for conducting clinical study of our CsA ophthalmic gel, ZKY001 and levobetaxolol HCl from Lee's Pharm Hefei.

Principal terms

Pursuant to the Master CRO Service Agreement, our Group agreed to engage Lee's Pharm Hefei as a CRO service provider to provide relevant CRO services for developing our CsA ophthalmic gel, ZKY001 and levobetaxolol HCl. The Master CRO Service Agreement has a term commencing from the date of the agreement, and continue to be in force until the completion of the clinical trial projects contemplated thereunder. In addition, we are entitled

to terminate the Master CRO Service Agreement if the CRO services provided are not in good quality or Lee's Pharm Hefei materially breaches the terms of the agreement and fails to cure such breach within a prescribed period of time.

Pricing policy

The service fees payable by us to Lee's Pharm Hefei under the Master CRO Service Agreement were determined taking in account the following factors: (i) the cost and expenses to be incurred in providing such services, which are calculated based on the size and scale of each clinical trial project, including but not limited to the number of clinical centers to be engaged with and the number of patients to be recruited; (ii) the types and nature of the services, in particular, the expected complexity of the CRO services and duration of the clinical trial projects involved; (iii) the market rates for providing CRO services of similar types and nature; and (iv) the expected commitment of resources required for providing the relevant CRO services.

Reasons for and benefits of the transaction

As the research and development of pharmaceutical products requires significant resources, especially when a drug under development enters the clinical trial stage, it is a common practice in the pharmaceutical industry for the drug developer to engage CRO service providers to provide CRO services, including but not limited to contacting clinical centers, recruiting patients and summarizing and compiling clinical data. Following such industry practice and after going through our procurement procedure, we have entered into several CRO service agreements with competent CRO service providers, including Lee's Pharm Hefei and other independent third parties. Based on our independent assessment and commercial judgement, and considering the overall commercial terms, the research and development capabilities and dedication proposed by Lee's Pharm Hefei and its relevant industry knowledge and experience, we believe engaging Lee's Pharm Hefei as our CRO service provider to provide the service contemplated under the Master CRO Service Agreement is commercially beneficial to the business of our Group. In addition, we were a subsidiary and are currently an associate of Lee's Pharm and therefore the Retained Lee's Pharm Group is very familiar with our needs and requirements. Furthermore, as confirmed by CIC, the terms under the Master CRO Service Agreement are in line with the industry prevailing practice. In light of the above, we believe the transactions under the Master CRO Service Agreement are in the interest of our Company and the Shareholders as a whole.

Notwithstanding the above, such arrangement under the Master CRO Service Agreement does not affect our operational independence. For further details, see "Relationship with Lee's Pharm—Independence of Our Group from the Retained Lee's Pharm Group—Operational and Administrative Independence—Research and development."

Corporate governance measures

During the ordinary and usual course of business of our Company, the procurement activities are governed by our procurement policy. When procurement of raw materials or services or procurement from new suppliers is necessary, we would strictly follow our internal procurement policy to select suppliers, raw materials or services. For selecting CRO service providers, our procurement team normally requests the potential supplier to provide, among others, its industrial background and credentials, an initial service plan designed by the CRO service provider and the quotations with breakdown of detailed components of the CRO services and procedures involved. Furthermore, our procurement department routinely monitors market price for procurement of raw materials and relevant services necessary for our business, for benchmarking and cost control purposes.

The commercial negotiations with potential suppliers are usually led by the chief operating officer and the head of the procurement department of our Group, who will independently evaluate the terms taking into account all relevant factors as we consider necessary. A decision on whether to engage such supplier will be made purely based on commercial considerations and only if we consider it is in the best interest of our Company and the Shareholders to enter into such procurement arrangement.

Term of the Master CRO Service Agreement

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reasons for and benefits of entering into the Master CRO Services Agreement as set out above, (ii) the confirmation from CIC on the terms of the Master CRO Services Agreement as set out above, and (iii) the fact that the relevant arrangements were negotiated on an arm's length basis and in accordance with the procurement procedure of our Company as set forth above, it is reasonable for the Master CRO Services Agreement to be entered into for a term which will continue to be in force until the completion of the CRO services contemplated thereunder, and it is normal business practice for agreements of this type to be of such duration.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules such that the term of the Master CRO Service Agreement can be of a term commencing from the date of the agreement and continue to be in force until the completion of the CRO services contemplated thereunder, because (i) the clinical trial projects underlying the Master CRO Service Agreement are long term in nature and the completion of which is subject to various factors, and therefore imposing a restriction on the term of the clinical trial projects and the Master CRO Service Agreement and for a period of three years would deviate from the market prevailing practice and be contrary to the business intention of the parties; (ii) such a long-term cooperation is in the interest of our Company and the Shareholders as a whole; (iii) given that we can terminate the Master CRO Service Agreement if Lee's Pharm Hefei cannot provide the CRO services with good quality or is in material breach of the terms of the agreement and fails to cure such breach within a prescribed period of time; and (iv) we have set the estimated

annual caps for the transactions under the Master CRO Service Agreement for the three years ending December 31, 2023, in the year of which the clinical trial projects contemplated under the Master CRO services are expected to be completed, and will re-comply with the Listing Rules if any clinical trial project underlying the Master CRO Service Agreement will continue after the year ending December 31, 2023.

Historical transaction amounts

The following table sets forth the aggregate historical transaction amounts for procurement of CRO services by us from Lee's Pharm Hefei during the Track Record Period:

For the year ended December 31,	
2019	**2020**
(RMB in millions)	
29.6	13.4

Annual caps and the basis

The following table sets forth the proposed annual caps for the transaction amounts under the Master CRO Service Agreement:

Proposed annual cap for the year ending December 31,		
2021	**2022**	**2023**
(RMB in millions)		
75	31	11

The proposed annual caps for each of the three years ending December 31, 2023 have been estimated in accordance with the pricing policy and primarily based on (i) the total CRO service fees to be paid that year, which is calculated by aggregating the CRO service fees expected to be paid for each clinical trial project planned to be carried out that year; and (ii) the schedule of the research and development process for each of our relevant product candidates.

The proposed annual cap for procuring CRO services for the year ending December 31, 2021 (the "**2021 annual cap**") is relatively large because the 2021 annual cap mainly includes the estimated expenses for conducting phase III clinical trials for our three product candidates, namely CsA ophthalmic gel, ZKY001 and Levobetaxolol HCl, based on the current R&D progress. The expenses incurred for the phase III clinical trial of a drug candidate are usually significantly higher than those incurred for the phase I or phase II clinical trials because larger number of patients and clinical centers are usually required for Phase III clinical trials, as confirmed by CIC.

Listing Rules implications

As our Group is eligible for listing on the Stock Exchange under Chapter 18A of the Listing Rules and has not recorded any revenue from product sales, the calculation of revenue ratio under Rule 14.07 of the Listing Rules will produce anomalous result, and thus we consider it inapplicable. As an alternative, we have applied a percentage ratio test based on the total expenses for R&D and general and administrative matters of our Group.

As one or more of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will be no less than 5%, the transactions under the Master CRO Service Agreement are continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Product Licensing

Principal terms

Our Company and Zhaoke Guangzhou, as licensors, entered into the License Agreement with Lee's Pharm International and Lee's Pharm Guangzhou (together, the "**Licensees**") on October 2, 2020, pursuant to which we agreed to grant exclusive license rights to the Licensees to promote and commercialize the adapalene/clindamycin hydrochloride compound gel (the "**Licensed Product**") in the PRC, Hong Kong, Macau and Taiwan. In consideration, the Licensees agreed to pay an upfront payment of US$10,000,000 within 30 days after the signing of the agreement and a milestone payment of US$5,000,000 within 14 days after obtaining the relevant regulatory approval for the new drug registration of the Licensed Product in PRC, and to share with us the profit derived from the sale of Licensed Product (the "**Profit Sharing**"). In determining the upfront payment and the milestone payment, the Company and the Retained Lee's Pharm Group have taken into consideration, among others, the following factors: (i) expenses incurred for the development of ACCG and its manufacturing methods; (ii) expected prospects of the ACCG in the relevant territories; and (iii) the average amount of upfront payment and milestone payment for drugs reaching phase III clinical trial in relevant pharmaceutical industry in the PRC. As for upfront payment, as advised by CIC, for the five years ended December 31, 2019, the average upfront payment for in-licensing new drugs ranged from US$10 million to US$15 million in the PRC pharmaceutical industry. Therefore, the upfront payment of US$10 million paid by the Retained Group to the Spin-off Group is in line with the prevailing industry practice. As for the milestone payment, as advised by CIC, the milestone payments for obtaining approval for new drug application range from US$3 million to US$10 million in the PRC pharmaceutical industry. Therefore, the milestone payment of US$5 million payable by the Retained Group to the Spin-off Group for obtaining approval for new drug application is in line with the prevailing industry practice. The upfront payment was settled by way of repurchase by us the 22,520 shares of our Company held by Lee's Pharm International on October 2, 2020. In addition, pursuant to the License Agreement, we were engaged by the Licensees to exclusively manufacture the Licensed Product, and shall supply the Licensed Products to the Licensees in the PRC (the "**Licensed Product Supply**") at a

determined supply price per unit. The license fees paid and payable under the License Agreement, including the upfront payment, milestone payment and the amount to be received by us under the Licensed Product Supply and Profit Sharing were determined after arms' length negotiations between the our Group and the Retained Lee's Pharm Group with reference to various factors, including but not limited to the costs of development of the Licensed Product, expected prospects of the development and commercialization of the Licensed Product in the licensed territories and the reasons for and benefits of the transactions contemplated under the License Agreement. As confirmed by CIC, the license fees paid and payable under the License Agreement are in line with the prevailing industry practice. The License Agreement has an initial term commencing on the date of the agreement and continue to be in force and effect until the date of the tenth anniversary of the initial sale of the Licensed Product, and can be automatically extended for additional consecutive renewal terms of five years each, unless terminated earlier in accordance with the terms of the License Agreement.

Reasons for and benefits of the transaction

The License Agreement was entered into by our Group and the Retained Lee's Pharm Group out of independent commercial considerations since we expect to focus our resources on the research and development of ophthalmic pharmaceutical products, while the Retained Lee's Pharm Group has a developed business in dermatology field. It is natural and commercially beneficial for both groups to enter into the License Agreement so that both groups will be able to stick to their respective business plans and development paths.

We are also engaged by the Retained Lee's Pharm Group under the License Agreement to manufacture and supply the Licensed Product taking into consideration that we are equipped with the manufacturing capabilities of drugs in gel form, like the Licensed Product, and are able to provide such services at arm's length and with good quality.

In addition, through leveraging the respective resources and established capabilities of our Group and Lee's Pharm, we believe such transaction will bring commercial benefits to both our Group and the Retained Lee's Pharm Group.

As confirmed by CIC, the License Agreement, including its term and schedule, and the Licensed Product Supply and Profit Sharing contemplated thereunder, are in line with the industry prevailing practice. As such, we believe that the License Agreement is in the interest of our Company and the Shareholders as a whole.

We entered into the License Agreement with the Retained Lee's Pharm Group rather than a direct transfer of the relevant rights of the Licensed Product because of the following reasons:

(a) the Licensed Product is entering the wrap-up stage for the NDA approval and commercialization. We would not directly dispose of, and the Retained Lee's Pharm Group would not buy out, the entire intellectual rights of the Licensed Product at a such stage because (i) the commercial value of the drug is not yet unlocked by commercialization, and there is no concrete basis and sufficient data for us and the

Retained Lee's Pharm Group to form a proper projection to determine the value of the drug and a reasonable buy-out price; (ii) given the drug is close to commercialization, it would not be in the best interest of our Group to dispose of such drug if we could find a business partner in the market to commercialize the Licensed Product, especially in a market like the PRC pharmaceutical market where the landscape of marketing and sales of pharmaceuticals is fragmental; and (iii) normally the buyer, like the Retained Lee's Pharm Group, is not inclined to bear the risks if the Licensed Product is not as acceptable by the market as predicted. As advised by CIC, in the pharmaceutical industry, licensing a close-to-commercialization drug, like the Licensed Product, is a common industrial practice; and

(b) the licensing arrangement is in the interest of both our Group and the Retained Lee's Pharm Group and their respective shareholders as a whole because: (i) if the Licensed Product is proved to be better in class and much more welcomed by the doctors and patients than expected, we do not need to bear the risk of disposing of the Licensed Product with an under-valued price; (ii) if the Licensed Product is not as acceptable by the market as the parties predicted, the Retained Lee's Pharm Group has avoided the risk of buying in an overestimate assets; and (iii) the licensing agreement allows both our Group and the Retained Lee's Pharm Group to share value of the Licensed Product reasonably commensurate to their respective efforts in R&D and marketing and sale.

Corporate governance measures

During the ordinary and usual course of business of our Company, we review potential product licensing opportunities, including product in-licensing and out-licensing, from time to time. When potential opportunity arises, we would normally request the potential business partners to provide, among others, the development prospect of the product, market forecasts for the demand of the product, competitive landscape and regulatory requirements of the product for that market as well as the regulatory and commercial capability of the potential business partner to commercialise the product. In parallel, prior to a decision of developing a particular product, our business development team performs in-house market forecasts and financial analysis for such potential products, and project competitive landscape of the products for the territory of interest. Furthermore, our business development team routinely evaluates licensing arrangement by third parties in respect of ophthalmic products with similar mechanism of action for deal benchmarking and for term sheet evaluation purposes.

In addition, the commercial negotiations with potential licensing partners are led by our CEO, chief operating officer and/or certain senior management of our Company, who are not interested in the licensing and will independently evaluate the terms taking into account all relevant factors as we consider necessary. A decision on whether to enter into licensing arrangements with another company will be made purely based on commercial considerations and only if we consider it is in the best interest of our Company and the Shareholders to enter into such licensing arrangement.

Term of the License Agreement

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reasons for entering into the License Agreement as set out above, (ii) the confirmation from CIC on the terms of the License Agreement as set out above, and (iii) the fact that the relevant arrangements were negotiated on an arm's length basis and in accordance with the corporate governance measures of our Company as set forth above, it is reasonable for License Agreement to be entered into for a term as set out above, and it is normal business practice for agreements of this type to be of such duration.

We have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules such that the License Agreement can be of a term commencing from the date of the agreement and continue to be in force until the tenth anniversary of the initial sale of the Licensed Product, and automatically extendable for additional consecutive renewal terms of five years each, for so long as our Shares are listed on the Stock Exchange, because: (i) the Licensed Product Supply and Profit Sharing allow our Group and Retained Lee's Pharm Group to spread the risks and costs associated with the marketing and sales of the Licensed Product following the market practice and to leverage their respective resources and established capabilities to expeditiously establish an advantageous position in relevant markets, both of which are long term in nature. Imposing a restriction on the term of the Licensed Product Supply or Profit Sharing for a period of three years would deviate from the market prevailing practice and be contrary to the business intention of the parties; (ii) such a long-term cooperation is in the interest of our Company and the Shareholders as a whole; and (iii) we can terminate the License Agreement if, among other things, the Retained Lee's Pharm Group is in material breach of the terms of the relevant agreement and fails to cure such breach within a prescribed period of time.

Historical transaction amounts

As the agreement was only entered into by the parties in October 2020, and the Licensed Product has not yet been approved for commercialization by the relevant authorities in the licensed territories, there was no historical amount received by our Group from the Retained Lee's Pharm Group in relation to the Licensed Product Supply and Profit Sharing during the Track Record Period.

Caps on future transaction amounts

We have set the annual caps for the Licensed Product Supply and the Profit Sharing as formulas (the "**Formulas**") below:

(i) Licensed Product Supply

The payment to be received by us from the Retained Lee's Pharm Group for supplying the Licensed Products will be determined in accordance with the following formula:

Amount receivable by us under Licensed Product Supply	=	Unit supply price[1] * amount of Licensed Product supplied

Note:

1. The unit supply price is determined by taking into consideration the cost expected to be incurred by us for the manufacturing of Licensed Products and a gross profit margin of approximately 60% for such manufacturing.

The Licensed Product Supply is fair and reasonable and in the interest of our Company and the Shareholders as a whole because (i) the terms of the License Agreement and the Licensed Product Supply contemplated thereunder, including the unit supply price, were determined after arm's length negotiation between the Retained Lee's Pharm Group and us and in the ordinary and usual course of our business; and (ii) the unit supply price is determined by taking into consideration the cost expected to be incurred by us for the manufacturing of Licensed Products and a gross profit margin for such manufacturing. As advised by CIC, the gross profit margin is determined in line with the market prevailing rate. The board of our Company and Lee's Pharm, each as a listed company, will review the reasonableness of the gross profit margin on an annual basis, taking into consideration our manufacturing costs, raw material prices, retail pricing as well as any change to the industry norm with respect to the manufacturing profit margin.

(ii) Profit Sharing

The payment receivable by us from the Retained Lee's Pharm Group for Profit Sharing pursuant to the License Agreement will be determined in accordance with the following formula:

Amount of profit receivable by us under Profit Sharing[2]	=	(net sales revenue[1] * 55%) – amount receivable by the Group under Licensed Product Supply (net of tax)

Note:

1. Net sales revenue shall be net of value-added taxes and sales commissions paid to distributors.

2. If the formula produces negative results, we are not obligated to pay any amount to the Retained Lee's Pharm Group.

Taking into account the clinical trial stage of the Licensed Product as opposed to concept stage or R&D stage products, the Profit Sharing is fair and reasonable and in the interest of our Company and the Shareholders as a whole because (i) the Profit Sharing contemplated under the License Agreement, including the formula as stated above, was determined after arm's length negotiation between the Retained Lee's Pharm Group and us and in the ordinary and usual course of the business of the two groups; (ii) the Profit Sharing is an addition to the payment receivable by us under the Licensed Product Supply and even if the formula produces negative results, we are not obligated to pay any amount to the Retained Lee's Pharm Group while still entitled to the amount receivable under the Licensed Product Supply.

In totality of the above, the aggregate transaction amount receivable by our Group under the License Agreement (including the Licensed Product Supply and the Profit Sharing) is expected to be approximately 55% of the net sales revenue of the Licensed Product. As advised by CIC, in the PRC pharmaceutical industry, the average manufacturing revenue and royalty fees a licensor is entitled to receive under a license and manufacturing transaction is approximately 40% to 55% of the net sales of the relevant product. As such, the License Agreement and the overall arrangements thereunder, including the milestone payment, upfront payment, the Licensed Product Supply and the Profit Sharing, are in line with the market practice, as confirmed by CIC.

Based on the above, the Joint Sponsors are of the view that the License Agreement and the overall arrangements thereunder are entered into in the ordinary and usual course of business of our Company, on normal commercial terms which are fair and reasonable, and in the interests of our Group and Shareholders of our Company as a whole.

We have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 14A.53 of the Listing Rules so as to allow us to set the annual caps in relation to continuing connected transactions under the License Agreement as the Formulas in accordance with the terms as set out in the License Agreement for the following reasons:

- There was no historical amount and sufficient data for us to establish a model to estimate the future sales volume and amount for the Licensed Product as it is a newly developed compound drug without sufficient market data to analyze the extent of acceptance of this drug by the doctors. It is impractical for us to accurately estimate the amount of payment to be received under the Licensed Product Supply and the Profit Sharing as the amount of Licensed Product to be supplied and the revenue to be derived from the sale of Licensed Products depend on the actual addressable market of the product, which will in turn depend on various factors including but not limited to the acceptance by the medical community and patient access, drug pricing, reimbursement and the number of patients, all of which are beyond the control of our Group. Even if we are able to set up a projection model to for calculation purpose, such a model will only present hypothetical predictions, which is not based on scientific analysis using historical data, and could be inaccurate, unreliable and even misleading.

- Imposing an arbitrary cap on the potential sales volume of the Licensed Product does not demonstrate commercial reasonableness and would be counter-productive as far as the interests of the Company, the Retained Lee's Pharm Group as well as their respective shareholders are concerned. In the absence of a factually and mathematically reliable model to estimate the annual supply volume of the Licensed Products, imposing an arbitrary monetary cap may become an arbitrary ceiling on the transaction amount under Licensed Product Supply and Profit Sharing. In addition, a fixed annual cap is not helpful to incentivize the Retained Lee's Pharm Group to generate more revenue and profit from selling the Licensed Product, and will restrict business growth of the two groups, which would go against the commercial objective of the Licensing Agreement. Also, if the actual sales volume of the Licensed Product exceeds the cap, the Company would be suspended from supplying the Licensed Products and the Retained Lee's Pharm Group would be suspended from selling the Licensed Products to the market until relevant shareholder approval is obtained, which will affect not only the business of the two groups but also the patients who need the Licensed Product for treatment, and further affect the two groups' market recognition among the doctors and hospitals because they are not able to sustain a stable supply of the Licensed Product. As far as the transactions are on normal commercial terms, and the profit margin of the Licensed Product and the profit sharing percentage are commercially reasonable and in line with market standards, the interests of our Group, the Retained Lee's Pharm Group and their respective shareholders are protected, and there is no reason or benefit for the two groups to impose such fixed cap.

- Given most of our products are in the research and development stage, and the first product of our Group is expected to launch, at the earliest, in 2022, the income generated from the Licensed Product Supply and the Profit Sharing may account for a sizeable portion of our total income before the commercialization of other drugs of our Group. Therefore, the disclosure of the annual caps in monetary terms would in effect provide Shareholders and investors as well as competitors of our Company with an indication of our estimated revenue, and may allow them to extrapolate the likely volume of the Licensed Product to be supplied and even the unit supply price of the Licensed Product. Such information is highly sensitive and would therefore put us in disadvantageous position in relation to our business operation and competition with other market players.

- Instead of setting a fixed annual cap on the Licensed Product Supply and/or the Profit Sharing, if there is any material change to the unit supply price under the Licensed Product Supply, or to the percentage of the profit sharing ratio under the Profit Sharing, we will re-comply with the applicable rules under Chapter 14A of the Listing Rules, including seeking independent shareholders' approval where the case may so require, so as to further ensure the interest of the shareholders of both our Company and the Retained Lee's Pharm Group.

Listing Rules implications

As the highest applicable percentage ratio in respect of each of the caps as we currently expect is, on an annual basis, no less than 5%, such continuing connected transaction will, upon the Listing, be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

By virtue of Rule 14A.76(2) of the Listing Rules, each of the transactions under the sub-section "—Non-Exempt Continuing Connected Transactions" will constitute connected transactions subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to continue on a recurring, continuing basis and will extend over a period of time, our Directors consider that compliance with the above announcement, circular and independent shareholders' approval requirements would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and independent shareholders' approval requirements in respect of the above non-exempt continuing connected transactions.

We have further applied for (i) waivers from strict compliance with Rule 14A.52 of the Listing Rules in respect of the transactions under the Master CRO Service Agreement for the reasons set out in "—Non-exempt Continuing Connected Transactions—Procurement of CRO Service" above, and (ii) waivers from strict compliance with Rules 14A.52 and 14A.53 of the Listing Rules in respect of the transactions under the License Agreement for the reasons set out in "—Non-exempt Continuing Connected Transactions—Product Licensing" above. The Stock Exchange has granted such waivers subject to the following conditions:

(a) we will comply with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the Master CRO Service Agreement or the License Agreement;

(b) we will designate a team to execute and ensure that the transactions in relation to the Master CRO Service Agreement and the License Agreement are undertaken in accordance with the terms thereunder;

(c) the CEO will use his best endeavours to supervise the compliance with the terms of the Master CRO Service Agreement and the License Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;

(d) our independent non-executive Directors and the auditors will review the transactions in relation to the Master CRO Service Agreement and the License Agreement on an annual basis and confirm in our annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;

(e) we will disclose in the prospectus the background for entering into the Master CRO Service Agreement or the License Agreement, the terms of the relevant cooperation agreements, the grounds for the waiver sought and the Directors' and Joint Sponsors' views on the fairness and reasonableness of the transactions under the License Agreement;

(f) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this prospectus on the above continuing connected transactions, we will take immediate steps to ensure compliance with such new requirements; and

(g) in terms of the License Agreement, after three years from the commencement of the sales of the Licensed Product, the Company will set monetary caps by then by way of entering into separate agreement(s) and making announcement(s) (where appropriate) for the purpose of Rule 14A.53 of the Listing Rules, and such transaction will be subject to, among others, circular and independent shareholders' approval requirements if the highest applicable percentage ratio is no less than 5%. In addition, the Company will disclose in its annual report(s) a clear description of the basis for calculating the fees received by the Company under the License Agreement and any changes to such basis would be subject to independent shareholders' approval.

In addition, we confirm that our Company will comply at all time with the other applicable provisions under Chapter 14 of the Listing Rules in respect of the discloseable and non-exempt continuing connected transactions. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM THE DIRECTORS AND JOINT SPONSORS

Our Directors (including the independent non-executive Directors) are of the view that: (i) the continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms or terms better to us, that are fair and reasonable and in the interest of us and our Shareholders as a whole; and (ii) the proposed annual caps and the alternative cap (as applicable) for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

The Joint Sponsors have reviewed the relevant information and historical figures (where applicable) prepared and provided by our Company in relation to the continuing connected transactions described in this section. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that: (i) the continuing connected transactions have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms or better, which are fair and reasonable, and in the interests of our Group and Shareholders of our Company as a whole; and (ii) the proposed annual caps in respect of and the alternative cap (as applicable) for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

So far as our Directors are aware, immediately following the completion of the Share Subdivision and the Global Offering and assuming that the Over-allotment Option and the share options granted under the Pre-IPO Share Option Scheme are not exercised, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company, which would be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group:

Name of shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately following the completion of the Share Subdivision and the Global Offering (assuming Over-allotment Option and the share options granted under the Pre-IPO Share Option Scheme are not exercised)
Lee's Pharm[(1)]	Interest in controlled corporation	140,379,600	26.2%
Lee's Pharm International[(1)]	Beneficial interest	138,192,000	25.8%
Coyote Investment Pte. Ltd.[(2)]	Beneficial interest	71,231,200	13.3%
Apstar Investment Pte. Ltd.[(2)]	Interest in controlled corporation	71,231,200	13.3%
GIC (Venture) Pte. Ltd.[(2)]	Interest in controlled corporation	71,231,200	13.3%
GIC Special Investment Pte. Ltd.[(2)]	Interest in controlled corporation	71,231,200	13.3%
GIC Private Limited [(2)]	Interest in controlled corporation	71,231,200	13.3%
Panacea Venture Healthcare Fund I, L.P.[(3)]	Beneficial interest	33,305,600	6.2%
Panacea Venture Healthcare Fund GP I, L.P.[(3)]	Interest in controlled corporation	33,305,600	6.2%
VMS Holdings Limited[(4)]	Interest in controlled corporation	31,117,600	5.8%
COFL Holdings Limited[(5)]	Beneficial interest	30,627,200	5.7%
Hillhouse Venture Fund V, L.P.[(5)]	Interest in controlled corporation	30,627,200	5.7%
TPG Asia VII SF Pte. Ltd.[(6)]	Beneficial interest	30,627,200	5.7%

Notes:

(1) Lee's Pharm International is wholly owned by Lee's Pharm. Therefore, Lee's Pharm is deemed to be interested in the 138,192,000 Shares held by Lee's Pharm International under the SFO. Approximately 43.16% of the partnership interest in Lee's Pharm Healthcare Fund L.P. is held by Lee's Pharm. Therefore, Lee's Pharm is deemed to be interested in the 2,187,600 Shares held by Lee's Pharm Healthcare Fund L.P. under the SFO.

(2) Coyote Investment Pte. Ltd. is a wholly owned subsidiary of Apstar Investment Pte Ltd., which is in turn a wholly owned subsidiary of GIC (Ventures) Pte. Ltd. Coyote Investment Pte. Ltd. is managed by GIC Special Investments Pte. Ltd., which is wholly owned by GIC Private Limited. Therefore, each of Apstar Investment Pte Ltd., GIC (Ventures) Pte. Ltd., GIC Special Investments Pte. Ltd. and GIC Private Limited is deemed to be interested in the 71,231,200 Shares held by Coyote Investment Pte. Ltd. under the SFO.

(3) Panacea Venture Healthcare Fund GP I, L.P. is the general partner of Panacea Venture Healthcare Fund I, L.P. and Panacea Venture Healthcare Fund GP Company, Ltd. is the general partner of Panacea Venture Healthcare Fund GP I, L.P. Accordingly, each of Panacea Venture Healthcare Fund GP I, L.P. and Panacea Venture Healthcare Fund GP Company, Ltd. is deemed to be interested in the 33,305,600 Shares held by Panacea Venture Healthcare Fund I, L.P. under the SFO.

(4) Each of Smart Rocket Limited and Bio Success Investment Limited holds 26,742,400 and 4,375,200 Shares, respectively. Both Smart Rocket Limited and Bio Success Investments Limited are indirect subsidiaries of VMS Holdings Limited, the ultimated beneficial owner of which is by Ms. Mak Siu Hang Viola (麥少嫻). Therefore, each of Ms. Mak Siu Hang Viola and VMS Holdings Limited is deemed to be interested in the 26,742,400 Shares held by Smart Rocket Limited and the 4,375,200 Shares held by Bio Success Investment Limited under the SFO.

(5) COFL Holdings Limited is a wholly owned subsidiary of Hillhouse Venture Fund V, L.P. Hillhouse Capital Management, Ltd. acts as the sole management company of Hillhouse Venture Fund V, L.P. Therefore, Hillhouse Venture Fund V, L.P. is deemed to be interested in the 30,627,200 Shares held by COFL Holdings Limited under the SFO.

(6) Each of TPG Asia VII Finance, Limited Partnership (as sole ordinary shareholder of TPG Asia VII SF Pte. Ltd.), TPG Asia GenPar VII, L.P. (as a general partner of TPG Asia VII Finance, Limited Partnership), TPG Asia GenPar VII Advisors, Inc. (as a general partner of TPG Asia GenPar VII, L.P.), TPG Holdings III, L.P. (as the sole ordinary shareholder of TPG Asia GenPar VII Advisors, Inc.), TPG Holdings III-A, L.P. (as a general partner of TPG Holdings III, L.P.), TPG Holdings III-A, Inc. (as a general partner of TPG Holdings III-A, L.P.), TPG Group Holdings (SBS), L.P. (as the sole ordinary shareholder of TPG Holdings III-A, Inc.), TPG Group Holdings (SBS) Advisors, LLC (as a general partner of TPG Group Holdings (SBS), L.P.) and TPG Group Holdings (SBS) Advisors, Inc. (as the managing member of TPG Group Holdings (SBS) Advisors, LLC) is deemed to be interested in the Shares held by TPG Asia VII SF Pte. Ltd. under the SFO. TPG Group Holdings (SBS) Advisors, Inc. is controlled by Mr. David Bonderman and Mr. James G. Coulter, who disclaim beneficial ownership of the Shares held by TPG Asia VII SF Pte. Ltd. except to the extent of their pecuniary interest therein.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Share Subdivision and the Global Offering.

Authorized Share Capital

Number of Shares	Aggregate nominal value of Shares
1,600,000,000,000	US$400,000

Issued Share Capital (assuming the Over-allotment Option is not exercised)

Number of Shares	Description of Shares	Aggregate nominal value of Shares	% of issued Share capital
150,992,000	Ordinary Shares in issue as of the date of this prospectus	US$37.748	28.2%
133,712,000	Series A Preferred Shares to be converted to Shares on a one-for-one basis	US$33.428	25.0%
126,884,000	Series B Preferred Shares to be converted to Shares on a one-for-one basis	US$31.721	23.7%
123,567,500	Shares to be issued pursuant to the Global Offering	US$30.892	23.1%
535,155,500	Shares in issue immediately following the Global Offering	US$133.789	100.00%

Issued Share Capital (assuming the Over-allotment Option is exercised in full)

Number of Shares	Description of Shares	Aggregate nominal value of Shares	% of issued Share capital
150,992,000	Ordinary Shares in issue as of the date of this prospectus	US$37.748	27.3%
133,712,000	Series A Preferred Shares to be converted to Shares on a one-for-one basis	US$33.428	24.2%
126,884,000	Series B Preferred Shares to be converted to Shares on a one-for-one basis	US$31.721	22.9%
142,102,500	Shares to be issued pursuant to the Global Offering	US$35.526	25.6%
553,690,500	Shares in issue immediately following the Global Offering	US$138.423	100.00%

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional, the Shares are issued pursuant to the Global Offering, and that the Preferred Shares will be converted into Shares on a one to one basis upon the Global Offering becoming unconditional. It does not take into account any additional Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as referred to below or any additional Shares which may be issued pursuant to the Pre-IPO Share Option Scheme.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a Record Date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares upon completion of the Global Offering, namely ordinary Shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See "Appendix III—Summary of the Constitution of Our Company and Cayman Companies Act—2. Articles of Association—2.1 Shares—(c) Alteration of capital."

SHARE OPTION SCHEMES

The Company has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, details of which are set out in "Appendix IV—Statutory and General Information—D. Share Option Schemes."

GENERAL MANDATE TO ISSUE SHARES AND ANY SHARES ISSUED

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- 20% of the total number of the Shares in issue immediately following completion of the Share Subdivision and the Global Offering (excluding the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or of any options which were granted or may be granted under the Share Option Schemes); and

- the total number of Shares repurchased by us under the authority referred to in the paragraph headed "—General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

For further details of this general mandate to allot, issue and deal with Shares, see "Appendix IV—Statutory and General Information—A. Further Information about our Group—4. Written Resolutions Passed by Our Shareholders on April 1, 2021."

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the total number of our Shares in issue immediately following the completion of the Share Subdivision and the Global Offering (excluding the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which were granted or may be granted under the Share Option Schemes).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. For a summary of the relevant Listing Rules, see "Appendix IV—Statutory and General Information—A. Further Information about Our Group—5. Repurchase of Our Own Securities—(a) Provision of the Listing Rules."

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

For further details of the repurchase mandate, see "Appendix IV—Statutory and General Information—A. Further Information about Our Group—5. Repurchase of Our Own Securities."

You should read the following discussion and analysis in conjunction with our consolidated financial information included in "Appendix I—Accountants' Report" to this Prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRS. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors."

OVERVIEW

We are an ophthalmic pharmaceutical company dedicated to the research, development and commercialization of therapies that address significant unmet medical needs in China. Leveraging our deep domain expertise, we have built a comprehensive ophthalmic drug pipeline of 25 candidates that covers most major ocular indications affecting the front and the back of the eye, through either in-house development or in-licensing. We have also established an advanced ophthalmic manufacturing facility and are assembling an experienced marketing team in anticipation of near-term product launch. Our goal is to become a leader in China and the neighboring ASEAN marketplace.

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We were not profitable and incurred operating losses during the Track Record Period. We recorded net losses of RMB122.1 million and RMB727.0 million for the years ended December 31, 2019 and 2020, respectively, primarily due to our research and development expenses and finance costs primarily representing 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.

We expect to incur significant expenses and operating losses for at least the next several years as we continue our preclinical research and development and clinical development, and seek regulatory approval for our drug candidates, launch commercialization of our pipeline products, and add personnel to support these efforts. Subsequent to the Listing, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to uncertainty in the development of our drug candidates, regulatory approval timeline and commercialization of our drug candidates.

BASIS OF PRESENTATION

We were incorporated in the BVI on January 20, 2017, and redomiciled to the Cayman Islands on April 29, 2020. We mainly carry out our operations through our wholly owned subsidiary, Zhaoke Guangzhou. For more details, see "History, Development and Corporate Structure" in this prospectus. Our consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on consolidation.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Ability to Successfully Develop and Commercialize Our Drug Candidates

Our business and results of operations depend on our ability to successfully advance development of our drug candidates. As of the Latest Practicable Date, our product pipeline consisted of 25 drug candidates, including 13 innovative drugs and 12 generic drugs. Our product pipeline includes drug candidates at various stages of development. For example, for CsA ophthalmic gel, we are conducting a Phase III clinical trial and plan to submit an NDA to the NMPA in the fourth quarter of 2021. In addition, we started a Phase II clinical trial in November 2020 to evaluate the efficacy and safety of ZKY001, and plan to initiate a Phase III clinical trial in the second half of 2022 and target to submit an NDA to the NMPA in 2024. Whether our drug candidates can demonstrate favorable safety and efficacy margins in clinical trial results, and whether we can obtain the requisite regulatory approvals for our drug candidates in time, are crucial for our business and results of operations.

We plan to submit abbreviated NDAs for nine generic drug candidates in the next three years. We also expect to launch three generic drugs by 2022, namely, bimatoprost, epinastine HCl and bimatoprost timolol. These drugs may require significant marketing efforts before we generate any revenue from product sales. If they fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. See "Business—Our Pipeline of Innovative Drugs," "—Our Pipeline of Generic Drugs" and "Risk Factors—Risks Relating to Commercialization of Our Drug Candidates."

Our Ability to Effectively Compete Against Other Market Players

Our business and results of operations are also affected by our ability to compete against other players in the ophthalmic pharmaceutical industry. We face potential competition from many different actors, including large multinational pharmaceutical companies, established biopharmaceutical companies, specialty pharmaceutical companies, academic institutions and public and private research institutions. These entities are or may be seeking to develop drugs, therapies and approaches to treat our targeted diseases or their underlying causes. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than the drugs that we may develop or commercialize.

See "Risk Factors—We operate in a competitive industry and, if competing drugs are more effective, have fewer side effects, are more effectively marketed and cost less than our drug candidates, or receive regulatory approval or reach the market earlier, our drug candidates may fail to compete effectively."

Cost Structure

Our business and results of operations are significantly affected by our cost structure, which comprised primarily research and development expenses and finance costs during the Track Record Period. Research and development activities are central to our business. Our current research and development activities mainly relate to drug discovery, preclinical studies, clinical trials and the clinical advancement of our drug candidates. As a result, our research and development expenses primarily consist of contracting costs incurred under agreements with CROs, staff costs, and costs of raw materials and consumables incurred for research and development of our drug candidates. For the years ended December 31, 2019 and 2020, our research and development expenses amounted to RMB93.4 million and RMB81.8 million. We expect to continue to incur substantial research and development expenses for the foreseeable future as we move drug candidates currently at earlier clinical stage into more advanced clinical trials and advance preclinical programs into clinical trials, as well as we continue to expand the clinical development of our drug candidates for the treatment of more indications. In 2020, we also incurred finance costs of RMB671.6 million, which primarily consisted of changes in the carrying amount of preferred shares liability of RMB670.0 million, representing the preferred share liabilities we recorded in relation to the redemption amount and conversion features we have for the Series A Preferred Shares and Series B Preferred Shares.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity financing. Going forward, in the event of successful commercialization of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our drug products. However, with the continuing expansion of our business and development of new drug candidates, we may require further funding through public or private equity offerings, debt financing and other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operations.

Growth of the Chinese Ophthalmic Pharmaceutical Market

Our financial performance and future growth depend on the growth of the Chinese ophthalmic pharmaceutical market, especially with respect to the five major ophthalmic indications in China on which we initially place strategic emphasis: DED, wAMD, DME, myopia and glaucoma. We believe the Chinese market for these five indications has tremendous growth potential.

In addition, we expect to be supported by a series of favorable government policies in the near future. For example, pursuant to the Thirteenth Five-Year National Plan for Eye Heath ("十三五"全國眼健康規劃(2016-2020年)), China has made great efforts in enhancing eye health in the past few decades and has been consistently supporting the growth of the ophthalmic drug market. The Chinese government has promulgated a series of policies to shorten the time for review and approval of innovative drugs. In addition, the Chinese government has also implemented a series of preferential treatments to support companies in our industry, such as grants and subsidies for research and development activities.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial information, which has been prepared in accordance with HKFRS. The preparation of the financial information requires us to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. We evaluate our estimates and underlying assumptions on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our most critical accounting policies, judgments and estimates are summarized in Notes 2 and 3 to the Accountants' Report set out in Appendix I.

Research and Development Expenses

We recognize research expenditures as expenses in the period in which they are incurred. We recognize development costs as assets only when they can be directly attributable to our drug candidates, and we can demonstrate the following elements: the technical feasibility of completing the development project so that the drug candidate will be available for use or sale, our intention and ability to complete the development project to use or sell the drug candidate, how the development project will generate future economic benefits, the availability of resources to complete the development project and the ability to measure reliably the expenditures attributable to the development project. We record development costs which do not meet these criteria as expenses when incurred. During the Track Record Period, we recorded all research and development costs as expenses in our consolidated statements of profit or loss and other comprehensive income.

Convertible Redeemable Preferred Shares

We issued Series A Preferred Shares and completed our Series A Financing in June 2019. We issued Series B Preferred Shares and completed our Series B Financing in November 2020.

We classify preferred shares as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability. Preferred shares give rise to financial liabilities if they are redeemable at the option of the shareholders in case of occurrence of certain triggering events. We initially recognize preferred shares as financial liabilities at the present value of their redemption price, which represents the highest amount we would need to pay in case of the occurrence of any triggering events. The redemption price of preferred shares may change from time to time. We recognize the changes in the carrying amount of such financial liabilities in our consolidated statements of profit or loss. The measurement of the financial liabilities also takes into account the conversion feature, which is measured at fair value. If the preferred shares are converted into ordinary shares, we transfer the carrying amount of the financial liabilities to share capital and share premium in our consolidated statements of financial position.

In respect of the valuation of our convertible redeemable preferred shares, our management, based on the professional advice received, engaged and discussed with an independent professional external valuer to establish the appropriate valuation techniques, and reviewed the external valuer's valuation analysis and results. Based on the procedures, our management is satisfied that the valuation is considered reasonable, and our financial statements are properly prepared.

In relation to the valuation of our convertible redeemable preferred shares during the Track Record Period, the Joint Sponsors have, among others: (i) reviewed the valuation report prepared by the external valuer engaged by the Company; (ii) considered the qualification, independence and credentials of the external valuer; (iii) discussed with the external valuer regarding the valuation techniques and methodologies applied to determine the valuation; (iv) reviewed the subscription agreement of the convertible redeemable preferred shares; and (v) considered relevant notes in the Accountants' Report as contained in Appendix I and their opinion on the historical financial information of the Group as a whole for the Track Record Period. Based on the above due diligence and having considered the work performed by the Directors and the reporting accountants, nothing has come to the Joint Sponsors' attention for them to cast doubt on the valuation of our convertible redeemable preferred shares.

Details of the valuation measurement of convertible redeemable preferred shares, particularly the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to valuation are disclosed in Notes 24(d) and 25(e) to the Accountants' Report in Appendix I to this prospectus in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountants' opinion on our historical financial information for the Track Record Period as a whole is set out in the Appendix I to this prospectus.

Intangible Assets

For intangible assets internally generated from our development activities, we recognize them if and only if we can demonstrate the following elements: the technical feasibility of completing the development project so that it will be available for use or sale, our intention to complete and our ability to use or sell the development project, how the development project will generate probable future economic benefits, the availability of resources to complete the development project and to use or sell the development project, and the ability to measure reliably the expenditures attributable to the development project. The amount initially recognized for internally generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

For intangible assets acquired separately, we initially recognize them at cost. We further categorize such intangible assets as either with finite or indefinite useful lives. For intangible assets with finite lives, we amortize them over their useful economic lives, and the amortization begins when such intangible assets are available for use. For intangible assets with indefinite useful lives, or intangible assets with finite useful lives but are not available for use, we do not amortize them but test them for impairment annually either individually or at the cash generating unit level.

Leased Assets

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. We recognize the lease payments associated with those leases which are not capitalized as an expense over the lease term.

When we capitalize a lease, we initially recognize the lease liability at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, we measure the lease liability at amortized cost and interest expense is calculated using the effective interest method.

We recognize the right-of-use asset when a capitalized lease is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. We subsequently state the right-of-use asset at cost less accumulated depreciation and impairment losses.

Adoption of HKFRS 9, 15 and 16

For the purpose of preparing and presenting our historical financial information, we had consistently adopted all applicable HKFRS effective for the year beginning January 1, 2020, including HKFRS 9, *Financial Instruments*, HKFRS 15, *Revenue from Contracts with Customers* and HKFRS 16, *Leases*, throughout the Track Record Period. HKFRS 9 and HKFRS 15 became effective for the financial year beginning January 1, 2018 and replaced HKAS 39,

Financial Instruments: Recognition and Measurement, and HKAS 18, *Revenue*, respectively. HKFRS 16 became effective for the financial year beginning January 1, 2019 and replaced HKAS 17, *Leases*. Based on our internal assessments, our Directors consider that the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 has no significant impact on our net liabilities and net loss during the Track Record Period.

DISCUSSION OF CERTAIN COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the components of our consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year ended December 31,	
	2019	**2020**
	(RMB in thousands)	
Other income	2,953	68,462
Other net gain/(loss)	1,070	(5,487)
Research and development expenses	(93,407)	(81,779)
General and administrative expenses	(6,311)	(35,002)
Selling and distribution expenses	–	(1,542)
Finance costs	(26,382)	(671,633)
Loss before tax	(122,077)	(726,981)
Income tax	–	–
Loss for the year	(122,077)	(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[(1)]	4,533	56,120
Total comprehensive income for the year	(117,544)	(670,861)

Note:

(1) The functional currency of certain of our subsidiaries is Hong Kong dollars, resulting in exchange differences when the amounts of items on their financial statements were converted into Renminbi. The RMB51.6 million increase in 2020 was primarily due to a RMB722.5 million increase in our U.S. dollar-denominated time deposits with original maturity over three months, which was mainly attributable to the funds we received from our Series B equity financing.

Revenue

We are a clinical-stage ophthalmic pharmaceutical company. We did not generate any revenue during the Track Record Period.

Other Income

Our other income primarily consists of (i) bank interest income, (ii) income from licensing agreement and (iii) government grants, which represent one-off subsidies we received from government authorities for our research and development activities and capital expenditures on our production line upgrades as well as wage or social insurance subsidies received as a result of the COVID-19 pandemic. The following table sets forth the components of our other income for the years indicated:

	Year ended December 31,	
	2019	**2020**
	(RMB in thousands)	
Bank interest income	2,891	2,582
Government grants		
– Employment support grants	–	222
– Other government grants	44	44
Income from licensing agreement	–	64,246
Other income	–	1,360
Others	18	8
Total	2,953	68,462

Other Net Gain/(Loss)

Our other net gain/(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.

Research and Development Expenses

Our research and development expenses primarily consist of (i) clinical trial professional service fees, primarily including payments to CROs, hospitals and other medical institutions and testing fees incurred for preclinical studies and clinical trials; (ii) depreciation and amortization in relation to our research and development equipment and facilities; (iii) staff costs, including salaries, bonus and welfare for research and development personnel; (iv) costs

of raw materials and consumables used for research and development of our drug candidates; and (v) equity-settled share-based payment. The following table sets forth the components of our research and development expenses for the years indicated:

	Year ended December 31,	
	2019	2020
	(RMB in thousands)	
Clinical trial professional service fee	55,705	27,711
Depreciation and amortization	16,408	19,352
Staff costs	8,079	15,141
Cost of raw materials and consumables used	7,348	6,808
Equity-settled share-based payment	–	2,902
Others[(1)]	5,867	9,865
Total	93,407	81,779

Note:

(1) Represent utility fees, travel and accommodation expenses, repair and maintenance expenses and other miscellaneous expenses in relation to our research and development activities.

General and Administrative Expenses

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

	Year ended December 31,	
	2019	2020
	(RMB in thousands)	
Staff costs	4,097	7,844
Listing expenses	–	10,558
Professional service fees	1,118	3,303
General operating expenses	758	916
Depreciation	161	474
Equity-settled share-based payment	–	11,390
Others[(1)]	177	517
Total	6,311	35,002

Note:

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

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of staff costs, conference expenses in relation to our marketing activities and equity-settled share-based payment. The following table sets forth the components of our selling and distribution expenses for the years indicated:

	As of December 31,	
	2019	2020
	(RMB in thousands)	
Staff costs	–	553
Conference expenses	–	235
Equity-settled share-based payment	–	706
Others	–	48
Total	–	1,542

Finance Costs

Our finance costs primarily consist of (i) interest on lease liabilities related to our leases of office premises and manufacturing and research and development 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,			
	2019		2020	
	(RMB in thousands)			
Interest on lease liabilities		1,583		1,458
Changes in the carrying amount of preferred shares liability[(1)]:				
Changes in present value of redemption amount	24,799		74,329	
Changes in fair value of conversion features	–		595,649	
Subtotal		24,799		669,978
Interest on bank loan		–		197
		26,382		671,633

Note:

(1) Represent the 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. At initial recognition, the liabilities resulting from the preferred shares are measured at the present value of the redemption amount. The redemption amount represents the settlement that would be triggered by the event with the highest settlement outcome, and which may change from time to time. Changes in the carrying amount of the liabilities are recognized in profit or loss. The measurement of the liabilities also takes into account the conversion feature. We measure the conversion features arising from the convertible redeemable preferred shares at fair value in which no quoted prices in an active market exists. The fair value of conversion features is determined using the discounted cash flow model

and the significant unobservable input used in the fair value measurement are expected revenue and pre-tax discount rate. The fair value measurement is positively correlated to the expected revenue and negatively correlated to pre-tax discount rate. We review our estimates and underlying assumptions periodically and adjust them when necessary. Should any of the estimates or assumptions changed, it may lead to a change in the fair value of the conversion features. Transaction costs that relate to the issue of the convertible redeemable preferred shares are included in the initial carrying amount of the financial liabilities. See Note 2(l), Note 3(vi) and Note 25(e) to the Accountants' Report set out in Appendix I to this prospectus for more information.

Income Tax

We did not incur any income tax during the Track Record Period.

TAXATION

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. 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 Track Record 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 Track Record Period.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2020 to Year Ended December 31, 2019

Revenue

We did not have any revenue in 2019 or 2020.

Other Income

Our other income increased significantly from RMB3.0 million in 2019 to RMB68.5 million in 2020, which was primarily attributable to a RMB64.2 million increase in income from licensing agreement mainly as a result of the upfront payment received from the out-licensing of our non-ophthalmic product, adapalene/clindamycin hydrochloride compound gel.

Other Net Gain/(Loss)

We recorded other net gain of RMB1.1 million in 2019, and recorded other net loss of RMB5.5 million in 2020. Such net loss or net gain was primarily attributable to the corresponding net foreign exchange gain or loss we recorded during the relevant period in connection with fund transfers among bank accounts in different currencies and bank balances that are denominated in U.S. dollars.

Research and Development Expenses

Our research and development expenses decreased from RMB93.4 million in 2019 to RMB81.8 million in 2020. This decrease was primarily due to a decrease of RMB28.0 million in clinical trial professional service fees mainly because we incurred significant costs for two clinical trials in 2019. We engaged a CRO to conduct a Phase II clinical trial for CsA ophthalmic gel and a Phase III clinical trial for adapalene/clindamycin hydrochloride compound gel in 2019. Adapalene/clindamycin hydrochloride compound gel is a dermatological drug candidate we used to develop. We out-licensed the drug candidate to Lee's Pharm International and Lee's Pharm Guangzhou in October 2020 to focus resources on the research and development of ophthalmic pharmaceutical products. See "Connected Transactions—Non-Exempt Continuing Connected Transactions—Product Licensing." The decrease of our research and development expenses was partially offset by an increase of RMB7.1 million in staff costs as a result of the increases in the number of our research and development personnel.

General and Administrative Expenses

Our general and administrative expenses increased significantly from RMB6.3 million in 2019 to RMB35.0 million in 2020. This increase was primarily attributable to (i) an increase of RMB11.4 million in equity-settled share-based payment and staff costs as a result of an increase in share compensation expenses and an increase in the number of administrative personnel to support our business growth and (ii) an increase of RMB12.7 million in professional fees for legal, advisory and accounting services, primarily as a result of RMB10.6 million incurred in relation to the proposed Listing.

Selling and Distribution Expenses

Our selling and distribution expenses increased from nil in 2019 to RMB1.5 million in 2020, primarily attributable to (i) an increase in our sales and marketing employee headcount; (ii) an increase in marketing-related expenses and (iii) an increase in equity-settled share-based payment.

Finance Costs

Our finance costs increased significantly from RMB26.4 million in 2019 to RMB671.6 million in 2020, which was primarily attributable to 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.

Loss for the Period

As a result of the above, we recorded a loss of RMB727.0 million in 2020, as compared to a loss of RMB122.1 million in 2019.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets forth selected items from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus:

	As of December 31,	
	2019	2020
	(RMB in thousands)	
Non-current assets		
Property, plant and equipment	130,630	138,458
Intangible assets	36,901	138,691
Prepayments on purchases of property, plant and equipment	7,076	35,814
Total non-current assets	174,607	312,963
Current assets		
Other receivables and prepayments	13,502	18,146
Amount due from a shareholder	127,615	–
Amount due from a related company	–	13,051
Pledged bank balances	–	11,083
Time deposits with original maturity over three months	83,721	806,247
Cash and cash equivalents	154,769	65,096
Total current assets	379,607	913,623
Current liabilities		
Other payables and accruals	16,514	38,731
Amount due to fellow subsidiaries	162,618	–
Amount due to a related company	–	186
Bank loan	–	10,000
Lease liabilities	4,702	4,749
Total current liabilities	183,834	53,666
Net current assets	195,773	859,957
Total assets less current liabilities	370,380	1,172,920
Non-current liabilities		
Lease liabilities	26,089	22,778
Deferred income	138	94
Convertible redeemable preferred shares	369,685	1,896,016
Total non-current liabilities	395,912	1,918,888
Net liabilities	(25,532)	(745,968)

Intangible Assets

Our intangible assets include in-licensed rights of RMB15.8 million and RMB119.4 million as of December 31, 2019 and 2020, respectively.

License Agreements with TOT BIOPHARM

In January 2017 and April 2020, we entered into a series of product licensing, development and commercialization agreements with TOT BIOPHARM, under which TOT BIOPHARM granted us an exclusive license to commercialize TAB014 for neovascularization-related eye diseases in China.

As of December 31, 2019 and 2020, TAB014 was not ready for use and we continues the underlying research and development activities. As such, it is subject to annual impairment test based on the recoverable amount of the cash generating unit ("CGU") to which the intangible asset is related to which is at the product level. Management determined the recoverable amount of the relevant CGU using the value in use calculations. These calculations use cash flow projections based on management's expectations of timing of commercialization, market penetration rate and success rate of commercialization over TAB014's license period. The valuation is considered to be level 3 in the fair value measurement hierarchy due to unobservable inputs used in the valuation.

With the assistance of an external appraiser, management determined the recoverable amount of TAB014 based on the following approach and the key assumptions:

- TAB014 will generate net cash inflows from 2024 to 2030 based on the research and development process and experience of the approval process;

- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;

- The discount rate used is pre-tax and reflects specific risks relating to the relevant products; and

- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

The key assumptions used for fair value calculation as of December 31, 2019 and 2020 are as follows:

	As of December 31,	
	2019	**2020**
Pre-tax discount rate	28%	24%
Expected revenue growth rate	5%~245%	40%~171%
Expected market penetration rate	5%~40%	5%~35%
Expected success rate of commercialization	38%	38%
Recoverable amount of CGU (in RMB'000)	43,438	80,039
Carrying amount of CGU (in RMB'000)	15,849	21,792

Based on the result of impairment assessment, there was no impairment as of December 31, 2019 and 2020.

Impairment test – sensitivity

We have performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 5% of expected revenue, which are the key assumptions for determining the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	As of December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Headroom	27,589	58,247
Impact by increasing pre-tax discount rate	(7,617)	(10,136)
Impact by decreasing expected revenue	(6,369)	(9,080)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

License Agreement with IACTA

In July 2020, we entered into a license agreement with IACTA for the license of certain patents and know-how relating to IC-265 and IC-270 in Greater China and certain Southeast Asia countries. As of the Latest Practicable Date, we had paid license fees of US$1.5 million.

As of December 31, 2020, the licensed know-how was not ready for use and we continues the underlying research and development activities. As such, it is subject to annual impairment test based on the recoverable amount of the CGU to which the intangible asset is related to which is at the product level. Management determined the recoverable amount of the relevant CGU using the value in use calculations. These calculations use cash flow projections based on management's expectations of timing of commercialization, market penetration rate and success rate of commercialization over the licensed know-how's license period. The valuation is considered to be level 3 in the fair value measurement hierarchy due to unobservable inputs used in the valuation.

With the assistance of an external appraiser, management determined the recoverable amount of the licensed know-how based on the following approach and the key assumptions:

- The licensed know-how will generate net cash inflows from 2026 to 2039 based on the research and development process and experience of the approval process;

- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;

- The discount rate used is pre-tax and reflects specific risks relating to the relevant products; and

- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

The key assumptions used for fair value calculation as of December 31, 2020 is as follows:

	As of December 31, 2020
Pre-tax discount rate	24%
Expected revenue growth rate	1%~324%
Expected market penetration rate	1%~10%
Expected success rate of commercialization	28%~31%
Recoverable amount of CGU (in RMB'000)	93,588
Carrying amount of CGU (in RMB'000)	9,815

Based on the result of impairment assessment, there was no impairment as of December 31, 2020.

Impairment test – sensitivity

We have performed sensitivity test by increasing 1% of pretax discount rate or decreasing 5% of expected revenue, which are the key assumptions for determining the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	As of December 31, 2020
	RMB'000
Headroom	83,773
Impact by increasing pre-tax discount rate	(12,890)
Impact by decreasing expected revenue	(8,441)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

Current Assets and Liabilities

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,		As of February 28,
	2019	2020	2021
	(RMB in thousands)		
			(unaudited)
Current assets			
Other receivables and prepayments	13,502	18,146	18,213
Amount due from a shareholder	127,615	–	–
Amount due from a related company	–	13,051	–
Time deposits with original maturity over three months	83,721	806,247	738,437
Pledged bank balances	–	11,083	37,310
Cash and cash equivalents	154,769	65,096	54,224
Total current assets	379,607	913,623	848,184
Current liabilities			
Other payables and accruals	16,514	38,731	48,067
Amount due to fellow subsidiaries	162,618	–	–
Amount due to related companies	–	186	27,438
Bank loan	–	10,000	10,000
Lease liabilities	4,702	4,749	4,745
Total current liabilities	183,834	53,666	90,250
Net current assets	195,773	859,957	757,934

Other Receivables and Prepayments

Our other receivables and prepayments primarily consist of (i) value-added tax recoverable, representing value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables; and (ii) prepayments to suppliers, representing the fees prepaid for raw materials and research and development services. The following table sets forth the components of our other receivables and prepayments as of the dates indicated:

	As of December 31,	
	2019	**2020**
	(RMB in thousands)	
Value added tax recoverable	7,369	7,477
Prepayments to suppliers	5,572	6,405
Deferred listing expenses	–	2,350
Prepaid listing expenses	–	1,441
Other receivables	561	473
Total	13,502	18,146

Our other receivables and prepayments further increased from RMB13.5 million as of December 31, 2019 to RMB18.1 million as of December 31, 2020, which was primarily due to (i) an increase of RMB2.4 million of deferred listing expenses and (ii) an increase of RMB1.4 million of prepaid listing expenses.

Amount Due from a Shareholder

We had an amount due from our shareholder, Lee's Pharm International, of RMB127.6 million as of December 31, 2019, which was non-trade in nature. Such amount was subsequently waived by us as deemed distribution to the shareholder.

Amount Due from a Related Company

We did not record any amount due from a related company in 2019. Our amount due from a related company was RMB13.1 million in 2020, primarily represented CRO service fees prepaid to Lee's Pharm Hefei. We engaged Lee's Pharm Hefei as our CRO for the clinical trials of several of our drug candidates, including but not limited to CsA ophthalmic gel, ZKY001, levobetaxolol HCl, TAB014 and adapalene/clindamycin hydrochloride compound gel. See "Connected Transactions—Non-Exempt Continuing Connected Transactions—Procurement of CRO Services." Such amounts are trade in nature. Hence, we do not intend to settle them prior to the Listing and expect that similar amounts will be recurring in the future during the ordinary course of our business.

Time Deposits with Original Maturity over Three Months

Our time deposits with original maturity over three months increased significantly from RMB83.7 million as of December 31, 2019 to RMB806.2 million as of December 31, 2020, which was mainly attributable to the funds we received from our Series B equity financing.

Pledged Bank Balances

We did not have pledged bank balances as of December 31, 2019. Our pledged bank balances was RMB11.1 million as of December 31, 2020, representing bank balances we pledged with a bank required for the issue of a letter of credit for importing certain machines and equipment.

Cash and Cash Equivalents

Our cash and cash equivalents then decreased significantly from RMB154.8 million as of December 31, 2019 to RMB65.1 million as of December 31, 2020, which was mainly attributable to additional time deposits arrangement for idle cash balance with higher interest rate.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payable for issue costs for Series B Preferred Shares; (ii) payables for purchase of property, plant and equipment; (iii) accrued costs for research and development expenses; and (iv) payroll payables.

Our other payables and accruals increased from RMB16.5 million as of December 31, 2019 to RMB38.7 million as of December 31, 2020. The increase was primarily attributable to payables for purchase of property, plant and equipment.

Amounts Due to Fellow Subsidiaries/A Related Company

Our amounts due to fellow subsidiaries mainly represent (i) CRO service fees due to Lee's Pharm Hefei; (ii) the rents due to Lee's Pharm Guangzhou, for leasing its premises in Nansha, Guangzhou as our offices and premises for manufacturing and research and development activities. See "Connected Transactions—One-off Connected Transaction—Lease Agreements"; and (iii) other operating expenses payables to fellow subsidiaries. Amounts due to fellow subsidiaries amounted to RMB162.6 million as of December 31, 2019, which were recognized as amount due to a related company as we were no longer a subsidiary of Lee's Pharm since October 2020, and decreased to RMB0.2 million as of December 31, 2020 primarily because (i) we settled some of the amount and (ii) certain of such amount was waived by related companies as capital contribution to the Group. Amount due to a related company of RMB0.2 million as of December 31, 2020 was non-trade in nature and has been settled as of the date of this prospectus.

Bank Loan

We had a bank loan of RMB10.0 million as of December 31, 2020, which represents an unsecured bank loan.

Lease Liabilities

We recorded lease liabilities of RMB30.8 million and RMB27.5 million as of December 31, 2019 and 2020, respectively. Our lease liabilities are in relation to properties we leased as offices and premises for manufacturing and research and development activities.

KEY FINANCIAL RATIO

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

	As of December 31,	
	2019	**2020**
Current ratio[(1)]	2.1	17.0

Note:

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

Our current ratio increased significantly from 2.1 as of December 31, 2019 to 17.0 as of December 31, 2020, mainly because (i) our current assets increased by RMB534.0 million, which was mainly attributable to an increase of RMB722.5 million in time deposits with original maturity over three months; and (ii) our current liabilities decreased by RMB130.2 million, which was mainly due to a decrease in amount due to fellow subsidiaries/related companies by RMB162.4 million.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our primary uses of cash relate to the research and development and manufacturing of our drug candidates and our payment for the purchase of equipment of our manufacturing facilities. During the Track Record Period, we primarily funded our working capital requirement through equity financing. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more cash from our operating activities through launching new products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash from operations, bank balances and cash and net proceeds from the Global Offering. As of December 31, 2020, our cash and cash equivalents amounted to RMB65.1 million.

The Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated net proceeds from the Listing, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, business development and marketing expenses, and administrative and operating costs, for at least the next 12 months from the date of this prospectus.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities, which includes research and development expenses, and (ii) capital expenditures. Assuming an average cash burn rate going forward of 3.5 times the level in 2020, we estimate that our cash and cash equivalents as well as time deposits with maturity over three months will be able to maintain our financial viability for 27.9 months, or, if we take into account 10% of the estimated net proceeds from the Listing (namely, the portion allocated for our working capital and other general corporate purposes), 34.8 months or, if we also take into account the estimated net proceeds from the Listing, 96.8 months. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 24 months.

Cash Operating Costs

The following table provides information regarding our cash operating costs for the years indicated:

	Year ended December 31,	
	2019	**2020**
	(RMB in thousands)	
R&D costs		
R&D Costs for Core Product		
Clinical trial expenses	5,877	968
Agency and consulting fees	72	72
Raw material costs	894	864
Staff costs	440	1,101
Others	304	1,312
Subtotal	7,587	4,317
R&D Costs for Other Product Candidates(1)		
Clinical trial expenses	47,087	25,835
Agency and consulting fees	216	836
Raw material costs	6,453	5,943
Staff costs	9,294	16,942
Others	9,516	8,553
Subtotal	72,566	58,109
Total R&D costs	80,153	62,426
Workforce employment	11,008	20,353
Product marketing	–	–
Direct production cost	–	–
Non-income taxes, royalties and other governmental charges	61	61
Contingency allowances	–	–

Note:

(1) Other product candidates include adapalene/clindamycin hydrochloride compound gel, a dermatological drug candidate we used to develop during the Track Record Period. The R&D costs for adapalene/clindamycin hydrochloride compound gel was RMB42.5 million and RMB2.2 million in 2019 and 2020, respectively. We out-licensed the drug candidate to Lee's Pharm International and Lee's Pharm Guangzhou in October 2020 to focus resources on the research and development of ophthalmic pharmaceutical products. See "Connected Transactions—Non-Exempt Continuing Connected Transactions—Product Licensing."

Cash Flows

The following table sets forth the components of our consolidated statement of cash flows for the years indicated:

	Year ended December 31,	
	2019	**2020**
	(RMB in thousands)	
Cash flows from operating activities before movement in working capitals	(84,425)	(84,418)
Changes in working capital	29,213	(19,007)
Net cash used in operating activities	(55,212)	(103,425)
Net cash used in investing activities	(104,990)	(955,483)
Net cash generated from financing activities	302,886	973,687
Net increase/(decrease) in cash and cash equivalents	142,684	(85,221)
Cash and cash equivalents at beginning of the year	7,217	154,769
Effects of foreign exchange rate changes, net	4,868	(4,452)
Cash and cash equivalents at the end of the year	154,769	65,096

Operating Activities

Since inception, we have incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from research and development expenses and general and administrative expenses. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows.

In 2020, our net cash used in operating activities was RMB103.4 million, primarily attributable to our loss before tax of RMB727.0 million, as primarily positively adjusted by finance costs of RMB671.6 million.

In 2019, our net cash used in operating activities was RMB55.2 million, primarily reflecting loss before tax of RMB122.1 million, as positively adjusted by (i) finance costs of RMB26.4 million, (ii) depreciation of RMB14.5 million, and (iii) increases in other payables and accruals of RMB10.7 million, and negatively adjusted by (i) increase in other receivables and prepayments of RMB5.4 million and (ii) bank interest income of RMB2.9 million.

Investing Activities

Our cash outflow from investing activities was primarily related to placement of time deposit and prepayment on purchase of property, plant and equipment.

In 2020, our net cash used in investing activities was RMB955.5 million, which was primarily attributable to (i) RMB770.4 million increase in time deposits with original maturity over three months, (ii) RMB109.6 million of payment for intangible assets, (iii) RMB41.1 million increase in prepayment on purchase of property, plant and equipment and (iv) RMB25.3 million of payment for purchase of property, plant and equipment.

In 2019, our net cash used in investing activities was RMB105.0 million, which was primarily attributable to (i) RMB82.5 million in increase in time deposits with original maturity over three months and (ii) RMB18.6 million in payment for purchase of property, plant and equipment.

Financing Activities

Our cash generated from financing activities was primarily from proceeds from issuance of ordinary and preferred shares and increase in the amount due to our shareholder, Lee's Pharm International.

In 2020, our net cash generated from financing activities was RMB973.7 million, which was primarily attributable to RMB970.1 million of net proceeds from the issue of Series B Preferred Shares.

In 2019, our net cash generated from financing activities was RMB302.9 million, which was primarily attributable to RMB340.6 million of net proceeds from the issue of convertible redeemable preferred shares, partially offset by RMB43.7 million decrease in the amount due to our shareholder, Lee's Pharm International.

INDEBTEDNESS

As of December 31, 2019 and 2020 and February 28, 2021, except as disclosed in the table below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Since February 28, 2021, the latest practicable date for the purpose of the indebtedness statement, and up to the date of this prospectus, there had been no material adverse change to our indebtedness.

	As of December 31,		As of February 28,
	2019	2020	2021
	(RMB in thousands)		
			(unaudited)
Current			
Lease liabilities	4,702	4,749	4,745
Bank loan	–	10,000	10,000
Non-current			
Lease liabilities	26,089	22,778	22,207
Convertible redeemable preferred shares	369,685	1,896,016	1,988,079
Total	400,476	1,933,543	2,025,031

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period primarily represented purchase of machinery and equipment. For the years ended December 31, 2019 and 2020, our capital expenditure totaled RMB23.5 million and RMB25.6 million, respectively. We expect our capital expenditures to increase in 2021, which will primarily consist of expenses for purchase of machinery, equipment and renovation of our leased premises. We plan to fund our planned capital expenditures using our cash at bank and the net proceeds received from the Global Offering. See "Future Plans and Use of Proceeds." We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

CONTRACTUAL COMMITMENTS

As of December 31, 2019 and 2020, we had contractual commitments for research and development expenses, acquisition of machinery and equipment and purchase of materials of RMB131.2 million and RMB154.4 million, respectively.

CONTINGENT LIABILITIES

As of December 31, 2019 and 2020, we did not have any contingent liabilities. We confirm that there had been no material changes or arrangements to our contingent liabilities as of the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

MARKET AND OTHER FINANCIAL RISKS

We are exposed to a variety of market and other financial risks, including credit risk, liquidity risk and currency risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider it necessary to hedge any of these risks. See Note 25 to the Accountants' Report set out in Appendix I to this prospectus for more information. The discussion below provides a summary of our market and other financial risks.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to other receivables. We assess that during the Track Record Period, there were no significant increase in the credit risk from other receivables. We determine the expected credit loss on other receivables based on its financial position, the historical loss experience, existing market conditions as well as forward looking information. For details in respect to our exposure to credit risk arising from other receivables, see Notes 15 and 25(a) to the Accountants' Report set out in Appendix I.

Our exposure to credit risk arising from cash and bank balances is limited because the counterparties are reputable banks, for which we consider to have insignificant credit risk. We did not provide any guarantees which would expose us to credit risk.

Liquidity Risk

We regularly monitor our liquidity position to ensure that we maintain sufficient reserves of cash and adequate credit facilities from major financial institutions to meet our liquidity requirements in the short and long term. For details, see Note 25 (b) to the Accountants' Report set out in Appendix I.

Currency Risk

We do not have significant exposure to currency risk as substantially all of the transactions of our subsidiaries are denominated in their functional currencies, except that certain of our subsidiaries have different functional currencies, and transactions between such subsidiaries were denominated in a currency other than the functional currency of one of such subsidiaries. For details, see Note 25 (d) to the Accountants' Report set out in Appendix I.

TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, we had certain transactions with related parties, including the following:

- Purchase of materials from related parties of RMB0.7 million and RMB0.1 million in 2019 and 2020, respectively, primarily representing our purchase of raw materials and equipment from Zhaoke Pharmaceutical (HK) Limited and Lee's Pharm (HK) Limited, which imported such raw materials for our research and development activities;

- Purchase of services from related parties of RMB30.1 million and RMB13.4 million in 2019 and 2020, respectively, primarily representing our purchase of CRO services from Lee's Pharm Hefei for the clinical trials of our drug candidates;

- Interest expenses related to lease liabilities of RMB1.6 million and RMB1.5 million in 2019 and 2020, respectively, primarily representing interest expenses arising from leasing our Nansha manufacturing facility from Lee's Pharm Guangzhou. For the outstanding balances arising from such leasing arrangements, see "—Lease Liabilities." See also "Connected Transactions—One-off Connected Transaction."

DIVIDENDS

We are a holding company incorporated in the BVI and continued in the Cayman Islands. We have never declared or paid any dividends during the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiary, Zhaoke Guangzhou. Any dividend distributions from our PRC subsidiary to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. In the future, we may rely to some extent on dividends and other distributions on equity from our PRC subsidiary to fund offshore cash and financing requirements.

DISTRIBUTABLE RESERVES

As of December 31, 2020, we did not have any distributable reserves.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB109.7 million (including underwriting commission, assuming an Offer Price of HK$16.09 per Share, being the mid-point of the indicative Offer Price range of HK$15.38 to HK$16.80 per Share), assuming no Shares are issued pursuant to the Over-allotment Option. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2019. In 2020, the listing expenses charged to profit or loss were RMB10.6 million (approximately HK$12.6 million) and the issue costs capitalized to deferred issue costs were RMB2.6 million (approximately HK$3.1 million). After December 31, 2020, approximately RMB21.9 million is expected to be charged to our consolidated statements of profit or loss, and approximately RMB74.6 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited *pro forma* statement of adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the consolidated net tangible liabilities of our Group attributable to equity shareholders of the Company as of December 31, 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of our Company had the Global Offering been completed as of December 31, 2020 or at any future date.

	Consolidated net tangible liabilities attributable to equity shareholders of the Company as of December 31, 2020[1]	Estimated net proceeds from the Global Offering[2]	Estimated impact upon conversion of Series A preferred shares and Series B preferred shares[3]	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share[4][5]	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$15.38 per Share	(884,659)	1,502,433	1,896,016	2,513,790	4.70	5.59
Based on an Offer Price of HK$16.80 per Share	(884,659)	1,643,342	1,896,016	2,654,699	4.96	5.90

(1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as at December 31, 2020 is based on the consolidated net liabilities attributable to equity shareholders of RMB746.0 million as at December 31, 2020 after deduction of intangible assets of RMB138.7 million, as extracted from the Accountants' Report as set out in Appendix I in this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the issuance of 123,567,500 Shares at estimated Offer Prices of HK$15.38 per Offer Share (being the minimum Offer Price) or HK$16.80 per Offer Share (being the maximum Offer Price), after deduction of the underwriting fees and related listing expenses payable by the Group (excluding listing expenses of approximately RMB10.6 million that we incurred during the Track Record Period) and does not take into account any Shares which may be issued or repurchased by us pursuant to the general mandates to issue or repurchase Shares, any Shares which may be issued pursuant to the Pre-IPO Share Option Scheme and any Shares that may be issued upon exercise of Over-allotment Option.

The estimated net proceeds from the Global Offering is converted into Renminbi at an exchange rate of HK$1.1891 to RMB1 published by PBOC prevailing on April 9, 2021. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.

(3) Our Series A preferred shares and Series B preferred shares will be automatically converted into ordinary shares upon the Listing. Prior to the conversion, the preferred shares were accounted for as a liability to us. This adjustment represents the impact of the conversion of all the preferred shares into ordinary shares on the net tangible liabilities attributable to the equity holders. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company will be increased by RMB1,896.0 million, being the carrying amount of the Series A preferred shares and Series B preferred shares as at December 31, 2020.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments as described in notes (2) and (3) above and on the basis that 535,155,500 Shares were in issue assuming that the conversion of Series A preferred shares, Series B preferred shares and the Global Offering completed on December 31, 2020 without taking into account of any Shares which may be issued or repurchased by us pursuant to the general mandates to issue or repurchase Shares, any Shares which may be issued pursuant to the Pre-IPO Share Option Scheme and any Shares which may be issued upon exercise of the Over-allotment Option.

(5) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK$1.1891 to RMB1 published by PBOC prevailing on April 9, 2021. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate at all.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group subsequent to December 31, 2020.

NO MATERIAL ADVERSE CHANGE

Save for the subsequent events as described in Note 30 to the Accountants' Report in Appendix I to this prospectus, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2020 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 31, 2020 which would materially affect the information shown in our consolidated financial information included in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For details of our future plans, see "Business—Our Strategies."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,857.8 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no exercise of the Over-allotment Option and assuming an Offer Price of HK$16.09 per Offer Share, being the mid-point of the indicative Offer Price range of HK$15.38 to HK$16.80 per Offer Share in this prospectus. We intend to use the net proceeds from the Global Offering for the following purposes:

- Approximately HK$594.5 million (representing 32.0% of the net proceeds) will be used for the clinical development and commercialization of our two Core Products, in a broad pipeline of 25 drug candidates as of the Latest Practicable Date, as follows:

    - Approximately HK$421.7 million (representing 22.7% of the net proceeds) will be allocated to CsA ophthalmic gel:

        - Approximately HK$87.3 million (representing 4.7% of the net proceeds) will be used to fund the continuing research and development activities and preparation of registration filings of CsA ophthalmic gel. We are initiating a Phase III clinical in China to evaluate the efficacy and safety profiles of CsA ophthalmic gel in subjects with moderate-to-severe DED. We plan to continue complete this trial in the third quarter of 2021 and submit an NDA to the NMPA in the fourth quarter of 2021;

            - Approximately HK$3.7 million (representing 0.2% of the net proceeds) will be used for costs and expenses of our research and development staff and activities; and

            - Approximately HK$83.6 million (representing 4.5% of the net proceeds) will be used for completing the Phase III clinical trial and preparation of registration filings.

        Such allocation is relatively small because CsA ophthalmic gel is in an advanced stage of research and development. We are currently conducting a Phase III clinical trial and expect to complete the trial in the third quarter of 2021. We plan to submit an NDA to the NMPA in the fourth quarter of 2021;

- Approximately HK$65.0 million (representing 3.5% of the net proceeds) will be used for the capital expenditure related to the future expansion of production capacity post commercialization of CsA ophthalmic gel; and

- Approximately HK$269.4 million (representing 14.5% of the net proceeds) will be used for building our sales and marketing team and commercialization activities for CsA ophthalmic gel. See "Business—Our DED Drug Pipeline—Cyclosporine A (CsA) Ophthalmic Gel—Clinical Development Plan."

- Approximately HK$172.8 million (representing 9.3% of the net proceeds) will be allocated to ZKY001:

  - Approximately HK$105.9 million (representing 5.7% of the net proceeds) will be used to fund the continuing research and development activities and preparation of registration filings of ZKY001. We are currently conducting a Phase I clinical trial which is expected to be completed in the third quarter of 2021. We also started a Phase II clinical trial in November 2020 which is expected to complete in the fourth quarter of 2021. We also plan to initiate a Phase III clinical trial in the second half of 2022 and target to submit an NDA to the NMPA for ZKY001 in 2024;

    - Approximately HK$13.0 million (representing 0.7% of the net proceeds) will be used for costs and expenses of our research and development staff and activities; and

    - Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used for completing the ongoing and planned trials and preparation of registration filings.

    Such allocation is relatively small because the ongoing Phase I and Phase II clinical trials had been in an advanced stage as of the Latest Practicable Date and are scheduled to be completed in third and fourth quarter of 2021, respectively. In addition, the ongoing Phase I and Phase II clinical trials are relatively small-scale trials, both of which enrolled approximately 100 subjects. We also plan to conduct a Phase I clinical trial to evaluate the systemic pharmacokinetics and safety of ZKY001 for CED patients after endothelial keratoplasty. In addition, we plan to initiate a Phase III trial in the second half of 2022, and target to submit an NDA to the NMPA for ZKY001 in 2024;

- Approximately HK$3.7 million (representing 0.2% of the net proceeds) will be used for milestone payments of ZKY001; and

- Approximately HK$63.2 million (representing 3.4% of the net proceeds) will be used for building our sales and marketing team and commercialization activities for ZKY001. See "Business—Other Innovative Drug Candidates—ZKY001—Clinical Development Plan."

- Approximately HK$854.6 million (representing 46.0% of the net proceeds) will be used to fund the continuing research and development activities as well as commercialization of the other drug candidates in our pipeline:

  - Approximately HK$557.3 million (representing 30.0% of the net proceeds) will be used to fund the continuing research and development activities of other key drug candidates, including:

    - *NVK-002.* Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used for NVK-002, including costs and expenses of our research and development staff and activities, planned clinical trials, CMC work, and the preparation of registration filings. We plan to submit an IND application to the NMPA in the second quarter of 2021 leveraging our licensor Nevakar's trial results. We also plan to commence our Phase III clinical trial in China in the fourth quarter of 2021, and submit an NDA to the NMPA in 2023. See "Business—Our Myopia Drug Pipeline—NVK-002—Clinical Development Plan";

    - *PAN-90806.* Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used for PAN-90806, including costs and expenses of our research and development staff and activities, planned clinical trials, CMC work, and the preparation of registration filings. We plan to file an IND application with the NMPA for PAN-90806 in the first half of 2022. We also plan to commence a Phase II bridging study in China in 2023, leveraging on our licensor PanOptica's trial results for wAMD, and to commence a Phase III pivotal trial in wAMD in 2025. See "Business—Our wAMD Drug Pipeline—PAN-90806—Clinical Development Plan";

    - *ZK002.* Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used for ZK002, including costs and expenses of our research and development staff and activities, planned clinical trials, CMC work, and the preparation of registration filings. We plan to submit an IND application to the NMPA for the pterygium indication in the second half of 2022 and for the DME indication in 2023, respectively. See "Business—Other Innovative Drug Candidates—ZK002—Clinical Development Plan";

- *TAB014.* Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used for TAB014, including costs and expenses of our research and development staff and activities, planned clinical trials, CMC work, and the preparation of registration filings. We are currently conducting a Phase I clinical trial for TAB014 in China. We expect to skip Phase II trial and initiate the Phase III clinical trial by the second quarter of 2021 and complete this trial in 2023, and we plan to submit an NDA to the NMPA for TAB014 by 2024. See "Business—Our wAMD Drug Pipeline—TAB014—Clinical Development Plan";

- *RGN-259.* Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used for RGN-259, including costs and expenses of our research and development staff and activities, planned clinical trials, CMC work, and the preparation of registration filings. Leveraging the results of the Phase III clinical trial by our licensor RegeneRx, we plan to submit an IND to the NMPA in the second half of 2022. We plan to initiate a Phase III trial in China in 2023. We target to submit an NDA to the NMPA in 2025. See "Business—Our DED Drug Pipeline—RGN-259—Clinical Development Plan"; and

- *IC-265 and IC-270.* Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used for IC-265 and IC-270, including costs and expenses of our research and development staff and activities, planned clinical trials, CMC work, and the preparation of registration filings. Subject to the Phase II results from our licensor IACTA, we plan to commence our Phase II clinical trial in China for IC-265 in the first half of 2022 and submit an NDA to the NMPA in 2025. We plan to commence a Phase III clinical trial in 2023 for IC-270 and submit an NDA to the NMPA in the 2024. See "Business—Our DED Drug Pipeline—IC-265—Clinical Development Plan" and "—Other Innovative Drug Candidates—IC-270—Clinical Development Plan";

- Approximately HK$55.7 million (representing 3.0% of the net proceeds) will be used to fund the continuing research and development activities of other innovative and generic drug candidates;

- Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used for milestone payments of our other in-licensed drug candidates; and

- Approximately HK$148.6 million (representing 8.0% of the net proceeds) will be used for the further expansion of our sales and marketing team in anticipation of new product launches in the coming years.

- Approximately HK$130.0 million (representing 7.0% of the net proceeds) will be used to carry out the production line expansion of our advanced Nansha manufacturing facility in anticipation of our product launches in the coming years. A substantial portion of such proceeds will be used for the production of CsA ophthalmic gel, our Core Product. We expect to submit an NDA in the fourth quarter of 2021 and will promptly launch the product once the approval is obtained. We commenced the capacity expansion since 2019 and it is expected to be completed by the end of 2022.

- Approximately HK$92.9 million (representing 5.0% of the net proceeds) will be used to fund our business development activities and the expansion of drug pipeline. We will continue to strategically in-license potential market-leading and differentiated candidates that are complementary to our drug portfolio, in order to continue enhancing our fully integrated ophthalmic platform.

- Approximately HK$185.8 million (representing 10.0% of the net proceeds) will be used for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a *pro rata* basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is set at HK$16.80 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$83.8 million. If the Offer Price is set at HK$15.38 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$83.8 million.

If the Over-allotment Option is exercised in full, and net proceeds that we will receive will be approximately HK$2,142.6 million, assuming an Offer Price of HK$16.09 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purpose in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, so long as it is deemed to be in the best interests of the Company, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of US$55 million (or approximately HK$427.8 million, calculated based on the conversion rate of US$1.00 to HK$7.7779) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$15.38, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 27,813,500 Offer Shares, representing approximately 22.51% of the Offer Shares pursuant to the Global Offering and approximately 5.20% of our total issued share capital immediately upon completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$16.09, being the mid-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 26,583,000 Offer Shares, representing approximately 21.51% of the Offer Shares pursuant to the Global Offering and approximately 4.97% of our total issued share capital immediately upon completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$16.80, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 25,461,000 Offer Shares, representing approximately 20.60% of the Offer Shares pursuant to the Global Offering and approximately 4.76% of our total issued share capital immediately upon completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised).

GIC, OrbiMed Funds, Golden Valley and VMS Investment (each as defined hereunder) are Pre-IPO Investors and existing Shareholders of our Company or their close associates. They have been permitted to participate in the Cornerstone Placing pursuant to paragraph 5.2 of the Stock Exchange Guidance Letter HKEX-GL92-18 (issued in April 2018 and updated in October 2019 and April 2020) under a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules granted by the Stock Exchange. In the case of subscription by GIC, the Company has also applied for, and the Stock Exchange has also granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules.

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, in particular in the life sciences and healthcare sectors, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence

in our business and prospect. Other than those Cornerstone Investors which are our existing Shareholders or their close associates as described above, our Company became acquainted with each of the Cornerstone Investors through introduction by the Joint Representatives in the Global Offering.

To the best knowledge of our Company, (i) save for GIC, each of the Cornerstone Investors is an Independent Third Party and is not our connected person; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, the Directors, chief executive, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, chief executive, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; (iv) save for GIC, none of the Cornerstone Investors are Lee's Pharm Shareholders; and (v) save for VMS Investment (as defined hereunder), which is a connected client (as defined under the Listing Rules) of VMS Securities Limited, none of the Cornerstone Investors are connected clients for the purpose of the Listing Rules. Details of the actual number of the Offer Shares to be allocated to each of the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around April 28, 2021.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will not count towards the public float for the purpose of Rule 18A.07 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company; and save as disclosed herein, none of the Cornerstone Investors will become a Substantial Shareholder our Company. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. Except lock-up undertakings given by the Cornerstone Investors which are our existing Shareholders as described in the section headed "Underwriting" of this prospectus, there are no side arrangements between the Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing. Save for certain Cornerstone Investors, namely VMS Investment, CaaS Capital, Jennison, Golden Valley, Mass Ave and OrbiMed Funds which have agreed that the Joint Representatives may defer the delivery of all or any part of the Offer Shares they have subscribed for to a date later than the Listing Date, there is no delayed delivery arrangement for the other Cornerstone Investors. The deferred delivery arrangement was in place to facilitate the over-allocation in the International Offering. Each Cornerstone Investor has agreed that it shall pay the relevant Offer Shares on or before the Listing Date. There will be no delayed settlement of payment. The total number of Offer Shares to be subscribed by the

Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering—Allocation—Reallocation."

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investor in connection with the Cornerstone Placing.

CaaS Capital Master Fund LP

CaaS Capital Master Fund LP (the "**CaaS Capital**") is an exempted limited partnership established and registered under the laws of the Cayman Island. CaaS Capital Management, the investment manager of CaaS Capital is based in New York. CaaS Capital invests across all asset classes and geographies. CaaS Capital is active in the biotech and broader healthcare segment with multiple investments across therapeutics, diagnostics, medical devices and healthcare IT. Part of CaaS' process is to perform deep dive fundamental analysis to identify companies that will benefit from access to incremental capital by strengthening their competitive positioning and execute on their long-term strategic goals.

GIC Private Limited

GIC Private Limited ("**GIC**") is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies. GIC is an associate of our Substantial Shareholder and a connected person of our Company. To the best knowledge of our Company, GIC is a Lee's Pharm Shareholder but it does not intend to participate in the Preferential Offering.

Golden Valley Global Limited

Golden Valley Global Limited ("**Golden Valley**") is a close associate of Loyal Valley Capital Advantage Fund III LP, which is a private equity fund established in 2020 by Loyal Valley Capital, a private equity firm with over 20 investors that mainly focuses on segments including new consumer (media, entertainment and education), healthcare and advanced manufacturing. Golden Valley is a close associate of Innovative Team Holdings Limited, an existing Shareholder of our Company. Loyal Valley Capital have invested in a number of healthcare companies listed on the Main Board of the Stock Exchange, such as Shanghai Junshi Biosciences Co., Ltd. (stock code: 1877), InnoCare Pharma Limited (stock code: 9969), Shanghai Henlius Biotech, Inc. (stock code: 2696) and Akeso, Inc. (stock code: 9926).

Jennison Associates LLC

Jennison Associates LLC ("**Jennison**") is a limited liability company and was formed on December 24, 1997 in the state of Delaware, USA. Jennison is an SEC registered investment adviser and primarily provides discretionary portfolio management services to institutional clients. Jennison's principal office is in New York, NY and it has another office in Boston, MA. Jennison offers investment management capabilities in fundamental large cap growth and value, global, international and emerging market equity, specialty sector equity, fixed income and customized solutions.

Mass Ave Global, Inc.

Mass Ave Global, Inc. ("**Mass Ave**") is a company incorporated in Delaware, the U.S. Mass Ave is an investment manager that specializes in global equity markets focusing on technology, healthcare, consumer, and industrials sectors. Mass Ave deploys an investment approach based on deep fundamental analysis with a long-term partnership framework, to identify opportunities with disruptive innovation, strong underlying structural trends and visionary management teams. Mass Ave was founded in 2019 and has offices in New York and Hong Kong.

Matthews International Capital Management, LLC (for its own account and as agent for and on behalf of Matthews Asia Growth Fund and Matthews Asia Innovators Fund)

Each of Matthews Asia Growth Fund and Matthews Asia Innovators Fund are series of Matthews International Funds (doing business as Matthews Asia Funds), an open-end management company registered under the U.S. Investment Company Act of 1940, as amended ("**Matthews Asia Funds**").

Matthews International Capital Management, LLC ("**Matthews Asia**") is the authorized agent and the investment manager of the Matthews Asia Funds. Matthews Asia manages portfolios of securities primarily in the Asia Pacific region on a discretionary basis for institutional clients, including U.S. registered investment companies and similar non-U.S. investment funds (some of which are registered under the laws of the country where they are formed) and other clients worldwide. As of February 28, 2021, Matthews Asia had approximately US$30.9 billion in assets under management according to its website.

OrbiMed Partners Master Fund Limited and OrbiMed Genesis Master Fund, L.P.

OrbiMed Partners Master Fund Limited ("**OPM**") is an exempted company limited by shares incorporated under the laws of Bermuda. OrbiMed Capital LLC is the investment advisor for OPM. OrbiMed Genesis Master Fund, L.P. ("**OGF**", and collectively, the "**OrbiMed Funds**") is an exempted limited partnership incorporated under the laws of the Cayman Islands with OrbiMed Advisors LLC acting as its investment manager. Each of OPM

and OGF is an existing Shareholder of our Company. OrbiMed Capital LLC and OrbiMed Advisors LLC exercise voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein.

VMS Zhaoke Investment Fund SP

VMS Zhaoke Investment Fund SP ("**VMS Investment**") is a segregated portfolio of VMS Healthcare SPC, an exempted segregated portfolio company formed under the laws of the Cayman Islands. VMS Asset Management Limited serves as the investment manager of VMS Investment and is principally engaged in private investment in healthcare and technology companies. VMS Investment is a close associate of Smart Rocket Limited and Bio Success Investments Limited, each of which is an existing Shareholder of our Company.

The table below sets forth the details of the Cornerstone Placing:

Based on the Offer Price of HK$15.38 (being the low-end of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	**Total investment amount**	**Number of Offer Shares to be acquired[1]**	**Approximate % of the Offer Shares**	**Approximate % of ownership[2]**	**Approximate % of the Offer Shares**	**Approximate % of ownership[2]**
	(US$ in million)					
CaaS Capital	5	2,528,500	2.05%	0.47%	1.78%	0.46%
GIC	5	2,528,500	2.05%	0.47%	1.78%	0.46%
Golden Valley	5	2,528,500	2.05%	0.47%	1.78%	0.46%
Jennison	5	2,528,500	2.05%	0.47%	1.78%	0.46%
Mass Ave	5	2,528,500	2.05%	0.47%	1.78%	0.46%
Matthews Asia and Matthews Asia Funds	15	7,585,500	6.14%	1.42%	5.34%	1.37%
OrbiMed Funds	5	2,528,500	2.05%	0.47%	1.78%	0.46%
VMS Investment	10	5,057,000	4.09%	0.94%	3.56%	0.91%

Based on the Offer Price of HK$16.09 (being the mid-end of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	**Total investment amount**	**Number of Offer Shares to be acquired[1]**	**Approximate % of the Offer Shares**	**Approximate % of ownership[2]**	**Approximate % of the Offer Shares**	**Approximate % of ownership[2]**
	(US$ in million)					
CaaS Capital	5	2,416,500	1.96%	0.45%	1.70%	0.44%
GIC	5	2,416,500	1.96%	0.45%	1.70%	0.44%
Golden Valley	5	2,416,500	1.96%	0.45%	1.70%	0.44%
Jennison	5	2,416,500	1.96%	0.45%	1.70%	0.44%
Mass Ave	5	2,416,500	1.96%	0.45%	1.70%	0.44%
Matthews Asia and Matthews Asia Funds	15	7,250,500	5.87%	1.35%	5.10%	1.31%
OrbiMed Funds	5	2,416,500	1.96%	0.45%	1.70%	0.44%
VMS Investment	10	4,833,500	3.91%	0.90%	3.40%	0.87%

Based on the Offer Price of HK$16.80 (being the high-end of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	**Total investment amount**	**Number of Offer Shares to be acquired[1]**	**Approximate % of the Offer Shares**	**Approximate % of ownership[2]**	**Approximate % of the Offer Shares**	**Approximate % of ownership[2]**
	(US$ in million)					
CaaS Capital	5	2,314,500	1.87%	0.43%	1.63%	0.42%
GIC	5	2,314,500	1.87%	0.43%	1.63%	0.42%
Golden Valley	5	2,314,500	1.87%	0.43%	1.63%	0.42%
Jennison	5	2,314,500	1.87%	0.43%	1.63%	0.42%
Mass Ave	5	2,314,500	1.87%	0.43%	1.63%	0.42%
Matthews Asia and Matthews Asia Funds	15	6,944,500	5.62%	1.30%	4.89%	1.25%
OrbiMed Funds	5	2,314,500	1.87%	0.43%	1.63%	0.42%
VMS Investment	10	4,629,500	3.75%	0.87%	3.26%	0.84%

Notes:

(1) Subject to rounding down to the nearest whole board lot of 500 Shares.

(2) Assuming the outstanding share options granted under the Pre-IPO Share Option Scheme are not exercised.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;

(ii) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) the Offer Price having been agreed according to the Hong Kong Underwriting Agreement, the International Underwriting Agreement and the Price Determination Agreement to be signed among the parties to such agreements in connection with the Global Offering;

(v) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(vi) the representations, warranties, undertakings and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreement are and will be (as of the closing of the Cornerstone Investment Agreement) accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each Cornerstone Investors has agreed that without the prior written consent of our Company, the Joint Sponsors and the Joint Representatives, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), directly or indirectly dispose of, in any way, any of the Offer Shares it has purchased, pursuant to the respective Cornerstone Investors Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.
Jefferies Hong Kong Limited
Haitong International Securities Company Limited
The Hongkong and Shanghai Banking Corporation Limited
Fosun Hani Securities Limited
Macquarie Capital Limited
SPDB International Capital Limited
VMS Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering and the Preferential Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 12,357,000 Hong Kong Offer Shares and the International Offering of initially 111,210,500 International Offer Shares (including 6,178,000 Reserved Shares under the Preferential Offering), subject, in each case, to reallocation on the basis as described "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on April 15, 2021. As set out in the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares (subject to adjustment and re-allocation set out in "Structure of the Global Offering") for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not having been subsequently revoked prior to the commencement of trading of the Shares on the Stock Exchange and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective

applicable proportions of the Hong Kong Offer Shares which are now being offered but are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by written notice to the Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism in or affecting the Cayman Islands, Hong Kong, the PRC, the United States or any other jurisdiction relevant to the Group (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance or series of events which is reasonably likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, securities or exchange control or any monetary or trading settlement system or other financial market (including without limitation conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Singapore Stock Exchange, or the London Stock Exchange; or

(iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(v) any new law, or any change or any development involving a prospective change or any event or circumstance which is reasonably likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction; or

(vii) a change or development involving a prospective change in or affecting Taxes or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar, the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or

(viii) any litigation, dispute, legal action or claim of any third party or regulatory, administrative investigation or action being threatened or instigated or announced against any member of the Group; or

(ix) a Director or a member of the Group's senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or

(x) the chairman, the president, the senior vice president, R&D or any executive Director of the Company vacating his or her office; or

(xi) save as disclosed in this prospectus, an authority in any Relevant Jurisdiction commencing any investigation or other action against any Director; or

(xii) a contravention by the Company of the Listing Rules or applicable laws; or

(xiii) a prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) any change or development involving a prospective change in or a materialization of any of the risks set out in "Risk Factors" in this prospectus; or

(xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xviii) that a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any Cornerstone Investor, have been withdrawn, terminated or cancelled,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (1) has or is reasonably expected to have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or is reasonably expected to have or may have a material adverse effect on the success or marketability of the Global Offering; or (3) makes or will make or is reasonably expected to make it inadvisable or inexpedient or impracticable or incapable for the Global Offering to proceed or to market the Global Offering; or (4) has or is reasonably expected to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Representatives:

(i) that any statement contained in any of the any of the post-hearing information pack, this prospectus, the preliminary offering circular, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties as set out in the Hong Kong Underwriting Agreement; or

(v) any material adverse change under the Hong Kong Underwriting Agreement; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of the Company and the Major Shareholders (as defined below) set out in the Hong Kong Underwriting Agreement or

(vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the Company withdraws any of the Offer Related Documents or the Global Offering; or

(ix) any expert (other than the Joint Sponsors) has withdrawn or is subject to withdrawing its consent to being named in this prospectus or to the issue of any of the Hong Kong Public Offering Documents set forth in the Hong Kong Underwriting Agreement.

Undertakings Pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not issue any shares or other securities convertible into equity securities (whether or not of a class already listed) of the Company or enter into any agreement or arrangement to issue such Shares or securities at any time within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering, the exercise of the Over-allotment Option, or under any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Major Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of Lee's Pharm and Lee's Pharm International (collectively, the "**Major Shareholders**") has undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering and the Over-allotment Option, it shall not and shall procure that relevant registered holders of the Shares in which it is beneficially interested shall not in the period commencing on the date by reference (the "**Reference Date**") to which disclosure of its shareholding is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this Prospectus to be the beneficial owner.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Major Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing on the Reference Date and ending on the date which is six months from the Listing Date, it shall:

(a) when it pledges or charges any Shares or securities of the Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of the Company will be disposed of, immediately inform our Company in writing of such indications.

Our Company will also inform the Stock Exchange as soon as it has been informed of the above matters, if any, by the Major Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that (except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering, the exercise of the Over-allotment Option and the Pre-IPO Share Option Scheme or otherwise pursuant to the Listing Rules) it shall not, and to procure each of the member of the Group shall not, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is the six months after the Listing Date (the "**First Six-Month Period**"), without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or securities of the Company or any shares or securities of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce or publically disclose any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces or publically disclose any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company.

The Major Shareholders undertake to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the undertakings herein.

Each of the Company and the Major shareholders agrees and undertakes that it will not, and each of the Major shareholders further undertakes to procure that the Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters).

Undertakings by the Major Shareholders

Each of the Major Shareholders has undertaken to each of the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors that, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) except pursuant to the Stock Borrowing Agreements, it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any

of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period); and

(b) until the expiry of the First Six-Month period, in the event that it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

The International Offering

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the Joint Representatives (for themselves and on behalf of the International Underwriters). Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally but not jointly agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure subscribers or purchasers for such International Offer Shares.

The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering—The International Offering".

It is expected that pursuant to the International Underwriting Agreement, the Company will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement set out in "Underwriting Arrangements and Expenses—Undertakings Pursuant to the Hong Kong Underwriting Agreement" above.

The Company intends to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until Friday, May 21, 2021, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue

up to an aggregate of 18,535,000 additional Offer Shares, representing approximately 15.0% of the number of Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering.

Commission and Expenses

Under the terms and conditions of the Underwriting Agreements, the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for such Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (before adjustment and reallocation) less the number of unsubscribed Hong Kong Offer Shares reallocated to the International Offering, out of which the Hong Kong Underwriters will pay any sub-underwriting commissions. The Joint Representatives (on behalf of the International Underwriters) are also expected to receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the International Offer Shares. The Company may pay to the Joint Representatives a discretionary incentive fee of up to but not exceeding 1.0% of the aggregate Offer Price in respect of all Offer Shares.

Assuming the Over-allotment Option is not exercised at all, and based on an Offer Price of HK$16.09 per Share (being the mid-point of the indicative Offer Price range of HK$15.38 to HK$16.80 per Share), the aggregate commissions and fees (including the maximum discretionary incentive fee), together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by the Company (collectively the "**Commissions and Fees**") are estimated to amount to approximately HK$130.4 million in aggregate.

The Commissions and Fees were determined after arm's length negotiations between the Company and the Hong Kong Underwriters and/or other parties by reference to the current market conditions.

Indemnity

The Company and the Major Shareholders have agreed to jointly and severally indemnify the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among others, losses incurred arising from any breach by the Company and the Major Shareholders of the Hong Kong Underwriting Agreement or any of the warranties given by Company and the Major Shareholders being untrue, inaccurate or misleading in any respect.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Hong Kong Underwriters is interested legally or beneficially in any shares in any member of the Company or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, securities investment and proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period set out in "Structure of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the followings:

(a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 12,357,000 Shares (subject to adjustment/reallocation as mentioned below) in Hong Kong as described in "—The Hong Kong Public Offering" below; and

(b) the International Offering of initially 111,210,500 Shares (subject to adjustment and the Over-allotment Option below) outside the United States in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other exemption from registration under the U.S. Securities Act as described in "—The International Offering" below.

Of the 111,210,500 Offer Shares initially being offered under the International Offering, 6,178,000 Offer Shares will be offered under the Preferential Offering to Qualifying Lee's Pharm Shareholders as an Assured Entitlement as described in "—The Preferential Offering" below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both (except that Qualifying Lee's Pharm Shareholders who are eligible to apply for the Reserved Shares in the Preferential Offering may also either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering, if eligible; or (ii) indicate an interest for International Offer Shares under the International Offering, if qualified to do so).

The Offer Shares will represent approximately 23.1% of the enlarged issued share capital of the Company immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 25.7% of the enlarged issued share capital of the Company immediately after completion of the Global Offering.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering and the Preferential Offering.

Conditions of the Global Offering

Acceptance of all applications for Offer Shares will be conditional on, among other things:

(a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the approval for such listing and permission not subsequently having been revoked prior to the commencement of trading in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company on or before the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Thursday, April 29, 2021.

If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company on or before Monday, April 26, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse immediately, and the Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be published by the Company on the website of the Company (***zkoph.com***) and the website of the Stock Exchange (***www.hkexnews.hk***) on the day following such lapse. In such situation, all application monies will be returned, without interest, to the applicants on the terms set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares—H. Despatch/Collection of Share Certificates

and Refund Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates issued in respect of the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination set out in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Company is initially offering 12,357,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.3% of the Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" above.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offerings), and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$16.80 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner set out in "—Pricing" below, is less than the maximum Offer Price of HK$16.80 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to Apply for Hong Kong Offer Shares and Reserved Shares".

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable Lee's Pharm Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying Lee's Pharm Shareholders are being invited to apply for an aggregate of 6,178,000 Reserved Shares in the Preferential Offering, representing approximately 5.6% and 5% of the Offer Shares initially available under the International Offering and the Global Offering (assuming that the Over-allotment Option is not exercised), respectively, as an Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in "—Allocation—Reallocation" below. In the event that the Over-allotment Option is exercised, the number of Reserved Shares will not change.

The basis of the Assured Entitlement is one Reserved Share for every 96 Lee's Pharm Shares held by Qualifying Lee's Pharm Shareholders as at 4:30 p.m. on the Record Date.

Qualifying Lee's Pharm Shareholders should note that their Assured Entitlement to the Reserved Shares may not represent a full board lot of 500 Shares. No odd lot matching services will be provided and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

The Assured Entitlements of Qualifying Lee's Pharm Shareholders to Reserved Shares are not transferrable. There will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying Lee's Pharm Shareholders who hold less than 96 Lee's Pharm Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate in the Preferential Offering by applying only for excess Reserved Shares as further described below.

Basis of Allocation for Applications for Reserved Shares

Qualifying Lee's Pharm Shareholders may (a) apply for a number of Reserved Shares which is (i) less than or equal to their Assured Entitlement, or (ii) greater than their Assured Entitlement; or (b) apply only for excess Reserved Shares, under the Preferential Offering.

- A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Lee's Pharm Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms and assuming the conditions of the Global Offering are satisfied.

- Where a Qualifying Lee's Pharm Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Lee's Pharm Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent there are sufficient Available Reserved Shares as described below.

- Where a Qualifying Lee's Pharm Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Lee's Pharm Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you are a Qualifying Lee's Pharm Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for. To the extent that excess applications for the Reserved Shares are:

(a) less than the Assured Entitlement not taken up by the Qualifying Lee's Pharm Shareholders (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Representatives, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Shares remaining after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Joint Representatives, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

The Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering as described in "— Allocation—Reallocation" below.

Beneficial Lee's Pharm Shareholders (not being Non-Qualifying Lee's Pharm Shareholders) whose Lee's Pharm Shares are held by a nominee company should note that the Company will regard the nominee company as a single Lee's Pharm Shareholder according to the register of members of Lee's Pharm.

Accordingly, such Beneficial Lee's Pharm Shareholders whose Lee's Pharm Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial Lee's Pharm Shareholders (not being Non-Qualifying Lee's Pharm Shareholders) whose Lee's Pharm Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant Lee's Pharm Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying Lee's Pharm Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made on a **BLUE** Application Form, Qualifying Lee's Pharm Shareholders will be entitled to make one application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or by applying through the **White Form eIPO** service. Qualifying Lee's Pharm Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Qualifying Lee's Pharm Shareholders and Non-Qualifying Lee's Pharm Shareholders

Only Lee's Pharm Shareholders whose names appeared on the register of members of Lee's Pharm on the Record Date and who are not Non-Qualifying Lee's Pharm Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Lee's Pharm Shareholders are those Lee's Pharm Shareholders with registered addresses in, or who are otherwise known by Lee's Pharm to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Lee's Pharm and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Lee's Pharm Shareholder is resident or of the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Lee's Pharm and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Lee's Pharm Shareholders in the Specified Territories. Having considered the circumstances, the directors of Lee's Pharm and the Company have formed the view that it is necessary or expedient to restrict Lee's Pharm Shareholders in the Specified Territories from taking up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Lee's Pharm Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Lee's Pharm Shareholders are:

(a) Lee's Pharm Shareholders whose names appeared in the register of members of Lee's Pharm on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) Lee's Pharm Shareholders or Beneficial Lee's Pharm Shareholders on the Record Date who are otherwise known by Lee's Pharm to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms, the Company reserves the right to permit any Lee's Pharm Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Application Procedures

The procedures for application under the terms and conditions of the Global Offering are set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus and the **BLUE** Application Forms.

THE INTERNATIONAL OFFERING

Subject to reallocation set out below, the International Offering will consist of an initial offering of 111,210,500 Offer Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering and approximately 20.8% of the Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised). The Reserved Shares being offered pursuant to the Preferential Offering are being offered out of the International Offer Shares.

The Stabilizing Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 18,535,000 additional Offer Shares, which is approximately 15.0% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement or a combination of these means.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) at any time from the commencement of trading in the Shares on the Stock Exchange until 30 days after the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, to require the Company to allot and issue, up to 18,535,000 additional Offer Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to solely cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.3% of the Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by Underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement date of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. Any market purchases of the Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilizing Manager has been or will be appointed as stabilizing manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules, as amended, under the SFO and hence, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Friday, May 21, 2021 being the 30th day after the last date for lodging applications under the Hong Kong Public Offering and the Preferential Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilization period.

Following any over-allocation of Offer Shares in connection with the Global Offering, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, its affiliates or any person acting on its behalf may cover such over-allocation by, among other methods, using Shares purchased by Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of Offer Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 18,535,000 Offer Shares, representing no more than 15.0% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (on its own or through its affiliates) may choose to borrow up to 5,735,000 and 12,800,000 Shares (collectively representing the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Lee's Pharm International and Wealthy Chance, respectively, pursuant to the Stock Borrowing Agreements, which are expected to be entered into between the Stabilizing Manager and/or its affiliates and Lee's Pharm International and Wealthy Chance, respectively, on or around the Price Determination Date.

If the Stock Borrowing Agreements are entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (on its own or through its affiliates) for the settlement of over-allocations in the International Offering.

The same number of Shares so borrowed must be returned to Lee's Pharm International or Wealthy Chance, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and all relevant Shares have been issued and allotted by the Company, or (c) such earlier time as the Stabilizing Manager and/or its affiliates and Lee's Pharm International or Wealthy Chance, as the case may be, may from time to time agree in writing.

The shares borrowing arrangements described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Lee's Pharm International or Wealthy Chance by the Stabilizing Manager (on its own or through its affiliates) in relation to such shares borrowing arrangements.

PRICING

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, April 21, 2021 (Hong Kong time) and in any event on or before Monday, April 26, 2021 (Hong Kong time), by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering and the Preferential Offering will be identical to the Offer Price per International Offer Share under the International Offering based on the Hong Kong dollar price per International Offer Share under the International Offering, as determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company.

The Offer Price will not be more than HK$16.80 per Offer Share and is expected to be not less than HK$15.38 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering and the Preferential Offering must pay, on application, the maximum Offer Price of HK$16.80 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this prospectus.**

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, cause there to be published on the website of the Company (***zkoph.com***) and the website of the Stock Exchange (***www.hkexnews.hk***) notices of the reduction in the number of Offer Shares or the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised offer price range.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering or the Preferential Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received, and all unconfirmed applications will not be valid.

Before submitting applications under the Hong Kong Public Offering or the Preferential Offering, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. Such notice will also include such information as agreed with the Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with the Company and the Joint Representatives (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Representatives may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The Offer Price for Shares under the Global Offering is expected to be announced on Wednesday, April 28, 2021. The level of indications of interest in the Global Offering, the level of applications and the basis of allotment of Hong Kong Offer Shares available under the Hong Kong Public Offering and the Preferential Offering, are expected to be announced on Wednesday, April 28, 2021 on the website of the Company (***zkoph.com***) and the website of the Stock Exchange (***www.hkexnews.hk***).

ALLOCATION

Allocation Under the Hong Kong Public Offering

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering set out below) will be divided equally (to be nearest

board lot) into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 6,178,500 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will consist of 6,178,500 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 6,178,500 Offer Shares, being the number of Hong Kong Offer Shares initially allocated to each pool, being 50% of the 12,357,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering, are to be rejected.

Allocation Under the International Offering

The International Offering will include selective marketing of International Offer Shares in the United States only to QIBs in reliance on Rule 144A, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors who are anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of the Company and its shareholders as a whole.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL91-18 require a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering under certain circumstances.

The initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 10.0% of the Global Offering. In the event of full or over-subscription in both the Hong Kong Public Offering and the International Offering, the Joint Representatives shall apply a clawback mechanism following the closing of application lists on the following basis:

(a) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the Joint Representatives, in its absolute discretion, may (but shall not be obliged to) reallocate up to 12,357,000 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 24,714,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price shall be fixed at HK$15.38 per Offer Share (being the low-end of the Offer Price range stated in this prospectus);

(b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 24,713,500 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 37,070,500 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

(c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 37,070,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 49,427,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering;

(d) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then 49,427,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 61,784,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In the event of under-subscription in the International Offering but full or over-subscription in the Hong Kong Public Offering, the Joint Representatives, in their absolute discretion, may (but shall not be obliged to) reallocate up to 12,357,000 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 24,714,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price shall be fixed at HK$15.38 per Offer Share (being the low-end of the Offer Price range stated in this prospectus).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate. However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions set out in this prospectus and the Underwriting Agreements.

The Reserved Shares which are offered under the Preferential Offering to Qualifying Lee's Pharm Shareholders out of the International Offer Shares will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

DEALING ARRANGEMENT

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, April 29, 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, April 29, 2021. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares is 6622.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How To Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

To apply for Hong Kong Offer Shares, you may:

(1) use a **WHITE** or **YELLOW** Application Form;

(2) apply online via the **White Form eIPO** service at ***www.eipo.com.hk***; or

(3) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through ***www.eipo.com.hk***.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, April 16, 2021 until 12:00 noon on Wednesday, April 21, 2021 from:

(i) any of the following offices of the Joint Bookrunners:

Goldman Sachs (Asia) L.L.C.	68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
Jefferies Hong Kong Limited	Suite 2201, 22/F Cheung Kong Center 2 Queen's Road Central Hong Kong
Haitong International Securities Company Limited	22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
The Hongkong and Shanghai Banking Corporation Limited	1 Queen's Road Central Hong Kong
Fosun Hani Securities Limited	Suite 2101-2105 21/F, Champion Tower 3 Garden Road Central Hong Kong
Macquarie Capital Limited	Level 18 One International Finance Centre 1 Harbour View Street Central Hong Kong
SPDB International Capital Limited	33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong
VMS Securities Limited	49/F One Exchange Square 8 Connaught Place Central Hong Kong

(ii) any of the following branches of the receiving bank:

China Construction Bank (Asia) Corporation Limited

	Branch Name	**Address**
Hong Kong Island	Wanchai Hennessy Road Consumer Branch	139 Hennessy Road
	Sheung Wan Des Voeux Road Consumer Branch	237 Des Voeux Road Central
Kowloon	Kowloon Bay CCB Centre Consumer Branch	CCB Centre, 18 Wang Chiu Road, Kowloon Bay
	Jordan Consumer Branch	316 Nathan Road
New Territories	Shatin Plaza Consumer Branch	Shop 5, Level 1, Shatin Plaza

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, April 16, 2021 until 12:00 noon on Wednesday, April 21, 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "**CCB NOMINEES LIMITED—ZHAOKE OPHTHALMOLOGY PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, April 16, 2021 — 9:00 a.m. to 5:00 p.m.
Saturday, April 17, 2021 — 9:00 a.m. to 1:00 p.m.
Monday, April 19, 2021 — 9:00 a.m. to 5:00 p.m.
Tuesday, April 20, 2021 — 9:00 a.m. to 5:00 p.m.
Wednesday, April 21, 2021 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, April 21, 2021, the last day for applications or such later time as described in "—D. Effect of Bad Weather on the Opening and Closing of the Application Lists" in this section.

4. Terms And Conditions Of An Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Act, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**") and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering (except in respect of Reserved Shares pursuant to the Preferential Offering);

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize (i) the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible and have chosen to collect the Share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying (except for an application made by a Qualifying Lee's Pharm Shareholder under the Preferential Offering);

(xvii) understand that the Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through White Form eIPO Service

General

Individuals who meet the criteria in "2. Who Can Apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at ***www.eipo.com.hk***.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service at ***www.eipo.com.hk*** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, April 16, 2021 until 11:30 a.m. on Wednesday, April 21, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, April 21, 2021 or such later time under the "—D. Effect of Bad Weather on the Opening and Closing of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means (other than an application (if any) either made on a **BLUE** Application Form in your capacity as a Qualifying Lee's Pharm Shareholder), all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this document acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E thereof).

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "ZHAOKE OPHTHALMOLOGY LIMITED" **White Form eIPO** application submitted via ***www.eipo.com.hk*** to support sustainability.

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (***https://ip.ccass.com/***) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F One & Two Exchange Square
8 Connaught Place, Central Hong Kong

and complete an input request form.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize (i) the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association and (ii) the Company and/or its agents to send any Share certificate(s) and/or any refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions)

Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Act, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum

Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, April 16, 2021 — 9:00 a.m. to 8:30 p.m.
- Monday, April 19, 2021 — 8:00 a.m. to 8:30 p.m.
- Tuesday, April 20, 2021 — 8:00 a.m. to 8:30 p.m.
- Wednesday, April 21, 2021 — 8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, April 16, 2021 until 12:00 noon on Wednesday, April 21, 2021 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, April 21, 2021, the last day for applications or such later time as described in "—D. Effect of Bad Weather on the Opening and Closing of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E thereof).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning For Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b)

go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, April 21, 2021, or such later time as described in "—D. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Lee's Pharm Shareholder applying for Reserved Shares under the Preferential Offering on the **BLUE** Application Form, you may also make an application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the **White Form eIPO** service through the designated website at ***www.eipo.com.hk***. However, in respect of any application for Hong Kong Offer Shares using the above methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in the section headed "Structure of the Global Offering—The Preferential Offering" in this prospectus.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATIONS FOR RESERVED SHARES

1. Who Can Apply

Only Lee's Pharm Shareholders whose names appeared on the register of members of Lee's Pharm on the Record Date and who are not Non-Qualifying Lee's Pharm Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Lee's Pharm Shareholders are those Lee's Pharm Shareholders with registered addresses in, or who are otherwise known by Lee's Pharm to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Lee's Pharm and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Lee's Pharm Shareholder is resident or of the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Lee's Pharm and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Lee's Pharm Shareholders in the Specified Territories. Having considered the circumstances, the directors of Lee's Pharm and the Company have formed the view that it is necessary or expedient to restrict the ability of Lee's Pharm Shareholders in the Specified Territories from taking up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Lee's Pharm Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Lee's Pharm Shareholders are:

(a) Lee's Pharm Shareholders whose names appeared in the register of members of Lee's Pharm on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) Lee's Pharm Shareholders or Beneficial Lee's Pharm Shareholders on the Record Date who are otherwise known by Lee's Pharm to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the terms and conditions of the **BLUE** Application Forms, the Company reserves the right to permit any Lee's Pharm Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

With respect to the Specified Territories, Lee's Pharm has sent a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Specified Territories, to the extent they hold any Lee's Pharm Shares on behalf of the Non-Qualifying Lee's Pharm Shareholders, they are excluded from participating in the Preferential Offering.

Qualifying Lee's Pharm Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every integral multiple of 96 Lee's Pharm Shares held by them on the Record Date. Qualifying Lee's Pharm Shareholders who hold less than 96 Lee's Pharm Shares on the Record Date will not have an Assured Entitlement to the Reserved Shares, but they will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If the applicant is a firm, the application must be in the individual members' names, but not in the name of the firm. If the applicant is a body corporate, the **BLUE** Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with the corporation's chop.

If an application is made by a duly authorized person under a valid power of attorney, the Company and the Joint Representatives, as the Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. The Company and the Joint Representatives, as the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

You cannot apply for any Reserved Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;

- a Director or chief executive of the Company and/or any of the Company's subsidiaries (other than a Director and/or his associates who are Qualifying Lee's Pharm Shareholders who may apply for Reserved Shares pursuant to the Preferential Offering);

- a connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;

- a close associate of any of the above persons; or

- a Non-Qualifying Lee's Pharm Shareholder.

2. How To Apply

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying Lee's Pharm Shareholders using the **BLUE** Application Forms which have been dispatched to Qualifying Lee's Pharm Shareholders by our Company.

Qualifying Lee's Pharm Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering. Qualifying Lee's Pharm Shareholders who hold less than 96 Lee's Pharm Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares but will still be entitled to participate in the Preferential Offering by applying only for excess Reserved Shares.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Lee's Pharm Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Lee's Pharm Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Lee's Pharm Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Lee's Pharm Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Lee's Pharm Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment

of the corresponding amount. If you are a Qualifying Lee's Pharm Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for.

To the extent that excess applications for the Reserved Shares are:

(a) less than the Available Reserved Shares (as defined in the section headed "Structure of the Global Offering—The Preferential Offering" in this prospectus), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Representatives, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscription in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Shares remaining after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Joint Representatives, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering as described in the section "Structure of the Global Offering—Allocation—Reallocation" in this prospectus.

Qualifying Lee's Pharm Shareholders who have applied for Reserved Shares under the Preferential Offering on a **BLUE** Application Form may also make one application either on a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying Lee's Pharm Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC under the Hong Kong Public Offering.

Persons who held their Lee's Pharm Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the

deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Lee's Pharm Shares on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. Distribution of this Prospectus and the BLUE Application Forms

BLUE Application Forms have been dispatched to all Qualifying Lee's Pharm Shareholders to their address recorded on the register of members of Lee's Pharm on the Record Date. In addition, Qualifying Lee's Pharm Shareholders will receive a copy of this prospectus.

Qualifying Lee's Pharm Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline +852 2862 8555.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus and/or the **BLUE** Application Forms (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying Lee's Pharm Shareholders as specified in this prospectus.

Receipt of this prospectus and/or the **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Forms should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of Lee's Pharm and our Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

4. Applying by Using BLUE Application Forms

(a) The **BLUE** Application Form will be rejected by our Company if:

- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
- the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
- in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorized officer or affixed with a company chop;
- the check/banker's cashier order/**BLUE** Application Form is defective;
- the **BLUE** Application Form for either Reserved Shares pursuant to the Assured Entitlement or excess Reserved Shares is not accompanied with a check/banker's cashier order or is accompanied by more than one check/banker's cashier order for each of the application for Assured Entitlement and excess application for Reserved Shares;
- the account name on the check/banker's cashier order is not pre-printed or certified by the issuing bank;
- the banker's cashier order was not issued by a licensed bank in Hong Kong, or did not have the applicant's name certified on the back by a person authorized by the bank;
- the check/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
- the name of the payee indicated on the check/banker's cashier order is not "CCB NOMINEES LIMITED—ZHAOKE OPHTHALMOLOGY PREFERENTIAL OFFER";
- the check has not been crossed "Account Payee Only";
- the check was post-dated;
- the applicant's payment is not made correctly or the applicant pays by check or banker's cashier order and the check or banker's cashier order is dishonored on its first presentation;

- the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the check/banker's cashier order;

- alteration(s) to the application details on the **BLUE** Application Form has or have not been authorized by the signature(s) of the applicant(s);

- the application is completed by pencil;

- our Company believes that by accepting the application, our Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant's address is located; or

- our Company and the Joint Representatives, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(b) If you are applying by using the **BLUE** Application Form for Assured Entitlement, you may apply for a number of Reserved Shares pursuant to your Assured Entitlement that is equal to or less than the number stated in Box B in the **BLUE** Application Form. If you intend to apply for a number of Reserved Shares that is less than your Assured Entitlement, you MUST apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign the **BLUE** Application Form for Assured Entitlement and submit one check (or banker's cashier order) for the exact amount of remittance printed in Box B in the **BLUE** Application Form or the corresponding amount payable as set out in the table in the **BLUE** Application Form.

(c) If you are applying by using the **BLUE** Application Form for excess Reserved Shares, you MUST apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign the **BLUE** Application Form for excess Reserved Shares and submit one separate check (or banker's cashier order) for the exact amount of remittance.

(d) If you intend to apply for both Reserved Shares pursuant to your Assured Entitlement and excess Reserved Shares, you must submit both the **BLUE** Application Form for Assured Entitlement and the **BLUE** Application Form for excess Reserved Shares. Each **BLUE** Application Form must be accompanied by a separate check (or banker's cashier order) for the exact amount of remittance.

6. When may Applications be made

(a) Applications on BLUE Application Form(s)

Your completed **BLUE** Application Form, together with a check or a banker's cashier order attached and marked payable to "CCB NOMINEES LIMITED—ZHAOKE OPHTHALMOLOGY PREFERENTIAL OFFER" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above at the following times:

Friday, April 16, 2021 — 9:00 a.m. to 5:00 p.m.
Saturday, April 17, 2021 — 9:00 a.m. to 1:00 p.m.
Monday, April 19, 2021 — 9:00 a.m. to 5:00 p.m.
Tuesday, April 20, 2021 — 9:00 a.m. to 5:00 p.m.
Wednesday, April 21, 2021 — 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, April 21, 2021, the last day for applications, or such later time as described in "—D. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

(b) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, April 21, 2021, the last day for applications, or such later time as described in "—D. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

7. How Many Applications May Be Made

You should refer to "—A. Applications for Hong Kong Offer Shares—8. How Many Applications Can You Make" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

8. Additional Terms And Conditions And Instructions

You should refer to the **BLUE** Application Form for details of the additional terms and conditions and instructions which apply to applications for Reserved Shares.

C. HOW MUCH ARE THE HONG KONG OFFER SHARES AND THE RESERVED SHARES

The maximum Offer Price is HK$16.80 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares or one board lot of 500 Reserved Shares, you will pay HK$8,484.65.

The Application Forms have tables showing the exact amount payable for the number of Offer Shares that may be applied for.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong Offer Shares or Reserved Shares under the terms and conditions applicable to your application.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at ***www.eipo.com.hk***.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering—Pricing".

D. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, April 21, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have any of those warnings or Extreme Conditions in force in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, April 21, 2021 or if there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable," an announcement will be made.

E. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and Reserved Shares on Wednesday, April 28, 2021 on the Company's website at ***zkoph.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company's website at ***zkoph.com*** and the Stock Exchange's website at ***www.hkexnews.hk*** by no later than 9:00 a.m. on Wednesday, April 28, 2021;

- from the designated results of allocations website at ***www.iporesults.com.hk*** (alternatively: English ***https://www.eipo.com.hk/en/Allotment***; Chinese ***https://www.eipo.com.hk/zh-hk/Allotment***) with a "search by ID" function on a 24-hour basis from 8:00 a.m on Wednesday, April 28, 2021 to 12:00 midnight on Tuesday, May 4, 2021;

- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, April 28, 2021 to Friday, April 30, 2021 and Monday, May 3, 2021; and

- in the special allocation results booklets which will be available for inspection during the opening hours from Wednesday, April 28, 2021 to Friday, April 30, 2021 at the designated branches of the receiving bank referred to above.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and/or Reserved Shares (as the case may be) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

F. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES AND/OR RESERVED SHARES

You should note the following situations in which the Hong Kong Offer Shares and/or Reserved Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an application using an Application Form or through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E thereof) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares and/or Reserved Shares is void:

The allotment of Hong Kong Offer Shares and/or Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications (other than an application (if any) made on the **BLUE** Application Form in your capacity as a Qualifying Lee's Pharm Shareholder);
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares (except in respect for Reserved Shares applied for pursuant to the Preferential Offering);
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at ***www.eipo.com.hk***;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

G. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$16.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, April 28, 2021.

H. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one Share certificate for all Reserved Shares allocated to you under the Preferential Offering.

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE**, **YELLOW or BLUE** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

(b) refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for Hong Kong Offer Shares and/or Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card

number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or before Wednesday, April 28, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, April 29, 2021 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE or BLUE Application Form

If you apply for (i) 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form or (ii) 1,000,000 Reserved Shares or more on a **BLUE** Application Form and in each case have provided all information required by your Application Form, you may collect your refund check(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, April 28, 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for (i) less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form or (ii) less than 1,000,000 Reserved Shares on a **BLUE** Application Form, your refund check(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, April 28, 2021, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund check(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Wednesday, April 28, 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on or before Wednesday, April 28, 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, the Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "—E. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, April 28, 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, April 28, 2021 or such other date as notified by the Company in the newspapers as the date of despatch or collection of Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, April 28, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, April 28, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Offer Shares in the manner specified in "—E. Publication of Results" above on Wednesday, April 28, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, April 28, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, April 28, 2021. Immediately following the credit of the Hong Kong Offer

Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, April 28, 2021.

I. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-56, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHAOKE OPHTHALMOLOGY LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND JEFFERIES HONG KONG LIMITED

Introduction

We report on the historical financial information of Zhaoke Ophthalmology Limited (formerly known as China Ophthalmology Focus Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-56, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2019 and 2020, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2019 and 2020 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated April 16, 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and Group's financial position as at December 31, 2019 and 2020 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 24(e) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

April 16, 2021

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended December 31,	
	Notes	**2019**	**2020**
		RMB'000	*RMB'000*
Revenue	*4*	–	–
Other income	*5*	2,953	68,462
Other net gain/(loss)	*6*	1,070	(5,487)
Research and development expenses	*7(c)*	(93,407)	(81,779)
General and administrative expenses		(6,311)	(35,002)
Selling and distribution expenses		–	(1,542)
Finance costs	*7(a)*	(26,382)	(671,633)
Loss before taxation	*7*	(122,077)	(726,981)
Income tax	*8*	–	–
Loss for the year		(122,077)	(726,981)
Loss per share	*11*		
Basic and diluted (RMB)		N/A	N/A

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Loss for the year	(122,077)	(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")	4,533	56,120
Total comprehensive income for the year	(117,544)	(670,861)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2019	As at December 31, 2020
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	*12*	130,630	138,458
Intangible assets	*13*	36,901	138,691
Prepayments on purchases of property, plant and equipment	*12*	7,076	35,814
		174,607	312,963
Current assets			
Other receivables and prepayments	*15*	13,502	18,146
Amount due from a shareholder	*16*	127,615	–
Amount due from a related company	*16*	–	13,051
Pledged bank balances	*17(a)*	–	11,083
Time deposits with original maturity over three months	*17(a)*	83,721	806,247
Cash and cash equivalents	*17(a)*	154,769	65,096
		379,607	913,623
Current liabilities			
Other payables and accruals	*18*	16,514	38,731
Amounts due to fellow subsidiaries	*19*	162,618	–
Amount due to a related company	*19*	–	186
Bank loan	*20*	–	10,000
Lease liabilities	*21*	4,702	4,749
		183,834	53,666
Net current assets		195,773	859,957
Total assets less current liabilities		370,380	1,172,920
Non-current liabilities			
Lease liabilities	*21*	26,089	22,778
Deferred income	*22*	138	94
Convertible redeemable preferred shares	*24(d)*	369,685	1,896,016
		395,912	1,918,888
Net liabilities		(25,532)	(745,968)
Capital and reserves			
Share capital	*24(b)*	–*	–*
Reserves		(25,532)	(745,968)
Total deficit		(25,532)	(745,968)

* The balance represents amount less than RMB1,000.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2019	As at December 31, 2020
		RMB'000	*RMB'000*
Non-current assets			
Investment in a subsidiary	*14*	9	10,299
Current assets			
Other receivables and prepayments	*15*	550	4,611
Amount due from a shareholder	*16*	127,615	–
Amount due from a subsidiary	*16*	133,282	641,734
Time deposits with original maturity over three months	*17(a)*	83,721	481,163
Cash and cash equivalents	*17(a)*	140,726	56,267
		485,894	1,183,775
Current liabilities			
Other payables and accruals	*18*	170	7,076
		170	7,076
Net current assets		485,724	1,176,699
Total assets less current liabilities		485,733	1,186,998
Non-current liabilities			
Convertible redeemable preferred shares	*24(d)*	369,685	1,896,016
Net assets/(liabilities)		116,048	(709,018)
Capital and reserves	*24*		
Share capital	*24(b)*	–*	–*
Reserves		116,048	(709,018)
Total equity/(deficit)		116,048	(709,018)

* The balance represents amount less than RMB1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity shareholders of the Company							
	Notes	**Share capital**	**Share premium**	**Other reserve**	**Capital reserve**	**Merger reserve**	**Exchange reserve**	**Accumulated losses**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019		–*	–	–	–	2,411	491	(43,120)	(40,218)
Changes in equity for 2019:									
Loss for the year		–	–	–	–	–	–	(122,077)	(122,077)
Other comprehensive income		–	–	–	–	–	4,533	–	4,533
Total comprehensive income		–	–	–	–	–	4,533	(122,077)	(117,544)
Issue of ordinary shares	*24(c)*	2,645	129,585	–	–	–	–	–	132,230
Capital Reorganization	*24(c)*	(2,645)	2,645	–	–	–	–	–	–
Balance at December 31, 2019		–*	132,230	–	–	2,411	5,024	(165,197)	(25,532)
Balance at January 1, 2020		–*	132,230	–	–	2,411	5,024	(165,197)	(25,532)
Changes in equity for 2020:									
Loss for the year		–	–	–	–	–	–	(726,981)	(726,981)
Other comprehensive income		–	–	–	–	–	56,120	–	56,120
Total comprehensive income		–	–	–	–	–	56,120	(726,981)	(670,861)
Deemed distribution to a shareholder		–	–	(129,033)	–	–	–	–	(129,033)
Capital contribution from fellow subsidiaries		–	–	133,391	–	–	–	–	133,391
Equity-settled share-based payment expenses		–	–	–	14,168	–	–	–	14,168
Share Repurchase	*24(c)*	–*	(68,101)	–	–	–	–	–	(68,101)
Balance at December 31, 2020		–*	64,129	4,358	14,168	2,411	61,144	(892,178)	(745,968)

* The balance represents amount less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2019	2020
		RMB'000	*RMB'000*
Operating activities			
Loss before taxation		(122,077)	(726,981)
Adjustments for:			
Depreciation	*7(c)*	14,525	17,787
Amortization of intangible assets	*7(c)*	2,044	2,066
Income from licensing agreement		–	(64,246)
Finance costs	*7(a)*	26,382	671,633
Equity-settled share-based payment expenses		–	14,998
Bank interest income	*5*	(2,891)	(2,582)
Loss on disposal of property, plant and equipment	*7(c)*	–	9
Net foreign exchange (gain)/loss		(2,408)	2,898
Changes in working capital:			
Increase in other receivables and prepayments		(5,414)	(3,434)
Increase in amount due from a related company		–	(13,051)
Increase in other payables and accruals		10,653	26,561
Increase/(decrease) in amounts due to fellow subsidiaries		24,017	(29,225)
Increase in amount due to a related company		–	186
Decrease in deferred income		(43)	(44)
Net cash used in operating activities		(55,212)	(103,425)
Investing activities			
Increase in pledged deposits		–	(11,732)
Increase in time deposits with original maturity over three months		(82,540)	(770,378)
Increase in prepayment on purchase of property, plant and equipment		(6,719)	(41,066)
Payment for purchase of property, plant and equipment		(18,622)	(25,294)
Payment for purchase of intangible assets		–	(109,595)
Interest received		2,891	2,582
Net cash used in investing activities		(104,990)	(955,483)
Financing activities			
Payments of listing expenses		–	(1,371)
Proceeds from the bank loan	*17(b)*	–	10,000
Proceeds from the issue of ordinary shares	*24(c)*	10,578	–
Net proceeds from the issue of convertible redeemable preferred shares	*24(d)*	340,583	970,113
Capital element of lease rentals paid	*17(b)*	(2,986)	(3,400)
Interest element of lease rentals paid	*17(b)*	(1,583)	(1,458)
Decrease in amount due to a shareholder		(43,706)	–
Interest paid	*17(b)*	–	(197)
Net cash generated from financing activities		302,886	973,687
Net increase/(decrease) in cash and cash equivalents		142,684	(85,221)
Cash and cash equivalents at the beginning of the year		7,217	154,769
Effect of foreign exchange rate changes		4,868	(4,452)
Cash and cash equivalents at the end of the year	*17(a)*	154,769	65,096

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Zhaoke Ophthalmology Limited (formerly known as China Ophthalmology Focus Limited) (the "Company") was incorporated in the British Virgin Islands (the"BVI") on January 20, 2017. On June 2, 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.

As at December 31, 2019, the directors considered the immediate controlling company of the Group was Lee's Pharmaceutical International Limited, which is incorporated in the BVI. Lee's Pharmaceutical International Limited does not produce its financial statements available for public use. As at December 31, 2019, the directors considered the ultimate controlling company of the Group was Lee's Pharmaceutical Holdings Limited ("Lee's Pharma"). Lee's Pharma is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and produces its financial statements available for public use.

Immediately upon completion of the Share Repurchase on October 2, 2020 as set out in note 24(c), Lee's Pharma was no longer the ultimate controlling company of the Company, but the single largest shareholder of the Company.

During the Relevant Periods, the abovementioned principal activities of the Group were carried out through Zhaoke (Guangzhou) Ophthalmology Pharmaceutical Limited ("Zhaoke Guangzhou"), which was held by the Company's then fellow subsidiary, Zhaoke Pharmaceutical (HK) Limited ("Zhaoke PHK"). Pursuant to a group reorganization completed on October 18, 2018 (the "Reorganization"), the Company's subsidiary, Zhaoke (Hong Kong) Ophthalmology Pharmaceutical Limited ("Zhaoke Hong Kong") acquired the entire equity interests in Zhaoke Guangzhou at a consideration of United States dollar ("US$") 6,275,000 (equivalent to RMB43,215,000) from Zhaoke PHK. As Zhaoke Guangzhou was ultimately controlled by Lee's Pharma before and after the Reorganization and the Reorganization involved inserting the Company and Zhaoke Hong Kong, which are entities with no substantive operations, as the new holding companies of Zhaoke Guangzhou, there were no changes in the economic substance of the ownership and the business of the Group. Accordingly, the Reorganization has been accounted for using a principle similar to that for a reverse acquisition, with Zhaoke Guangzhou treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the financial statements of Zhaoke Guangzhou with the assets and liabilities of Zhaoke Guangzhou recognized and measured at their historical carrying amounts prior to the Reorganization.

Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no statutory financial statements have been prepared for the Company. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated or established.

Upon completion of the Reorganization and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	*Held by a subsidiary*		
Zhaoke Hong Kong *(note (i))*	Hong Kong, July 24, 2017	Hong Kong dollar ("HK$") 10,000	100%	–	Development of ophthalmology products	*note (ii)*
Zhaoke Guangzhou *(notes (iii) and (iv))*	The People's Republic of China ("PRC"), June 16, 2016	US$27,600,000 and RMB25,650,200	–	100%	Development and manufacturing of ophthalmology products	*note (v)*

Notes:

(i) The statutory financial statements of the subsidiary for the year ended December 31, 2019 were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. No statutory financial statements for the year ended December 31, 2020 are available for this subsidiary as of the date of this report.

(ii) Name of the statutory auditors is HLM CPA Limited Certified Public Accountants.

(iii) The English translation of subsidiary's name is for reference only. The official name of the subsidiary is in Chinese. The subsidiary is a foreign investment enterprise with limited liability under the law of the PRC.

(iv) The statutory financial statements of the subsidiary for the year ended December 31, 2019 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. No statutory financial statements for the year ended December 31, 2020 are available for this subsidiary as of the date of this report.

(v) Name of the statutory auditors is BDO China Shu Lun Pan Certified Public Accountants LLP Guangdong Branch.

All companies now comprising the Group have adopted December 31 as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised HKFRSs, including HKFRS 9, *Financial Instruments*, HKFRS 15, *Revenue from Contracts with Customers* and HKFRS 16, *Leases,* throughout the Relevant Periods. The Group has not applied any new and revised accounting standards and interpretations that are issued but not yet effective for the accounting year beginning on January 1, 2020, which are set out in note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the Historical Financial Information

The Historical Financial Information is presented in RMB, rounded to the nearest thousand, unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for an embedded derivative which is measured at fair value.

Notwithstanding the net liabilities of RMB745,968,000 which mainly included convertible redeemable preferred shares of RMB1,896,016,000, and the Group's subsidiary, Zhaoke Guangzhou did not fulfill the covenants required for its bank loan (note 20) as of December 31, 2020, the Historical Financial Information has been prepared on a going concern basis based on the following:

- the Group was in net current assets position of RMB859,957,000 as of December 31, 2020 due to the additional funding obtained from the issuance of Series B preferred shares in October 2020 (note 24(d));

- the directors of the Company do not expect that the convertible redeemable preferred shares would be redeemed within the next twelve months from December 31, 2020; and

- the directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the date of this report and are of the opinion that the Group will have sufficient working capital to meet its liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the date of this report.

(b) Use of estimates and judgments

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other results may differ from these estimates.

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

Judgments made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interest within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with the resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)(ii)).

(d) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

Cost includes expenditures that are directly attributable to the acquisition of an asset.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life
Properties leased for own use	Over the unexpired periods of the leases and their estimated useful lives
Leasehold improvements	Shorter of useful life or remaining lease term
Machinery and equipment	3-10 years
Furniture, fixture and office equipment	3-10 years
Motor vehicle	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents machinery and equipment pending installation and is stated at cost less impairment losses (see note 2(h)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

(f) Intangible assets

(i) Patents

Patents are capitalized on the basis of the cost incurred to acquire and bring to use the specific patent. These costs are amortized over the estimated useful life of 10 to 17 years. The Group should assess whether there is any indication that patent is impaired at the end of each reporting period.

The patents relate to therapeutic technologies developed by the Group. The useful lives of the patents were estimated by the Group based on the respective periods over which economic benefits are expected to be derived from the underlying technologies. The estimation of the useful lives has taken into account the expected period required for the development of an innovative biopharmaceutical drug from its discovery to commercialization, the patent protection period, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition. Based on the different commercialization commencement dates and the expected lifespan of economic benefits of individual technologies, the useful lives of the Group's patents have been assessed to range from 10 to 17 years.

(ii) Research and development expenditures

The Group incurs significant costs and efforts on research and development activities, which include expenditures on drug products. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed drug products and all the following can be demonstrated:

(i) the technical feasibility of completing the development project so that it will be available for use or sale;

(ii) the Group's intention to complete the development project to use or sell it;

(iii) the Group's ability to use or sell the development project;

(iv) how the development project will generate probable future economic benefits for the Group;

(v) the Group's availability of adequate technical, financial and other resources to complete the development and to use or sell the development project; and

(vi) the ability to measure reliably the expenditures attributable to the development project.

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads. The Group generally considers capitalization criteria for internally generated intangible assets are met when obtaining regulatory approval of new drug license.

Capitalized development expenditures are amortized using the straight-line method over the life of the related drug products. Amortization shall begin when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (see note 2(h)(ii)) (if any).

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

(iii) In-licenses

Intangible assets acquired separately are measured on initial recognition at cost.

Certain intangible assets are for licenses of intellectual properties in development, with non-refundable upfront payment, milestone payment and royalty payment. Upfront payment is capitalized when paid. The milestone payment is capitalized as intangible assets when incurred, unless the payment is for outsourced research and development work which would follow the capitalization policy in note 2(f)(ii). Royalty payment would be accrued for in line with the underlying sales and recognized as a cost of sales.

The intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized when ready for use and over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Intangible assets with indefinite useful lives or not ready for use will not be amortized but

tested for impairment annually either individually or at the cash generating unit level. The impairment test would compare the recoverable amount of the in-licenses asset to its carrying value. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

In-licenses with finite useful life are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

In-licensed technologies acquired from third parties. The useful lives of the in-licensed technologies were estimated by the Group based on the respective periods over which economic benefits are expected to be derived from the underlying technologies. The estimation of the useful lives has taken into account the expected period required for the development of an innovative biopharmaceutical drug from its discovery to commercialization, the exclusive rights period of in-licensed technologies, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition. Based on the different commercialization commencement dates and the expected lifespan of economic benefits of individual technologies, the useful lives of the Group's in-licensed technologies have been assessed to range from 5 to 10 years.

Both the period and method of amortization are reviewed annually.

(iv) Software

Computer software which is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses (see note(h)(ii)). The Group amortized on a straight-line basis over their estimated useful lives of 5 years based on the current functionalities and the daily operation needs of the software.

Both the period and method of amortization are reviewed annually.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis is over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e) and 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and presents "lease liabilities" separately in the consolidated statement of financial position.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost (including cash and bank balances, other receivables and amounts due from group companies).

Financial assets measured at fair value are not subject to the ECLs assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the end of reporting period; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECLs model applies.

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the end of reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with note 2(q)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or other receivables is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– other non-current assets; and

– investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(i) Receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see note 2(h)(i)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(h)(i).

(k) Payables

Payables are initially recognized at fair value and are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Convertible redeemable preferred shares

Preferred shares give rise to financial liabilities if they are redeemable at the option of the shareholders in case of occurrence of triggering events that are beyond the control of the Company and also the holders of the preferred shares.

At initial recognition, the liabilities resulting from the preferred shares are measured at the present value of the redemption amount. The redemption amount represents the settlement that would be triggered by the event with the highest settlement outcome, and which may change from time to time. Changes in the carrying amount of the liabilities are recognized in profit or loss. The measurement of the liabilities also takes into account the conversion feature. The conversion feature is measured at fair value as per note 2(d), because it will not be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments. Transaction costs that relate to the issue of the convertible redeemable preferred shares are included in the initial carrying amount of the financial liabilities.

If the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to share capital and share premium.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in the consolidated statements of profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to local retirement schemes pursuant to the relevant labor rules and regulations in the jurisdictions in which the Group's subsidiaries located are recognized as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

(ii) Share-based payments

The fair value of share options granted to employees, directors or consultants is recognized as an expense with a corresponding increase in a capital reserve within equity over the period that the individuals become unconditionally entitled to the options. Share options granted to employees, directors or consultants, are measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted.

The amount recognized as an expense is adjusted to reflect the number of share options for which the related service and non-market vesting conditions are expected to be met, such that that amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. The equity amount is recognized in the capital reserve until either the option is exercised (when it is included in the amount recognized in share capital for the shares issued) or the option expires (when it is released directly to equity).

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously;

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Other income

Details of the Group's other income recognition policies are as follows:

(i) Interest income

Interest income is recognized as it accrues using the effective interest method.

(ii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset by way of being recognized in other income.

(iii) Royalty income and income from licensing agreements

Royalty income earned through a license is recognized as the underlying sales are recorded by the licensee.

Income from licensing agreements typically arises from the receipt of upfront, milestone and other similar payments from third parties for granting a license to product-or technology-related intellectual property ("IP"). Licensing agreements maybe entered into with no further obligation or may include rights to manufacturing.

Licenses granted under licensing agreements are generally unique. Therefore the basis of allocating income to performance obligations makes use of the residual approach. Upfront payments and other licensing fees are usually recognized upon granting the license which is when the licensee obtains the right to use the underlying IP of the license, unless some of the income shall be deferred for other performance obligations using the residual approach. Such deferred income is released and recognized as income when other performance obligations are satisfied. Milestone payments are typically received upon reaching a specific development milestone. Development milestone income is recognized at the point in time when it is highly probable that the respective milestone event criteria is achieved, and the risk of income reversal is considered remote.

(iv) Other income

Income is recognized when the performance obligation is fulfilled (i.e., when certain therapeutic technologies are transferred, and the customer obtains control over the technologies).

(r) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(s) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Key sources of estimation uncertainty

Note 25 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Depreciation and amortization

Items of property, plant and equipment and intangible assets are depreciated or amortized on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortization expense to be recorded during Relevant Periods. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortization expense for future periods are adjusted if there are significant changes from previous estimates.

(ii) Income tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take all changes in tax legislation.

Deferred tax assets are recognized for temporary deductible differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed, and deferred tax assets are recognized only if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(iii) Impairments of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to identify indications that the assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased (see note 2(h)(ii)).

The sources utilized to identify indications of impairment are often subjective in nature and the Group is required to use judgment in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable amount, representing the greater of the asset's fair value less costs of disposal or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable amount, the Group may perform such assessments utilizing internal resources or the Group may engage external advisors to counsel the Group. Regardless of the resources utilized, the Group is required to make many assumptions to make these assessments, including the utilization of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of any asset.

(iv) Fair value of conversion features

The Group measures the conversion features arising from the convertible redeemable preferred shares at fair value in which no quoted prices in an active market exists. The fair value of conversion features is established with the assistance of an independent valuer using generally accepted valuation techniques. The assumptions adopted by the independent valuer in the valuation models make the maximum use of market inputs. However, it should be noted that some inputs, such as estimated probability of the occurrence of triggering events, require management estimates. Management's estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the conversion features.

4. 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 Relevant Periods.

(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 PRC. Accordingly, no geographical information is presented.

5. OTHER INCOME

	Year ended December 31,	
	2019	2020
	RMB'000	*RMB'000*
Bank interest income	2,891	2,582
Government grants		
– Employment support grants *(note i)*	–	222
– Other government grants *(note ii)*	44	44
Income from licensing agreement *(note iii)*	–	64,246
Other income *(note iv)*	–	1,360
Others	18	8
	2,953	68,462

Notes:

(i) The amount represents government grants received from various PRC government authorities in connection with the fiscal subsidies for providing financial support to enterprises and paying wages to the employees.

(ii) The amount represents subsidies received from government for encouragement of technology research and development and compensation on the capital expenditure of production lines.

(iii) On October 2, 2020, the Group entered into a licensing agreement with Lee's Pharmaceutical International Limited, the then immediate holding company, and Zhaoke Pharmaceutical (Guangzhou) Limited, the then fellow subsidiary of the Company, (collectively, the "Licensees"). Under this agreement, the Group agreed to grant exclusive license rights to the Licensees to commercialize Adapalene and Clindamycin Combination gel, a dermatological drug, for a period of 10 years in Mainland China, Hong Kong, Macau and Taiwan. The license agreement includes a non-refundable upfront payment, milestone payment and sales-based royalty upon commercialization of the licensed product. During the year ended December 31, 2020, the Group received the non-refundable upfront payment of US$10,000,000 (equivalents to RMB68,101,000) by way of Share Repurchase (note 24(c)) upon signing of the agreement.

(iv) On November 5, 2020, the Group entered into a technology transfer agreement with Zhaoke Pharmaceutical (Guangzhou) Limited, a related company of the Company, to transfer all proprietary rights and research and development results in respect of Dinoprostone Gel, a gynecology drug, for a total consideration of RMB1,360,000.

6. OTHER NET GAIN/(LOSS)

	Year ended December 31,	
	2019	2020
	RMB'000	*RMB'000*
Net foreign exchange gain/(loss)	1,068	(5,487)
Others	2	–
	1,070	(5,487)

7. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Interest on bank loan *(note 17(b))*	–	197
Interest on lease liabilities *(note 17(b))*	1,583	1,458
Changes in the carrying amount of preferred shares liability *(note 24(d))*:		
– Changes in present value of redemption amount	24,799	74,329
– Changes in fair value of conversion features	–	595,649
	26,382	671,633

(b) Staff costs

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	11,005	23,142
Contribution to defined benefit retirement plans	1,215	156
Equity-settled share-based payment expenses	–	12,631
	12,220	35,929

Notes:

(i) The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

(ii) Pursuant to the relevant labor rules and regulations in the PRC, the Group in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organized by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

(iii) Staff costs includes remuneration of directors and senior management (notes 9 and 10).

(c) Other items

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Amortization of intangible assets *(note 13)*	2,044	2,066
Depreciation charge *(note 12)*		
– owned property, plant and equipment	11,203	14,208
– right-of-use assets	3,322	3,579
Auditors' remuneration	75	99
Research and development expenses	93,407	81,779
Loss on disposal of property, plant and equipment	–	9
Listing expenses	–	10,558

During the years ended December 31, 2019 and 2020, research and development expenses includes staff costs, depreciation and amortization of RMB24,488,000, and RMB37,383,000 respectively, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8. 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) The BVI and Cayman Islands income tax

The Company was incorporated in the BVI in January 2017 and was redomiciled to the Cayman Islands in June 2020.

Pursuant to the rules and regulations of the BVI, the Company is not subject to any income tax in this jurisdiction.

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 (the "CIT Law"), as the Group's PRC entity has no estimated assessable profits.

(d) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Loss before taxation	(122,077)	(726,981)
Notional tax on loss before taxation, calculated at the rates applicable to losses in jurisdictions concerned	(24,766)	(9,081)
Tax effect of non-deductible expenses	418	3,584
Tax effect of non-taxable income	(2)	(96)
Tax effect of tax losses not recognized	31,488	–
Tax effect of tax losses not previously recognized and utilized	–	(13,908)
The effect of waiver income *(note i)*	–	33,348
Tax effect of deductible temporary differences not recognized	73	39
Tax effect of super deduction for research and development expenses *(note ii)*	(7,211)	(13,886)
	–	–

Notes:

(i) This amount represents the waiver of the amounts due to fellow subsidiaries as capital contribution to the Group.

(ii) According to the CIT Law, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income effective from January 1, 2018 to December 31, 2020.

(e) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 2(o), the Group has not recognized any deferred tax assets in respect of the following items:

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Tax losses	174,634	119,002
Deductible temporary differences	3,946	4,102
	178,580	123,104

It is not probable that future taxable profits against which the losses and deductible temporary differences can be utilized will be available in the relevant tax jurisdiction and entity.

(f) Deductible losses that are not recognized as deferred tax assets will be expired as follows:

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
2020	–	–
2021	–	–
2022	–	–
2023	5,728	–
2024	42,956	–
2025	125,950	119,002
	174,634	119,002

9. DIRECTORS' EMOLUMENTS

As at the date of the report, the following directors were appointed:

Executive Directors
Dr. Li Xiaoyi *(note a)*
Mr. Dai Xiangrong *(note b)*

Non-executive Directors
Ms. Leelalertsuphakun Wanee *(note c)*
Ms. Cai Li *(note d)*
Mr. Chen Yu *(note e)*
Ms. Zhang Tiantian *(note f)*

Details of directors' emoluments during the Relevant Periods are as follows:

	For the year ended December 31, 2019					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Share-based payments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director						
– Dr. Li Xiaoyi *(note g)*	–	–	–	–	–	–
Non-Executive directors						
– Ms. Leelalertsuphakun Wanee *(note g)*	–	–	–	–	–	–
	–	–	–	–	–	–

	For the year ended December 31, 2020					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors						
– Dr. Li Xiaoyi *(note g)*	–	–	–	–	3,398	3,398
– Dai Xiangrong	–	–	–	–	707	707
Non-Executive directors						
– Ms. Leelalertsuphakun Wanee *(note g)*	–	–	–	–	–	–
– Ms. Cai Li	–	–	–	–	–	–
– Mr. Chen Yu	–	–	–	–	–	–
	–	–	–	–	4,105	4,105

Note a: Dr. Li Xiaoyi was appointed as executive director of the Company on January 20, 2017.

Note b: Mr. Dai Xiangrong was appointed as executive director of the Company on October 23, 2020. No remuneration is paid to him during the Relevant Periods.

Note c: Ms. Leelalertsuphakun Wanee was appointed as non-executive director of the Company on January 20, 2017.

Note d: Ms. Cai Li was appointed as non-executive director of the Company on October 23, 2020. No remuneration is paid to her during the Relevant Periods.

Note e: Mr. Chen Yu was appointed as non-executive director of the Company on October 23, 2020. No remuneration is paid to him during the Relevant Periods.

Note f: Ms. Zhang Tiantian was appointed as non-executive director of the Company on February 5, 2021. No remuneration is paid to her during the Relevant Periods.

Note g: The emoluments of Dr. Li Xiaoyi, executive director, and Ms. Leelalertsuphakun Wanee, non-executive director, in relation to their services rendered for the Group for the Relevant Periods were borne by Lee's Pharma.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The aggregate of the emoluments in respect of the five individuals with the highest emoluments are as follows:

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Salaries and other emoluments	2,813	3,751
Discretionary bonuses	359	1,048
Share-based payments	–	3,922
Retirement scheme contributions	121	44
	3,293	8,765

The emoluments of the above individuals with the highest emoluments during the years ended December 31, 2019 and 2020 are within the following bands:

	Year ended December 31,	
	2019	**2020**
HK$Nil to HK$1,000,000	4	1
HK$1,000,001 – HK$1,500,000	–	2
HK$1,500,001 – HK$2,000,000	1	1
HK$4,500,001 – HK$5,000,000	–	1

11. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the Historical Financial Information of the Group for the Relevant Periods on the basis as disclosed in note 1.

12. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Properties leased for own use	Leasehold improvements	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicle	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At January 1, 2019	27,458	4,272	78,556	3,285	–	18,160	131,731
Exchange adjustments	–	–	–	–*	–	–	–*
Additions	7,673	–	9,828	83	–	5,903	23,487
Transfer from construction in progress	–	87	20,899	–	–	(20,986)	–
At December 31, 2019 and January 1, 2020	35,131	4,359	109,283	3,368	–	3,077	155,218
Exchange adjustments	–	–	–	(2)	–	–	(2)
Additions	136	–	3,443	486	398	21,163	25,626
Transfer from construction in progress	–	–	13,948	–	–	(13,948)	–
Disposals	–	–	–	(12)	–	–	(12)
At December 31, 2020	35,267	4,359	126,674	3,840	398	10,292	180,830
Accumulated depreciation:							
At January 1, 2019	5,047	258	4,336	422	–	–	10,063
Exchange adjustments	–	–	–	–*	–	–	–*
Charge for the year	3,305	432	10,132	656	–	–	14,525
At December 31, 2019 and January 1, 2020	8,352	690	14,468	1,078	–	–	24,588
Exchange adjustments	–	–	–	–*	–	–	–*
Charge for the year	3,562	436	12,997	717	75	–	17,787
Written back on disposals	–	–	–	(3)	–	–	(3)
At December 31, 2020	11,914	1,126	27,465	1,792	75	–	42,372
Net book value:							
At December 31, 2019	26,779	3,669	94,815	2,290	–	3,077	130,630
At December 31, 2020	23,353	3,233	99,209	2,048	323	10,292	138,458

* The balance represents amount less than RMB1,000.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		As at December 31,	
	Note	**2019**	**2020**
		RMB'000	*RMB'000*
Properties leased for own use, carried at depreciated cost	*(i)*	26,779	23,353
Furniture, fixture and office equipment, carried at depreciated cost	*(ii)*	56	39
		26,835	23,392

Notes:

(i) Properties leased for own use

The Group has obtained the right to use properties as its buildings for its research and development, offices and staff quarters through tenancy agreements. The leases typically run for an initial period of two to ten years.

(ii) Furniture, fixture and office equipment

The Group leases furniture, fixture and office equipment for an initial period of five years. None of the leases includes variable lease payments.

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset *(note 7(c))*:		
Properties leased for own use	3,305	3,562
Furniture, fixture and office equipment	17	17
	3,322	3,579
Interest on lease liabilities *(note 7(a))*	1,583	1,458

During the years ended December 31, 2019 and 2020, additions to right-of-use assets were RMB7,673,000 and RMB136,000 respectively. This amount primarily related to the capitalized lease payments payable under new tenancy agreements.

During the years ended December 31, 2019 and 2020, the total cash outflow for leases were RMB4,569,000 and RMB4,858,000 respectively.

Details of the maturity analysis of lease liabilities are set out in note 21.

During the years ended December 31, 2019 and 2020, the amount of prepayment of property, plant and equipment expected to be transferred to property, plant and equipment after more than one year was RMB7,076,000 and RMB35,814,000 respectively.

(c) Depreciation of property, plant and equipment including right-of-use assets has been charged to the consolidated statements of profit or loss as follow:

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Research and development expenses	14,364	17,295

13. INTANGIBLE ASSETS

	Patents	**In-licensed rights**	**Software**	**Total**
	RMB'000 (Note (b))	*RMB'000 (Note (c))*	*RMB'000*	*RMB'000*
Cost:				
At January 1, 2019, December 31, 2019 and January 1, 2020	25,652	15,849	–	41,501
Exchange adjustments	–	(5,721)	(18)*	(5,739)
Additions	–	109,263	332	109,595
At December 31, 2020	25,652	119,391	314	145,357
Accumulated amortization:				
At January 1, 2019	2,556	–	–	2,556
Charge for the year	2,044	–	–	2,044
At December 31, 2019 and January 1, 2020	4,600	–	–	4,600
Exchange adjustments	–	–	–*	–*
Charge for the year	2,044	–	22	2,066
At December 31, 2020	6,644	–	22	6,666
Net book value:				
At December 31, 2019	21,052	15,849	–	36,901
At December 31, 2020	19,008	119,391	292	138,691

* The balance represents amount less than RMB1,000.

(a) Amortization of intangible assets has been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Research and development expenses	2,044	2,044

(b) Patents

On June 16, 2016, Zhaoke PHK, the then fellow subsidiary of the Company, established Zhaoke Guangzhou and injected capital of US$2,907,000 (equivalents to RMB19,974,000). During the year ended December 31, 2017, Zhaoke PHK further injected capital of US$3,865,000 (equivalents to RMB25,652,000) to Zhaoke Guangzhou in kind of certain patents for research and development of ophthalmic drugs based on the fair value. On October 18, 2018, Zhaoke PHK transferred the entire equity interests in Zhaoke Guangzhou to Zhaoke Hong Kong. Please refer to note 1 for the details of Reorganization.

(c) In-licensed rights

The balance of in-licensed rights represent payments made to acquire development and commercialization rights of ophthalmic products from third parties and are not available for use. Due to the inherent uncertainties in the research and development processes, these assets are particularly at risk of impairment if the project is not expected to result in a commercialize product. Key terms of these licenses are set out below:

(i) License agreement with TOT BIOPHARM International Company Limited ("TOT BIOPHARM")

On January 5, 2017, Zhaoke Guangzhou entered into a license agreement with TOT BIOPHARM, a China-based biopharmaceutical company dedicated to developing and commercializing innovative biological drugs and therapies and listed on the Stock Exchange, for licensing TAB014 bio-pharmaceutical know-how for development and commercialization for a period of 10 years in Mainland China, Hong Kong and Macau. TAB014 is an ophthalmic formulation of bevacizumab for the treatment of retinal neovascularisation, such as wet age-related macular degeneration. Zhaoke Guangzhou made the non-refundable upfront payment of RMB8,400,000 and the first milestone payment of RMB8,400,000 upon signing of the license agreement and obtaining Investigational New Drug approval respectively during the year ended December 31, 2017. Zhaoke Guangzhou made the second milestone payment of RMB6,300,000 for execution of Phase II clinical trial during the year ended December 31, 2020. Zhaoke Guangzhou is also obliged to make certain payments upon the achievement of certain development milestones, certain commercial milestones and royalty payments at the applicable royalty rates based on net sales of the products in Mainland China, Hong Kong and Macau.

As at December 31, 2019 and 2020, TAB014 was not ready for use and the Group continues the underlying research and development activities. As such, it is subject to annual impairment test based on the recoverable amount of the cash generating unit ("CGU") to which the intangible asset is related to which is at the product level. Management determined the recoverable amount of the relevant CGU using the value in use calculations. These calculations use cash flow projections based on management's expectations of timing of commercialization, market penetration rate and success rate of commercialization over TAB014's license period. The valuation is considered to be level 3 in the fair value measurement hierarchy due to unobservable inputs used in the valuation.

With the assistance of an external appraiser, management determined the recoverable amount of TAB014 based on the following approach and the key assumptions:

- TAB014 will generate net cash inflows from 2024 to 2030 based on the research and development process and experience of the approval process;
- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;
- The discount rate used is pre-tax and reflects specific risks relating to the relevant products; and
- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

The key assumptions used for fair value calculation as at December 31, 2019 and 2020 are as follows:

	As at December 31,	
	2019	**2020**
Pre-tax discount rate	28%	24%
Expected revenue growth rate	5%~245%	40%~171%
Expected market penetration rate	5%~40%	5%~35%
Expected success rate of commercialization	38%	38%
Recoverable amount of CGU (in RMB'000)	43,438	80,039
Carrying amount of CGU (in RMB'000)	15,849	21,792

Based on the result of impairment assessment, there was no impairment as at December 31, 2019 and 2020.

Impairment test – sensitivity

The Group has performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 5% of expected revenue, which are the key assumptions for determining the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Headroom	27,589	58,247
Impact by increasing pre-tax discount rate	(7,617)	(10,136)
Impact by decreasing expected revenue	(6,369)	(9,080)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

(ii) License agreement with IACTA Pharmaceuticals Inc. ("IACTA")

On July 24, 2020, Zhaoke Hong Kong entered into a license agreement with IACTA, a US-based ophthalmology-focused pharmaceutical company developing drugs with novel mechanisms of action that treat diseases in areas of significant unmet medical need, to acquire the exclusive rights to IC-265 for dry eye and IC-270 for allergic conjunctivitis (i.e. "Licensed know-how") for development and commercialization for a period of 10 years in Mainland China, Hong Kong, Macau, Taiwan and the South East Asian countries.

Zhaoke Hong Kong made a non-refundable upfront payment of US$1,500,000 (equivalent to RMB9,815,000) during the year ended December 31, 2020. Zhaoke Hong Kong is also obliged to make certain payments upon the achievement of specific development milestones, commercial milestones and royalty payments based on net sales of the products in Mainland China, Hong Kong, Macau, Taiwan and the South East Asian countries.

As at December 31, 2020, the Licensed know-how was not ready for use and the Group continues the underlying research and development activities. As such, it is subject to annual impairment test based on the recoverable amount of the CGU to which the intangible asset is related to which is at the product level. Management determined the recoverable amount of the relevant CGU using the value in use calculations. These calculations use cash flow projections based on management's expectations of timing of commercialization, market penetration rate and success rate of commercialization over the Licensed know-how's license period. The valuation is considered to be level 3 in the fair value measurement hierarchy due to unobservable inputs used in the valuation.

With the assistance of an external appraiser, management determined the recoverable amount of the Licensed know-how based on the following approach and the key assumptions:

- The Licensed know-how will generate net cash inflows from 2026 to 2039 based on the research and development process and experience of the approval process;
- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;
- The discount rate used is pre-tax and reflects specific risks relating to the relevant products; and
- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

The key assumptions used for fair value calculation as at December 31, 2020 is as follows:

	As at December 31, 2020
Pre-tax discount rate	24%
Expected revenue growth rate	1%~324%
Expected market penetration rate	1%~10%
Expected success rate of commercialization	28%~31%
Recoverable amount of CGU (in RMB'000)	93,588
Carrying amount of CGU (in RMB'000)	9,815

Based on the result of impairment assessment, there was no impairment as at December 31, 2020.

Impairment test – sensitivity

The Group has performed sensitivity test by increasing 1% of pretax discount rate or decreasing 5% of expected revenue, which are the key assumptions for determining the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	As at December 31, 2020
	RMB'000
Headroom	83,773
Impact by increasing pre-tax discount rate	(12,890)
Impact by decreasing expected revenue	(8,441)

Considering there was still sufficient headroom based on the assessment, management believes that a reasonably possible change in any of the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause its carrying amount to exceed its recoverable amount.

(iii) License agreement with Nevakar, Inc. ("Nevakar")

On October 19, 2020, Zhaoke Hong Kong entered into a license agreement with Nevakar, a US-based biopharmaceutical company developing multiple innovative medications in the ophthalmic and hospital injectable areas, for the exclusive rights to develop, manufacture and commercialize NVK-002, a novel topical eye treatment for slowing the progression of myopia in children, in Mainland China, Hong Kong, Macau, Taiwan, South Korea and the South East Asian countries.

Zhaoke Hong Kong made a non-refundable upfront payment of US$10,000,000 (equivalent to RMB65,018,000) during the year ended December 31, 2020. Zhaoke Hong Kong is also obliged to make certain payments upon the achievement of specific development milestones, commercial milestones and royalty payments based on net sales of the products in Mainland China, Hong Kong, Macau, Taiwan and the South East Asian countries.

The carrying amount of the CGU of NVK-002 was RMB65,018,000 at December 31, 2020. Considering the short period since the date of acquisition of NVK-002, there was no impairment as at December 31, 2020.

(iv) License agreement with PanOptica, Inc. ("PAN")

On December 15, 2020, Zhaoke Hong Kong entered into a license agreement with PAN, a US-based ophthalmology-focused pharmaceutical company developing a topical eye drop for the treatment of sight-threatening eye diseases caused by abnormal or leaky blood vessels, for the exclusive rights to develop, manufacture and commercialize PAN-90806, a wet age-related macular degeneration ("wAMD") solution, in Mainland China, Hong Kong, Macau, Taiwan, South Korea and the South East Asian countries.

Zhaoke Hong Kong made an upfront payment of US$3,500,000 (equivalent to RMB22,766,000) during the year ended December 31, 2020. Zhaoke Hong Kong is also obliged to make certain payments upon the achievement of specific development milestones, commercial milestones and royalty payments based on net sales of the products in Mainland China, Hong Kong, Macau, Taiwan and the South East Asian countries.

The carrying amount of the CGU of PAN-90806 was RMB22,766,000 at December 31, 2020. Considering the short period since the date of acquisition of PAN-90806, there was no impairment as at December 31, 2020.

14. INVESTMENT IN A SUBSIDIARY

The Company

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Unlisted shares, at cost	9	10,299

Please refer to note 1 for the particulars of the subsidiaries now comprising the Group during the Relevant Periods.

15. OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Value added tax recoverable	7,369	7,477
Prepayments to suppliers	5,572	6,405
Deferred listing expenses	–	2,350
Prepaid listing expenses	–	1,441
Other receivables	561	473
	13,502	18,146

The Company

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Other receivables	550	261
Prepayments to suppliers	–	559
Deferred listing expenses	–	2,350
Prepaid listing expenses	–	1,441
	550	4,611

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

16. AMOUNTS DUE FROM A SHAREHOLDER, A RELATED COMPANY AND A SUBSIDIARY

Amount due from a related company is unsecured, trade related, interest-free and are expected to be recognized as expense within one year.

Amounts due from a shareholder and a subsidiary are unsecured, non-trade related, interest-free and recoverable on demand. The entire balance of the amount from a shareholder was waived by the Company in July 2020 and was accounted for as a deemed distribution to the shareholder.

17. CASH AND BANK BALANCES

(a) Cash and bank balances comprise:

The Group

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Deposits with banks	140,278	–
Cash at banks	14,491	65,096
Cash and cash equivalents in the consolidated cash flow statement	154,769	65,096
Pledged bank balances *(note)*	–	11,083
Time deposits with original maturity over three months	83,721	806,247
	238,490	882,426

The Company

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Deposits with banks	140,278	–
Cash at banks	448	56,267
Cash and cash equivalents	140,726	56,267
Time deposits with original maturity over three months	83,721	481,163
	224,447	537,430

Note: As at December 31, 2020, these bank balances were pledged to bank for letter of credit facilities.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loan	Lease liabilities	Total
	RMB'000 (note 20)	*RMB'000 (note 21)*	*RMB'000*
At January 1, 2019	–	26,104	26,104
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(2,986)	(2,986)
Interest element of lease rentals paid	–	(1,583)	(1,583)
Total changes from financing cash flows	–	(4,569)	(4,569)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	7,673	7,673
Interest expenses *(note 7(a))*	–	1,583	1,583
Total other changes	–	9,256	9,256
At December 31, 2019 and January 1, 2020	–	30,791	30,791
Changes from financing cash flows:			
Proceeds from new bank loan	10,000	–	10,000
Capital element of lease rentals paid	–	(3,400)	(3,400)
Interest element of lease rentals paid	–	(1,458)	(1,458)
Finance costs paid	(197)	–	(197)
Total changes from financing cash flows	9,803	(4,858)	4,945
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	136	136
Interest expenses *(note 7(a))*	197	1,458	1,655
Total other changes	197	1,594	1,791
At December 31, 2020	10,000	27,527	37,527

18. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Payables for listing expenses	–	6,364
Payables for purchase of property, plant and equipment	1,930	12,684
Payroll payables	2,362	5,307
Accrued costs for research and development expenses	10,724	7,920
Payables for purchase of materials	922	810
Accrued office expenses and others	537	726
Other taxes payables	39	4,920
	16,514	38,731

The Company

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Payables for listing expenses	–	6,364
Accrual and other payables	170	712
	170	7,076

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

19. AMOUNTS DUE TO FELLOW SUBSIDIARIES AND A RELATED COMPANY

Amounts due to fellow subsidiaries are unsecured, trade related, interest-free and repayable with a maximum credit terms of 30 days.

Amount due to a related company is unsecured, non-trade related, interest-free and repayable on demand. The balance has been settled in full as of the date of this report.

20. BANK LOAN

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Unsecured and repayable on demand	–	10,000

The bank loan was obtained by the Group's subsidiary, Zhaoke Guangzhou, subject to the fulfillment of covenant as is commonly found in lending arrangements with financial institutions. At December 31, 2020, Zhaoke Guangzhou did not fulfill covenant imposed by bank on the bank loan with an aggregate amount of RMB9,600,000. The entire bank loan of RMB9,600,000 which was long-term bank loan was re-classified as current liabilities in the consolidated statements of financial position as at December 31, 2020. The Group is negotiating with the bank to renew the bank loan at December 31, 2020. As at the date of the report, the aforesaid bank loan was not yet renewed nor repaid.

21. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

	December 31, 2019		December 31, 2020	
	RMB'000		*RMB'000*	
	Present value of the minimum lease payments	*Total minimum lease payments*	*Present value of the minimum lease payments*	*Total minimum lease payments*
Within 1 year	4,702	4,811	4,749	4,858
After 1 year but within 2 years	4,471	4,811	4,333	4,659
After 2 year but within 5 years	11,214	13,316	10,981	13,055
After 5 years	10,404	14,501	7,464	10,151
	26,089	32,628	22,778	27,865
	30,791	37,439	27,527	32,723
Less: Total future interest expenses		(6,648)		(5,196)
Present value of lease liabilities		30,791		27,527

22. DEFERRED INCOME

As at December 31, 2019 and 2020, deferred income of the Group represented grants received from the government to compensate the capital expenditure on production lines. Government grants are recognized as other income over the useful lives of relevant machinery.

The amount of government grants that is recognized in the consolidated statements of profit or loss is disclosed in note 5.

23. EQUITY SETTLED SHARE-BASED TRANSACTIONS

On November 17, 2020, the shareholders of the Company approved the Share Option Scheme (the "Scheme") which is a share-based incentive plan to reward, retain and motivate the Group's employees, directors and consultants (collectively, "eligible persons"). Under the Scheme, the directors of the Company are authorized, at their discretion, to grant share options to acquire ordinary shares of the Company to eligible persons on a fair and reasonable basis with reference to the performance of the Company and contribution of the individuals.

(a) The terms and conditions of the share options granted are as follows:

	Number of options	Contractual life of options	Vesting conditions
Options granted to directors:			
– On November 17, 2020	11,035	10 years	Note a
– On December 9, 2020	27,175	10 years	Note a
Options granted to employees:			
– On November 17, 2020	32,319	10 years	Note a
– On December 9, 2020	10,370	10 years	Note a
– On December 9, 2020	14,291	10 years	Note b
Options granted to consultants:			
– On November 17, 2020	10,564	10 years	Note a
	105,754		

(a) 20% upon completion of the Company's Initial Public Offering ("IPO"); 20% on the first anniversary from the date of grant; 20% on the second anniversary from the date of grant; 20% on the third anniversary from the date of grant; and 20% on the fourth anniversary from the date of grant.

(b) 20% upon completion of the Company's IPO; 15% on the first anniversary from the date of grant; 15% on the second anniversary from the date of grant; 15% on the third anniversary from the date of grant; 15% on the fourth anniversary from the date of grant; 10% upon meeting certain market conditions during the first and second year from the date of the Company's IPO; and 10% upon meeting certain market conditions during the third and fourth year from the date of the Company's IPO.

The contractual life of the above options is ten years.

For accounting purposes, service condition is not considered in the grant date fair value measurement of the services received. The completion of the Company's IPO is considered a non-market performance vesting condition which is taken into consideration in estimating the number of options that are expected to vest. Market conditions are reflected in the grant date fair value.

(b) The number and weighted average exercise prices of share options are as follows:

During the year ended December 31, 2020, the Company granted a total of 105,754 share options with an average exercise price of US$243.12. As at December 31, 2020, the weighted average remaining contractual life for the share options granted under the Scheme was 9.89 years.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options and assumptions

	December 31, 2020	
Grant date	November 17, 2020	December 9, 2020
Fair value at measurement date	US$363.35 – US$367.58	US$152.09 – US$191.57
Share price	US$401.90	US$404.46
Exercise price	US$37.39	US$457.11
Expected volatility	43.93%	43.23%
Option life	10 years	10 years
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	0.86%	0.94%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

(d) Equity-settled share-based payment expenses recognized in the consolidated statements of profit or loss during the Relevant Periods:

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Research and development expenses	–	2,902
General and administrative expenses	–	11,390
Selling and distribution expenses	–	706
	–	14,998

During the year ended December 31, 2020, the expenses include equity-settled share-based payment to consultants of RMB2,367,000.

24. CAPITAL AND RESERVES

(a) Movement in components of the equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

The Company

	Note	**Share capital**	**Share premium**	**Other reserve**	**Capital reserve**	**Exchange reserve**	**Accumulated losses**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019		–*	–	–	–	(3)	(132)	(135)
Changes in equity for 2019:								
Loss for the year		–	–	–	–	–	(22,209)	(22,209)
Other comprehensive income		–	–	–	–	6,162	–	6,162
Issue of ordinary shares	*24(c)*	2,645	129,585	–	–	–	–	132,230
Capital Reorganization	*24(c)*	(2,645)	2,645	–	–	–	–	–
Balance at December 31, 2019 and January 1, 2020		–*	132,230	–	–	6,159	(22,341)	116,048
Changes in equity for 2020:								
Loss for the year		–	–	–	–	–	(685,263)	(685,263)
Other comprehensive income		–	–	–	–	43,163	–	43,163
Deemed distribution to a Shareholder		–	–	(129,033)	–	–	–	(129,033)
Equity-settled share-based payment expenses		–	–	–	14,168	–	–	14,168
Share Repurchase	*24(c)*	–*	(68,101)	–	–	–	–	(68,101)
Balance at December 31, 2020		–*	64,129	(129,033)	14,168	49,322	(707,604)	(709,018)

* The balance represents amount less than RMB1,000.

(b) Share capital

Issued and fully paid

	December 31, 2019			December 31, 2020		
	Number of shares	*US$*	*RMB'000*	*Number of shares*	*US$*	*RMB'000*
Ordinary shares of US$0.0001 each *(note 24(c))*	400,000	40	–*	377,480	40	–*
Series A convertible redeemable preferred shares of US$0.0001 each *(note 24(d))*	334,280	50,000,000	344,828	334,280	50,000,000	344,828
Series B convertible redeemable preferred shares of US$0.0001 each *(note 24(d))*	–	–	–	317,210	145,000,000	998,005

* The balance represents amount less than RMB1,000.

(c) Issued ordinary share

On January 20, 2017, the Company was incorporated by allotting 1 ordinary share at par value of US$1 to Lee's Pharmaceutical International Limited, a shareholder. On March 1, 2019, the Company issued 367,999 shares and 32,000 shares to Lee's Pharmaceutical International Limited and Wealthy Chance Fortune Limited at a consideration of US$18,400,000 (equivalent to RMB121,652,000) and US$1,600,000 (equivalent to RMB10,578,000) respectively, among which RMB121,652,000 was dealt within the amount due from a shareholder as at December 31, 2019 and subsequently waived by the Company as deemed distribution to a shareholder in July 2020 and RMB10,578,000 was paid by cash. Pursuant to the resolution of shareholders passed on March 29, 2019, the par value of the issued ordinary shares was reduced from US$1 to US$0.0001 each ("Capital Reorganization").

On October 2, 2020, the Company repurchased 22,520 of its own shares ("Share Repurchase") from Lee's Pharmaceutical International Limited, the then immediate holding company, as a settlement of the non-refundable up-front payment of US$10,000,000 (equivalents to RMB68,101,000) pursuant to the licensing agreement as described in note 5(iii). The Company cancelled these shares on the same date.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Issued preferred shares

On May 23, 2019, the Company entered into the Series A preferred share subscription agreement ("Series A Agreement") with four investors ("Series A Preferred Shareholders") pursuant to which these investors agreed to purchase an aggregate number of 334,280 Series A preferred shares ("Series A Preferred Shares") at US$149.58 per share and at total consideration of US$50,000,000 (equivalent to RMB344,828,000). Series A Preferred Shareholders fully paid the amounts and had their shares registered on June 13, 2019 and June 20, 2019.

On October 9, 2020, the Company entered into Series B preferred share subscription agreement ("Series B Agreement") with a group of investors ("Series B Preferred Shareholders") pursuant to which these investors agreed to subscribe a total of 317,210 Series B preferred shares ("Series B Preferred Shares") at US$457.11 per share for an aggregate consideration of US$145,000,000 (equivalent to RMB998,005,000). Series B Preferred Shareholders had their shares registered on October 23, 2020 and fully paid the amounts on November 17, 2020.

The key terms of the Series A Preferred Shares and Series B Preferred Shares (collectively, the "Preferred Shares") are set out as below:

(i) Dividend rights

The Preferred Shares investors rank senior to any holders of ordinary shares, including the right to receive all dividends and distributions which may thereafter be declared, made or paid from time to time.

(ii) Liquidation rights

On a return of capital pursuant to certain events including the following events: (i) any consolidation, reorganization, amalgamation, scheme of arrangement or merger of the Company in which the shareholders of the Company own less than fifty percent of the voting power of the Company immediately after such consolidation, reorganization, amalgamation, scheme of arrangement or merger of the Company; or (ii) a sale, transfer, lease or other disposition of all or substantially all of the Group's assets; or (iii) exclusive licensing of all or substantially all of the Group's intellectual property to a third party ("Deemed Liquidation Events"), the original purchase price of the Preferred Shares, all dividends declared but not yet paid and the remaining proceeds resulting from the Deemed Liquidation Event calculated on an as-converted-to-ordinary shares basis shall be distributed to the Preferred Shareholders.

(iii) Conversion feature

Upon the closing of a qualified IPO as defined in the Series A Agreement and Series B Agreement, or as elected by the Preferred Shareholders at any time, the Preferred Shares are convertible into ordinary shares of the Company at a conversion rate of 1 Preferred Share to 1 ordinary share, and shall be subject to adjustment and readjustment (including but not limited to adjustments upon share splits, share combinations and issue of new securities for consideration per share less than the issue price of the Preferred Shares) from time to time.

(iv) Redemption rights

Upon occurrence of the following events, the Series A Preferred Shares shall be redeemable at the option of the Series A Preferred Shareholders: (i) any material breach or violation of, or inaccuracy or misrepresentation in any representation or warranty made by any entity within the Group or the existing shareholders of the Group in the Series A Agreement; or (ii) the Company has not consummated an IPO on or prior to the fourth anniversary from the issue date of the Series A Preferred Shares. The redemption amount is equal to the original purchase price of the Series A Preferred Shares plus per annum interest of 13% calculated on a compound basis.

Upon occurrence of the following events, the Series B Preferred Shares shall be redeemable at the option of the Series B Preferred Shareholders: (i) any material breach or violation of, or inaccuracy or misrepresentation in any representation or warranty made by any entity within the Group or the existing shareholders of the Group in the Series B Agreement; or (ii) the Company has not consummated an IPO on or prior to the third anniversary from the issue date of the Series B Preferred Shares. The redemption amount is equal to the original purchase price of the Series B Preferred Shares plus per annum interest of 13% calculated on a compound basis.

Presentation and Classification

The redemption obligations of the Preferred Shares give rise to financial liabilities, which are accounted in accordance with the accounting policy set out in note 2(l). Preferred Shares are presented as a separate line item "convertible redeemable preferred shares" in the consolidated statements of financial position.

The movements of Preferred Shares during the Relevant Periods are as follows:

	Present value of redemption amount	Conversion features	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2019	–	–	–
Issue of Series A Preferred Shares	344,828	–	344,828
Changes in the carrying amount of preferred shares liability *(note 7(a))*:			
– Changes in present value of redemption amount	24,799	–	24,799
Transaction costs attributable to issue of Series A Preferred Shares	(4,245)	–	(4,245)
Exchange differences	4,303	–	4,303
At December 31, 2019	369,685	–	369,685

	Present value of redemption amount	Conversion features	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2020	369,685	–	369,685
Issue of Series B Preferred Shares	998,005	–	998,005
Changes in the carrying amount of preferred shares liability *(note 7(a))*:			
– Changes in present value of redemption amount	74,329	–	74,329
– Changes in fair value of conversion features	–	595,649	595,649
Transaction cost attributable to issue of Series B Preferred Shares	(27,892)	–	(27,892)
Exchange differences	(80,780)	(32,980)	(113,760)
At December 31, 2020	1,333,347	562,669	1,896,016

Because of the interrelation between the conversion feature and the contingent redemption and liquidation features of the Preferred Shares, the fair value of the conversion feature is not directly and separately measurable on the basis of its terms and conditions. Thus, it is measured indirectly by deducting the present value of the redemption amount (the value of non-derivative debt component) from the fair value of the Preferred Shares (as a whole). In case the deduction results in a negative amount (i.e. the fair value of the entire Preferred Shares is lower than the present value of the redemption amount), the latter amount is not reduced by the value of the conversion feature (nor is the conversion feature separately recognized).

(e) Dividends

During the Relevant Periods, the entities comprising the Group did not declare dividends to the equity shareholders.

(f) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the ordinary shares of the Company and proceeds received from the issue of the ordinary shares of the Company. Under the Cayman Companies Act, the share premium account of the Company is distributable to the ordinary shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Other reserves

Other reserves represent (i) the waiver of the amount from a shareholder arising from the issue of the Company's ordinary shares to a shareholder as deemed distribution to a shareholder; (ii) the waiver of the amounts due to fellow subsidiaries arising from research and development activities as capital contribution to the Group, pursuant to instructions from the then ultimate holding company in July 2020 and August 2020 respectively.

(iii) Capital reserve

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees, directors and consultants of the Company that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2(n)(ii).

(iv) Merger reserve

Merger reserve represents the difference between the fair value of the consideration paid for the acquisition of Zhaoke Guangzhou from Zhaoke PHK and the investment cost as originally contributed by Zhaoke PHK.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2(r).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders return, taking into consideration the future of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows and projected capital expenditures.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, new debt financing or the redemption of existing debt. The Group made no changes to its capital management objectives, policies or processes during the Relevant Periods.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to other receivables. The Group's exposure to credit risk arising from cash and bank balances is limited because the counterparties are reputable banks, for which the Group considered to have insignificant credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

The Group has assessed that during the Relevant Periods, other receivables has not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of the end of each reporting period is adopted by the Group. The Group assesses the credit quality of the counterparties by taking into account its financial position, the past loss experience, existing market conditions as well as forward looking information at the end of each reporting period. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from other receivables is set out in note 15.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's shareholders when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2019						
Other payables and accruals	16,514	–	–	–	16,514	16,514
Amounts due to fellow subsidiaries	162,618	–	–	–	162,618	162,618
Lease liabilities	4,811	4,811	13,316	14,501	37,439	30,791
	183,943	4,811	13,316	14,501	216,571	209,923
As at December 31, 2020						
Other payables and accruals	38,731	–	–	–	38,731	38,731
Amount due to a related company	186	–	–	–	186	186
Bank loan	10,000	–	–	–	10,000	10,000
Lease liabilities	4,858	4,659	13,055	10,151	32,723	27,527
	53,775	4,659	13,055	10,151	81,640	76,444

(c) Interest rate risk

The Group's interest-bearing financial liabilities at variable rate as at December 31, 2020 is bank loan, and the cash flow interest risk arising from the change of market interest rate on the balance of relatively short maturity is not considered significant. The Group's interest-bearing financial liabilities at fixed interest rates at the end of each reporting period is lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose the Group to interest rate risk. Overall, the Group's exposure to interest rate risk is not significant.

(d) Currency risk

The Group is exposed to currency risk primarily through different functional currency in different subsidiaries which give rise to cash and bank balances and intercompany balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB and US$.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

	Exposure to foreign currencies			
	December 31, 2019		**December 31, 2020**	
	US$	*EUR*	*US$*	*EUR*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	749	–	6,078	–
Amounts due to fellow subsidiaries	(183)	(673)	–	–
Other payables and accruals	–	–	–	(10,567)
Net exposures arising from recognized assets and liabilities	566	(673)	6,078	(10,567)

(ii) Sensitivity analysis:

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	December 31, 2019		**December 31, 2020**	
	Increase/ (decrease) in foreign exchanges rates	*(Decrease)/ increase on loss after tax RMB'000*	*Increase/ (decrease) in foreign exchanges rates*	*(Decrease)/ increase on loss after tax RMB'000*
US$	5%	(21)	5%	(228)
	(5%)	21	(5%)	228
EUR	5%	25	5%	441
	(5%)	(25)	(5%)	(441)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the end of each reporting period. The analysis is performed on the same basis during the Relevant Periods.

(e) Fair value measurements

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including the conversion feature of convertible redeemable preferred shares which are categorized into Level 3 of the fair value hierarchy. The finance department of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. A valuation report with analysis of changes in fair value measurement is prepared by the team at each reporting period, and is reviewed and approved by the management.

	Fair value as at		
	December 31,		Fair value hierarchy
Financial liabilities:	**2019**	**2020**	
	RMB'000	*RMB'000*	
Conversion features	–	562,669	Level 3

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Conversion features	Discounted cash flow	Expected revenue	5%
		Pre-tax discount rate	1%

The fair value of conversion features is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement are expected revenue and pre-tax discount rate. The fair value measurement is positively correlated to the expected revenue. As at December 31, 2020, it is estimated that with all other variables held constant, an increase/decrease in the expected revenue by 5% would have increased/decreased the Group's loss after tax by RMB94,018,000/RMB82,546,000.

The fair value measurement is negatively correlated to pre-tax discount rate. As at December 31, 2020, it is estimated that with all other variables held constant, an increase/decrease in pre-tax discount rate by 1% would have decreased/increased the Group's loss by RMB155,149,000/RMB273,181,000.

26. MAJOR NON-CASH TRANSACTIONS

During the years ended December 31, 2019 and 2020, the Group acquired property, plant and equipment of RMB15,814,000, and RMB25,490,000 respectively. As at December 31, 2019 and 2020, the Group had payables for purchase of property, plant and equipment of RMB1,930,000 and RMB12,684,000 respectively, which were included in other payables and accruals.

In July 2020, the amount due from a shareholder of RMB129,033,000 was waived by the Company as deemed distribution to a shareholder with no cash flow impact.

In August 2020, the amounts due to fellow subsidiaries of RMB133,391,000 were waived by its fellow subsidiaries as capital contribution to the Group with no cash flow impact.

During the year ended December 31, 2020, the Group received the non-refundable up-front payment of US$10,000,000 (equivalents to RMB68,101,000) by way of Share Repurchase (note 24(c)) with no cash flow impact.

27. COMMITMENT

Commitments outstanding at each reporting period not provided for in the Historical Financial Information were as follows:

	As at December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Contracted for research and development expenses	116,712	130,098
Contracted for acquisition of machinery and equipment	10,556	18,134
Contracted for purchase of materials	3,978	6,178
	131,246	154,410

28. MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationships of the related parties that had other material transactions with the Group during the Relevant Periods:

Name of related party	Relationship
Lee's Pharma	Single largest shareholder of the Company
Zhaoke PHK	Subsidiary of Lee's Pharma
Lee's Pharmaceutical (HK) Limited	Subsidiary of Lee's Pharma
Zhaoke Pharmaceutical (Guangzhou) Limited	Subsidiary of Lee's Pharma
Zhaoke Pharmaceutical (Hefei) Co. Limited	Subsidiary of Lee's Pharma
Zhaoke Lian Fa (Guangzhou) Business Services Limited	Subsidiary of Lee's Pharma
Guangzhou Zhaoke Lian Fa Pharmaceutical Limited	Subsidiary of Lee's Pharma

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Salaries and other emoluments	3,175	4,819
Discretionary bonuses	389	1,093
Share-based payments	–	3,922
Retirement scheme contributions	153	49
	3,717	9,883

Total remuneration is included in "staff costs" (see note 7(b)).

(c) Financing arrangements

	Amounts owed by the Group to related party		Related interest expense	
	As at December 31,		Year ended December 31,	
	2019	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities due to Zhaoke Pharmaceutical (Guangzhou) Limited	30,732	27,393	1,580	1,452

Note: The outstanding balances arising from the leasing arrangements with Zhaoke Pharmaceutical (Guangzhou) Limited are included in "Lease liabilities" (note 21). Further details of the lease arrangements are set out in note 12(b)(i).

(d) Other significant related party transactions

During the years ended December 31, 2019 and 2020, the Group had following transactions with related parties:

	Year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Purchase of materials		
Zhaoke PHK	277	–
Lee's Pharmaceutical (HK) Limited	454	–
Guangzhou Zhaoke Lian Fa Pharmaceutical Limited	–	61
	731	61
Purchase of services		
Zhaoke Pharmaceutical (Guangzhou) Limited	436	–
Zhaoke Pharmaceutical (Hefei) Co. Limited	29,598	13,383
Zhaoke Lian Fa (Guangzhou) Business Services Limited	35	–
	30,069	13,383

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING JANUARY 1, 2020

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and a new standard, which are not yet effective for the period beginning on January 1, 2020 and which have not been adopted in the Historical Financial Information. These include the followings:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Annual Improvements to HKFRS 2018-2020 Cycle	1 January 2022
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, plant and equipment: proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Onerous contracts – cost of fulfilling a contract*	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKFRS 10 and HKAS 28, *Sales or contribution of assets between an investor and its associate on joint venture*	1 January 2023
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

30. SUBSEQUENT EVENTS

The novel coronavirus ("COVID-19") outbreak since early 2020 had caused postponements of the Group's certain research and development activities. Management of the Company currently expect that clinical trials will not be significantly affected by the outbreak of COVID-19. The directors believe that, based on the information available as of the date of this report, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or material impact on the financial position or financial performance of the Group. The Group continues to closely monitor the evolving situation of the outbreak and its impact on the Group's financial performance.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to December 31, 2020.

The information set out in this Appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible liabilities attributable to equity shareholders of the Company as if it had taken place on December 31, 2020. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at December 31, 2020 or at any future dates.

	Consolidated net tangible liabilities of our Company attributable to equity shareholders of the Company as at December 31, 2020	Estimated net proceeds from the Global Offering	Estimated impact upon conversion of Series A preferred shares and Series B preferred shares	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share	
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 5)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$15.38 per Share	(884,659)	1,502,433	1,896,016	2,513,790	4.70	5.59
Based on an Offer Price of HK$16.80 per Share	(884,659)	1,643,342	1,896,016	2,654,699	4.96	5.90

Notes:

(1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as at December 31, 2020 is based on the consolidated net liabilities attributable to equity shareholders of RMB746.0 million as at December 31, 2020 after deduction of intangible assets of RMB138.7 million, as extracted from the Accountants' Report as set out in Appendix I in this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the issuance of 123,567,500 Shares at estimated Offer Prices of HK$15.38 per Offer Share (being the minimum Offer Price) or HK$16.80 per Offer Share (being the maximum Offer Price), after deduction of the underwriting fees and related listing expenses payable by the Group (excluding listing expenses of approximately RMB10.6 million that were incurred during the Track Record Period) and does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates to issue or repurchase Shares, any Shares which may be issued pursuant to the Pre-IPO Share Option Scheme and any Shares that may be issued upon exercise of Over-allotment Option.

The estimated net proceeds from the Global Offering is converted into Renminbi at an exchange rate of HK$1.1891 to RMB1 published by PBOC prevailing on April 9, 2021. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vise versa, at that rate or at any other rate or at all.

(3) The Company's Series A preferred shares and Series B preferred shares will be automatically converted into ordinary shares upon the Listing. Prior to the conversion, the preferred shares were accounted for as a liability to the Company. This adjustment represents the impact of the conversion of all the preferred shares into ordinary shares on the net tangible liabilities attributable to the equity holders. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company will be increased by RMB1,896.0 million, being the carrying amount of the Series A preferred shares and Series B preferred shares as at December 31, 2020.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments as described in notes (2) and (3) above and on the basis that 535,155,500 Shares were in issue (retrospectively adjusted for share subdivision as disclosed in Appendix IV to the Prospectus) assuming that the conversion of Series A preferred shares, Series B preferred shares and the Global Offering had completed on December 31, 2020 without taking into account of any Shares which may be issued or repurchased by our Company pursuant to the general mandates to issue or repurchase Shares, any Shares which may be issued pursuant to the Pre-IPO Share Option Scheme and any Shares which may be issued upon exercise of the Over-allotment Option.

(5) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK$1.1891 to RMB1 published by PBOC prevailing on April 9, 2021. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vise versa, at that rate or at any other rate at all.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group subsequent to December 31, 2020.

B. REPORT FROM OUR REPORTING ACCOUNTANTS

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Zhaoke Ophthalmology Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zhaoke Ophthalmology Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at December 31, 2020 and related notes as set out in Part A of Appendix II to the prospectus dated April 16, 2021 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at December 31, 2020 as if the Global Offering had taken place at December 31, 2020. As part of this process, information about the Group's financial position as at December 31, 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at December 31, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants
Hong Kong
April 16, 2021

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the "**Companies Act**").

The Company was continued into the Cayman Islands as an exempted company with limited liability on 29 April 2020 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1 MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on April 1, 2021. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that

the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) *Alteration of capital*

The Company may, by an ordinary resolution of its members:

(i) increase its share capital by the creation of new shares of such amount as it thinks expedient;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;

(v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;

(vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before

which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resign;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be

or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:

(A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the "**Registrar of Companies**") within 15 days of being passed.

An "ordinary resolution," by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

(i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and

(ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY ACT

The Company was continued into the Cayman Islands as an exempted company on 29 April 2020 subject to the Companies Act. Certain provisions of Cayman Islands company act are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in Section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

(a) all sums of money received and expended by it;

(b) all sales and purchases of goods by it; and

(c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the "**TIA Act**"), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the "**Tax Concessions Act**"), the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 30 years from 17 December 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

(a) an order of the court;

(b) voluntarily by its members; or

(c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

(a) the company is or is likely to become insolvent; or

(b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (ie the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated with limited liability in the BVI on January 20, 2017 and continued in the Cayman Islands as an exempted company with limited liability by way of continuation on April 29, 2020. Our registered office address is at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. Accordingly, our Company's current corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in "Appendix III—Summary of the Constitution of Our Company and Cayman Companies Act."

Our registered place of business in Hong Kong is at Unit 716, 7/F, Building 12W, Phase 3, Hong Kong Science Park, Shatin, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 29, 2020 with the Registrar of Companies in Hong Kong. Ms. Yau Suk Yan has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process in Hong Kong is at Unit 716, 7/F, Building 12W, Phase 3, Hong Kong Science Park, Shatin, Hong Kong.

2. Changes in the share capital of our Company

As of the date of our Company's incorporation in BVI, the authorized share capital of our Company was US$3,000,000 divided into 300,000 ordinary shares with a par value of US$10.00 each. Upon incorporation, 300,000 shares with a par value of US$10.00 each were allotted and issued to Lee's Pharm International.

On September 8, 2017, 299,999 shares of our Company held by Lee's Pharm International were canceled and the remaining one share was redesignated to one share with par value of US$1.00.

On November 23, 2018, the maximum number of shares authorized to be issued by our Company was amended to 400,000 shares of a single class with a par value of US$1 each.

On March 1, 2019, our Company issued and alloted 367,999 ordinary shares to Lee's Pharm International.

On March 1, 2019, our Company issued and alloted 32,000 ordinary shares of our Company to Wealthy Chance. On March 29, 2019, the maximum number of shares authorized to be issued by our Company was amended to 400,000 shares of a single class with a par value of US$0.0001 each. On April 23, 2019, the maximum number of shares authorized to be issued by our Company was further amended to 4,000,000,000 shares of a single class with a par value of US$0.0001 each.

On June 11, 2019, the maximum number of shares our Company was authorized to issue was amended from 4,000,000,000 shares of a single class of a par value of US$0.0001 each to 4,000,000,000 shares divided into (i) 3,999,665,720 ordinary shares of a par value of US$0.0001 each, and (ii) 334,280 Series A Preferred Shares of a par value of US$0.0001 each. On June 13, 2019 and June 20, 2019, our Company allotted and issued 334,280 Series A Preferred Shares to the Series A Investors.

On October 2, 2020, our Company repurchased and canceled 22,520 ordinary shares of a par value of US$0.0001 each from Lee's Pharm International.

On October 23, 2020, our Company's authorised share capital was further amended to US$400,000 divided into (i) 3,999,348,510 ordinary shares of a par value of US$0.0001 each, (ii) 334,280 Series A Preferred Shares of a par value of US$0.0001 each, and (iii) 317,210 Series B Preferred Shares of a par value of US$0.0001 each. On October 23, 2020, our Company allotted and issued 317,210 Series B Preferred Shares to the Series B Investors.

On April 1, 2021, each share in our issued and unissued share capital was subdivided into 400 shares of the corresponding class with par value of US$0.00000025 each, following which our issued share capital consisted of (i) 150,992,000 Shares with par value of US$0.00000025 each, (ii) 133,712,000 Series A Preferred Shares with par value of US$0.00000025 each and (iii) 126,884,000 Series B Preferred Shares with par value of US$0.00000025 each.

For further details, see "History, Development and Corporate Structure—Corporate History—Our Company," "History, Development and Corporate Structure—Pre-IPO Investments" and "Share Capital—Authorized and Issued Share Capital."

Save as disclosed above, there has been no alternation in the share capital of our Company that took place within two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries is set out in "Appendix I—Accountants' Report—Note 1."

Zhaoke Guangzhou

On July 25, 2019, the registered capital of Zhaoke Guangzhou increased from US$8,000,000 to US$16,000,000 and further to US$30,000,000 on August 19, 2020.

Save as disclosed above, there has been no alternation in the registered capital or share capital of our subsidiaries that took place within two years immediately preceding the date of this prospectus.

4. Written Resolutions Passed by Our Shareholders on April 1, 2021

Written resolutions of the Shareholders of our Company were passed on April 1, 2021 pursuant to which, among others:

(a) each unissued and issued share in the share capital of our Company was subdivided into 400 Shares of a par value of US$0.00000025 each, such that following such subdivision, (i) the authorized share capital became US$400,000 divided into 1,600,000,000,000 shares of a par value of US$0.00000025 each; and (ii) the issued share capital of our Company consisted of (a) 150,992,000 ordinary Shares, (b) 133,712,000 Series A Preferred Shares of a par value of US$0.00000025 each and (c) 126,884,000 Series B Preferred Shares of a par value of US$0.00000025 each.

(b) conditional on (1) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as stated in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (2) the Underwriting Agreements having been duly executed by the Underwriters and the Company; (3) the Offer Price having been determined; and (4) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) each of the issued Series A Preferred Shares of a par value of US$0.00000025 each and Series B Preferred Shares of a par value of US$0.00000025 be converted into Shares on an one-to-one basis by re-designation and re-classification, and all unissued shares, Series A Preferred Shares and Series B Preferred Shares be re-designated and re-classified into Shares, such that the authorized share capital of the Company shall be US$400,000 divided into 1,600,000,000,000 shares of US$0.00000025 each;

(ii) the Global Offering was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and our Board was authorized to determine the Offer Price for, and to allot and issue the Offer Shares;

(iii) the Over-allotment Option was approved and our Directors were authorized to effect the same and to allot and issue up to 18,535,000 Shares upon the exercise of the Over-allotment Option;

(iv) a general mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued) otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment

and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following completion of the Share Subdivision and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any exercise of share options granted under the Share Option Schemes);

(v) a general mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirement of the Listing Rules such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the Share Subdivision and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any exercise of share options granted under the Share Option Schemes); and

(vi) the general mandate as mentioned in paragraph (iii) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (iv) above; and

(c) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing.

Each of the general mandates referred to in paragraphs (b)(iv), (b)(v) and (b)(vi) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;

- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or

- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholder's approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on April 1, 2021 the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirement of the Listing Rules with a total nominal value up to 10% of the number of issued Shares immediately following completion of the Share Subdivision and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any exercise of share options granted under the Share Option Schemes) with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by our Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the

purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles and subject to the Cayman Companies Act.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relevant certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of our Company resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as canceled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands laws.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other

interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases out of profits of the Company or out of the share premium account of the Company or out of the proceeds of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Act, out of capital and, in the case of any

premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles and subject to the Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 535,155,500 Shares in issue immediately following the completion of the Share Subdivision and the Global Offering, excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any exercise of share options granted under the Pre-IPO Share Option Scheme, could accordingly result in up to approximately 53,515,550 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a cornerstone investment agreement dated April 12, 2021 entered into by and among the Company, Goldman Sachs (Asia) L.L.C., Jefferies Hong Kong Limited and CaaS Capital Master Fund LP, pursuant to which CaaS Capital Master Fund LP agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$5,000,000;

(b) a cornerstone investment agreement dated April 12, 2021 entered into by and among the Company, Goldman Sachs (Asia) L.L.C., Jefferies Hong Kong Limited and GIC Private Limited, pursuant to which GIC Private Limited agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$5,000,000;

(c) a cornerstone investment agreement dated April 12, 2021 entered into by and among the Company, Goldman Sachs (Asia) L.L.C., Jefferies Hong Kong Limited and Golden Valley Global Limited, pursuant to which Golden Valley Global Limited agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$5,000,000;

(d) a cornerstone investment agreement dated April 13, 2021 entered into by and among the Company, Goldman Sachs (Asia) L.L.C., Jefferies Hong Kong Limited and Jennison Associates LLC, pursuant to which Jennison Associates LLC agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$5,000,000;

(e) a cornerstone investment agreement dated April 12, 2021 entered into by and among the Company, Goldman Sachs (Asia) L.L.C., Jefferies Hong Kong Limited and Mass Ave Global, Inc., pursuant to which Mass Ave Global, Inc. agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$5,000,000;

(f) a cornerstone investment agreement dated April 12, 2021 entered into by and among the Company, Goldman Sachs (Asia) L.L.C., Jefferies Hong Kong Limited and MATTHEWS INTERNATIONAL CAPITAL MANAGEMENT, LLC, pursuant to which MATTHEWS INTERNATIONAL CAPITAL MANAGEMENT, LLC agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$15,000,000;

(g) a cornerstone investment agreement dated April 12, 2021 entered into by and among the Company, Goldman Sachs (Asia) L.L.C., Jefferies Hong Kong Limited, ORBIMED PARTNERS MASTER FUND LIMITED and ORBIMED GENESIS MASTER FUND, L.P., pursuant to which ORBIMED PARTNERS MASTER FUND LIMITED and ORBIMED GENESIS MASTER FUND, L.P. agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$5,000,000;

(h) a cornerstone investment agreement dated April 13, 2021 entered into by and among the Company, Goldman Sachs (Asia) L.L.C., Jefferies Hong Kong Limited and VMS Zhaoke Investment Fund SP, pursuant to which VMS Zhaoke Investment Fund SP agreed to subscribe for Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$10,000,000; and

(i) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Category	Place of Registration	Registration Number	Registration Owner	Registration Date
1	馥麻安	5	PRC	40024709	Zhaoke Guangzhou	March 14, 2020
2	馥霖安	5	PRC	40001243	Zhaoke Guangzhou	March 14, 2020
3	晶佑灵	5	PRC	40010209	Zhaoke Guangzhou	March 14, 2020

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Category	Place of Application	Application Number	Applicant	Application Date
1	兆科眼科 慧眼明辨 精彩人生	5	PRC	48784005	Zhaoke Guangzhou	August 10, 2020
2	ZHAOKE OPHTHALMOLOGY	5	PRC	48789302	Zhaoke Guangzhou	August 10, 2020
3	ZHAOKE OPHTHALMOLOGY	5, 42	Hong Kong	305420051	Zhaoke Guangzhou	October 16, 2020
4	ZHAOKE OPHTHALMOLOGY	5, 42	Hong Kong	305420051	Zhaoke Guangzhou	October 16, 2020

(b) Patents

As of the Latest Practicable Date, we owned the following registered patents which we consider to be or may be material to our business:

No.	Patent	Type	Place of Registration	Patent Number	Registered Owner	Expiry Date
1	Angiogenesis inhibitant, purification method and medicinal composition therewith	Invention	PRC	ZL201010252717.7	Zhaoke Guangzhou	August 12, 2030
2	Actin binding peptide and purpose thereof	Invention	PRC	ZL201210454279.1	Zhaoke Guangzhou	November 12, 2032
3	Polypeptide solid-phase synthesis monitoring method	Invention	PRC	ZL201510972013.X	Zhaoke Guangzhou	December 17, 2035
4	Adapalene and hydrochloric clindamycin compound gel preparation and preparation method thereof	Invention	PRC	ZL200810004156.1	Zhaoke Guangzhou	January 17, 2028
5	Ciclosporin eye gel and preparation method thereof	Invention	PRC	ZL201410033737.3	Zhaoke Guangzhou	January 22, 2034

No.	Patent	Type	Place of Registration	Patent Number	Registered Owner	Expiry Date
6	A method of controlling impurities for Clindamycin Hydrochloride	Invention	PRC	ZL201711336457.X	Zhaoke Guangzhou	December 13, 2037
7	Medicine bottle for separately preparing and delivering solid-liquid medicines	Utility	PRC	ZL201921121986.2	Zhaoke Guangzhou	July 16, 2029

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No	Patent	Type	Place of Registration	Application Number	Applicant	Application Date
1	Dispersion process of Adapalene in a gel preparation	Invention	PRC	ZL201711392438.9	Zhaoke Guangzhou	December 21, 2017
2	Gynecological postoperative analgesic pharmaceutical composition and preparation method thereof	Invention	PRC	ZL201810241754.4	Zhaoke Guangzhou	March 22, 2018
3	Method for controlling impurity of cyclosporin A eye gel	Invention	PRC	ZL201711391728.1	Zhaoke Guangzhou	December 21, 2017
4	Manufacturing process of cyclosporin eye gel	Invention	PRC	ZL201711427891.9	Zhaoke Guangzhou	December 26, 2017
5	Medical bottle for separately containing and dispensing and delivering solid-liquid medicine	Invention	PRC & PCT application	ZL201910644986.9; PCT/CN2019/126606	Zhaoke Guangzhou	July 17, 2019; December 19, 2019

(c) Domain names

As of the Latest Practicable Date, we owned the following domain name which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1	zkoph.com	Zhaoke Guangzhou	July 13, 2030

Save as aforesaid, as of the Latest Practicable Date, there were no other intellectual property rights which the Company considers to be or may be material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company on April 1, 2021. The initial term of their respective service contracts shall commence from the Listing Date and continue for a period of three years until terminated in accordance with the terms and conditions of the service contract or by our executive Directors giving to us not less than thirty days' prior notice in writing.

(b) Non-executive Director and Independent non-executive Directors

Each of our non-executive Director and independent non-executive Directors has entered into an appointment letter with our Company on April 1, 2021. The initial term for their appointment letters shall commence from the Listing Date and continue for a period of three years until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

No payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans or other benefits in kind were paid and granted by our Group to our Directors in respect of the years ended December 31, 2019 and 2020.

According to the current arrangements, the total amounts of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to our Directors for the financial years ending December 31, 2021, are expected to be approximately HK$6.3 million.

3. Disclosure of interests

(a) Interests and Short Positions of Our Directors and the Chief Executive of Our Company in the Share Capital of Our Company and Its Associated Corporations Following Completion of the Share Subdivision and the Global Offering

Immediately following completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option and the share options granted under the Pre-IPO Share Option Scheme are not exercised), the interests or short positions of our Directors and chief executives in the Shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Long positions in the Shares and underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares/underlying Shares	Approximate percentage of interest in our Company after completion of the Share Subdivision and the Global Offering (assuming Over-allotment and the share options granted under the Pre-IPO Share Option Scheme are not exercised)
Dr. Li Xiaoyi	Beneficial owner	14,022,800[(1)]	2.6%
	Interest in controlled corporation	2,187,600[(2)]	0.4%
Mr. Dai Xiangrong	Beneficial owner	1,261,200[(3)]	0.2%

Notes:

(1) Referring to the 14,022,800 Shares underlying the options granted to Dr. Li Xiaoyi under the Pre-IPO Share Option Scheme (as adjusted after the Share Subdivision).

(2) Dr. Li Xiaoyi holds 65% of the equity interest of Lee's Healthcare Industry Investments Limited, which in turn is the general partner of Lee's Healthcare Industry Fund L.P. For the purpose of the SFO, Dr. Li is deemed to have an interest in the 2,187,600 Shares held by Lee's Healthcare Industry Fund L.P.

(3) Referring to the 1,261,200 Shares underlying the options granted to Mr. Dai Xiangrong under the Pre-IPO Share Option Scheme (as adjusted after the Share Subdivision).

(b) Interests and Short Positions Discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option and the share options granted under the Pre-IPO Share Option Scheme are not exercised), having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company, see "Substantial Shareholders."

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Share Subdivision and the Global Offering and without taking into account any Shares may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

Save as disclosed in this prospectus:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of the Group;

(b) none of our Directors or the experts named in "—E. Other Information—4. Qualifications and consents of experts" has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the experts named in "—E. Other Information—4. Qualifications and consents of experts" is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group as a whole;

(d) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(e) none of the Directors or chief executive of our Company has any interests or short positions in the Shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once the Shares are listed thereon;

(f) save in connection with the Underwriting Agreements, none of the experts named in "—E. Other Information—4. Qualifications and consents of experts": (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) none of our Directors or their respective close associates or any Shareholders of our Company (who to the knowledge of out Directors owns more than 5% of the number of our issued shares) has any interest in out five largest suppliers or our five largest customers.

D. SHARE OPTION SCHEMES

1. Pre-IPO Share Option Scheme

The following is a summary of the rules of the Pre-IPO Share Option Scheme of the Company ("**Rules**") as approved and adopted pursuant to the written resolutions of all shareholders of the Company dated November 17, 2020. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules.

Summary of terms

(a) Duration

The Pre-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the effective date ("**Scheme Period**") after which period no options shall be granted, but the provisions of the scheme shall in all other respects remain in full force and effect during the Scheme Period and options which are granted during the Scheme Period may continue to be exercisable in accordance with their terms of issue.

(b) Grant of options

On and subject to the terms of the Pre-IPO Share Option Scheme, the Board shall, during the life of the Pre-IPO Share Option Scheme and at its absolute discretion (subject to any terms and conditions as it may think fit) offer to grant on one or more occasions to an eligible person as the Board may in its absolute discretion think fit. In granting the option, the Board shall notify the grantee all relevant particulars relating to the option, including the option period, the number of shares to which the option relates, the exercise price and any additional restrictions or conditions as the Board may in its absolute discretion impose on exercising the options.

The Pre-IPO Share Option Scheme and the grant of any option hereunder is conditional upon the passing of an ordinary resolution by the Shareholders (a) to adopt the Pre-IPO Share Option Scheme; (b) to authorize the Directors to grant the options thereunder; and (c) to allot, issue and deal with the shares pursuant to the exercise of any options granted under the Scheme. If such conditions are not fulfilled, then:

(i) the Pre-IPO Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Rules and any offer of a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Pre-IPO Share Option Scheme or any option.

Any change in the terms of the options granted to an eligible person who is a director, chief executive or a substantial shareholder of the Company shall be approved by the Shareholders.

(c) Maximum entitlement of each participant

Notwithstanding the provisions of Pre-IPO Share Option Scheme, the overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time (the "**Scheme Limit**").

The total number of shares available for issue upon exercise of all options to be granted under the Pre-IPO Share Option Scheme is 45,732,000 Shares (as adjusted after the Share Subdivision) (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Pre-IPO Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may also seek separate approval of the Shareholders for granting options beyond the Scheme Mandate Limit to eligible persons specifically identified by the Company before such approval is sought.

(d) Acceptance of offers of options

On and subject to rules of the Pre-IPO Share Option Scheme adopted on November 17, 2020 and such other conditions as the Board may in its absolute and sole discretion sees fit, offers of options shall be made by the Company to the eligible person within the scheme period and shall be open for acceptance in writing and such notice of acceptance must be duly received by the secretary of the Company on or before 5:00 p.m. on the expiry date for acceptance of the offer specified in the offer provided that an offer shall not be open for acceptance after the expiry of 14 days from the date upon which the offer is made. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant, and on the date of grant option certificate(s) under the common seal of the Company shall be issued. Offers of options not accepted within the option period shall lapse. An option shall be personal to the option holder and shall not be transferable or assignable by the option holder.

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period (subject to the time of exercise of options provision and the alteration and termination provision);

(ii) the expiry of the periods referred to the right of exercise and takeover offers, compromise, arrangement, liquidation and reorganization provision respectively;

(iii) subject to the scheme or amalgamation becoming effective, the expiry of the period referred to the compromise and arrangement provision;

(iv) the date on which the grantee of an option ceases to be an eligible person by reason of the termination of his or her employment, directorship, office or appointment on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence involving his integrity or honesty;

(v) the close of the two Business Days prior to the general meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or, if no such general meeting is held, the date of the commencement of the winding-up of the Company; or

(vi) the date on which the option is cancelled by the Board in accordance with the Shareholders' approval in general meeting as provided in the cancelation of options granted but not exercised provision.

(e) Exercise price

The exercise price for shares under the Pre-IPO Share Option Scheme will be determined by the Board on a fair and reasonable basis with reference to the performance of the Company and the past or potential contribution of the Eligible Person to the business and operation of the Company, and notified to each grantee but in any event will be no less than the nominal value of the shares (if any) or (where applicable) such price as from time to time adjusted pursuant to the Pre-IPO Share Option Scheme.

(f) Rights of Exercise

Subject to the relevant provisions in relation to acceptance of offers of options, rights of exercise, takeover offers, compromise, arrangement, liquidation and reorganization and the provisions for early termination of the Pre-IPO Share Option Scheme, options may be exercised by an eligible person (or in the case of his death, his personal representative(s)), in whole or in part, at any time during the option period and in accordance with the time of exercise of options provisions.

Notwithstanding anything in the Pre-IPO Share Option Scheme to the contrary, the option period shall not be extended and, on expiry of the option period, all rights in respect of an option shall terminate, except in so far as there has been an effective exercise of that option prior thereto and the Company has not discharged all its duties under the Pre-IPO Share Option Scheme in relation to the exercise. No option may be exercised after the expiry of the option period.

(g) Time of exercise of options

An option may be exercised in accordance with the Rules at any time during the option period as specified by the Board in relation to each such option in its terms of grant. The Board may provide restrictions on how and when an option during the period for which an option must be held or a performance target, if any, which must be achieved before an option can be exercised.

(h) Alteration in capital structure

Upon the occurrence of any relevant event while any option remains exercisable or otherwise, such corresponding alterations (if any) certified and confirmed by the auditors to the Directors in writing as fair and reasonable will be made in the subject matter of the option so far as unexercised, the exercise price and/or the method of the exercise of the option, provided that no such alteration shall be made so that a Share would be issued at less than its nominal value (if any) or which would give a grantee a different proportion of the issued shares of the Company as that to which he or she was previously entitled, no alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of shares in the capital of the Company as consideration in a transaction.

(i) Administration

This Pre-IPO Share Option Scheme shall be administered by the Board and the decision of the Board shall be final and binding on all parties. The Board shall have power from time to time to make or vary regulations for the administration and operation of the Pre-IPO Share Option Scheme, provided that the same are not inconsistent with these Rules.

(j) Alteration and termination

Subject to the following sentence, the Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board. Alterations to the terms and conditions of the Pre-IPO Share Option Scheme, which are of a material nature cannot be made, unless in both case, the prior approval of the Shareholders in general meeting of the Company (with option holders or prospective option holders or participants abstaining from voting) is obtained. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such number of option holders or grantees of options as shall together hold options in respect of not less than three-fourths in nominal value of all shares then subject to options granted under the Pre-IPO Share Option Scheme.

The Company may by ordinary resolution in general meeting at any time terminate the operation of the Pre-IPO Share Option Scheme and in such event no further options shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in all other respects in full force and effect in respect of any options granted prior thereto but not yet exercised at the time of termination. Any options not exercised within this prescribed period shall lapse automatically.

In no circumstances shall a person ceasing to be an eligible person for any reason be entitled to any compensation for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under any options then held by him or any offer to grant any option or otherwise in connection with the Pre-IPO Share Option Scheme.

(k) Cancellation of options granted but not exercised

Any options granted but not exercised may be cancelled if the option holder so agrees with or without new options being granted to the option holder provided that any new options granted shall fall within the limits prescribed in the maximum entitlement of each participant provision (excluding the cancelled options), and are otherwise granted in accordance with the terms of this Pre-IPO Share Option Scheme.

Outstanding Options

As at the Latest Practical Date, the aggregate number of underlying Shares pursuant to the outstanding options granted under the Pre-IPO Share Option Scheme is 45,732,000 Shares (as adjusted after the Share Subdivision), representing approximately 8.6% of the total issued Shares immediately following the completion of the Share Subdivision and the Global Offering and assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Share Option Scheme. The exercise price of all the options granted under the Pre-IPO Share Option Scheme is between US$0.09 to US$1.14 per Share, after taking into account the effect of the Share Subdivision. All of the options granted under the Pre-IPO Share Option Scheme are exercisable upon vesting until the tenth anniversary of the date of grant. No options under the Pre-IPO Share Option Scheme shall be granted after the Listing Date.

Assuming full exercise of options granted under the Pre-IPO Share Option Scheme, the shareholding of our Shareholders immediately following the Share Subdivision and the Global Offering will be diluted by approximately 7.9% if calculated on the basis of 535,155,500 Shares in issue immediately following the completion of the Share Subdivision, the Global Offering and assuming that the Over-allotment Option is not exercised. The options granted did not have consequent impact on the earnings per ordinary share for the two years ended December 31, 2020.

As of the Latest Practicable Date, our Company had conditionally granted share options to 116 participants under the Pre-IPO Share Option Scheme, including the Directors, members of the senior management, employees, and consultants of our Company. All the share options granted under the Pre-IPO Share Option Scheme were granted on November 17, 2020, December 9, 2020 and March 2, 2021. The table below sets out the details of share options granted to Directors, members of the senior management and consultants of our Company that are outstanding as of the date of this prospectus. As of the date of this prospectus, no share options had been granted to other connected persons under the Pre-IPO Share Option Scheme.

Name	Position in our Group	Address	Exercise price (taking into account the effect of the Share Subdivision)	Number of Shares underlying the outstanding options (as adjusted after the Share Subdivision)	Date of grant	Vesting period	Approximate percentage of equity interest in the Company underlying the outstanding options[1]
			(US$/share)				
Directors							
Li Xiaoyi	Chairman of the Board, executive Director and CEO	18 Broadwood Road, Hong Kong	0.09	3,152,800	November 17, 2020	*Note 2*	2.62%
			1.14	10,870,000	December 9, 2020		
Dai Xiangrong	Executive Director	1 Tianmu Two Street Nansha District Guangzhou Guangdong Province PRC	0.09	1,261,200	November 17, 2020	*Note 2*	0.24%
Senior management							
Lau Lit Fui	President and chief operating officer	Sui Wo Court, Shatin, NT, Hong Kong	0.09	3,152,800	November 17, 2020	*Note 2*	0.59%
Li Lok Yee Mandy	Senior vice president, R&D	Granville Garden, Taiwai, Shatin, New Territories, Hong Kong	0.09	1,576,400	November 17, 2020	*Note 2*	0.29%
Zhang Guohui	Deputy general manager	Cuipan Ninth Street, Country Garden, Jingang Avenue, Nansha District	0.09	946,000	November 17, 2020	*Note 2*	0.18%
Jiang Su	Clinical operations director	No. 9 Guangan Road, Fengtai District, Beijing 100071	0.09	473,200	November 17, 2020	*Note 2*	0.09%
Ma Jian	Assistant manager of quality assurance and quality control	No. 2 Jiashun Road, Nansha District, Guangzhou, Guangdong, PRC	0.09	158,000	November 17, 2020	*Note 2*	0.03%

Name	Position in our Group	Address	Exercise price (taking into account the effect of the Share Subdivision)	Number of Shares underlying the outstanding options (as adjusted after the Share Subdivision)	Date of grant	Vesting period	Approximate percentage of equity interest in the Company underlying the outstanding options[1]
			(US$/share)				
Zhang Xingshuan	Deputy manager of production	No. 8 Cuipan Street, Nansha Country Garden, Nansha District, Guangzhou	0.09	158,000	November 17, 2020	*Note 2*	0.03%
Feng Xinyan	Chief financial officer	1 Tsing Lung Road, New Territories, Hong Kong	1.14	5,716,400	December 9, 2020	*Note 3*	1.07%
Mauro Bove	Business development director	Tung Fat Building, Kennedy Town, Hong Kong	0.09	946,000	November 17, 2020	*Note 2*	0.31%
			1.14	686,000	December 9, 2020		
Feng Jiang	Sales and marketing director	No. 46 Niu Alley, Yuexiu District, Guangzhou, Guangdong, PRC	0.09	946,000	November 17, 2020	*Note 2*	0.18%
Yau Suk Yan	Financial controller and company secretary	Sui Wo Court, Shatin, New Territories, Hong Kong	0.09	946,000	November 17, 2020	*Note 2*	0.18%
Jin Yixuan	Associate medical director	No. 6, Xiaochun Street, Baiyun District, Guangzhou, Guangdong, PRC	0.09	473,200	December 9, 2020	*Note 2*	0.09%
Consultants							
Samir C. Patel	N/A	33, Cleveland Lane, Princeton, NJ. USA	0.09	1,892,000	November 17, 2020	*Note 2*	0.35%
Chow Yiu Ming	N/A	Flat F, 22/F, Tower 9, Island Harbourview, Tai Kok Tsui, Kowloon, Hong Kong	0.09	1,261,200	November 17, 2020	*Note 2*	0.24%

Name	Position in our Group	Address	Exercise price (taking into account the effect of the Share Subdivision)	Number of Shares underlying the outstanding options (as adjusted after the Share Subdivision)	Date of grant	Vesting period	Approximate percentage of equity interest in the Company underlying the outstanding options[1]
			(US$/share)				
Sin Ho Wai David	N/A	Flat 7, 29/F, Block Q, Luk Yeung Sun Chuen, 22-66 Wai Tsuen Road, Tsuen Wan, New Territories, Hong Kong	0.09	946,000	November 17, 2020	*Note 2*	0.18%
Ren Jian	N/A	No. 778 Dongliu Road, Hefei, Anhui	0.09	473,200	November 17, 2020	*Note 2*	0.09%
Yin Lei	N/A	No. 43 Changjiangdong Road, Juchao District, Chaohu, Anhui	0.09	788,400	November 17, 2020	*Note 2*	0.15%
Tsui Kailok Victor	N/A	G/F, Wireless Centre, 3 Science Park East Avenue, Hong Kong Science Park, Shatin, Hong Kong	0.09	756,800	November 17, 2020	*Note 2*	0.14%
Parag A. Majmudar	N/A	34 Willow Bay Drive, South Barrington, IL, USA	1.14	320,000	March 2, 2021	*Note 2*	0.06%
Kwok Kwan Ho		2-4 Village Road, Happy Valley, Hong Kong	1.14	197,600	March 2, 2021	*Note 2*	0.04%

Note:

(1) Based on the assumption that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Scheme.

(2) 20% of the options shall vest upon the completion of the Global Offering, 20% of the options shall vest on the first anniversary of the date of grant, 20% of the options shall vest on the second anniversary of the date of grant, 20% of the options shall vest on the third anniversary of the date of grant, and the remaining 20% of the options shall vest on the fourth anniversary of the date of grant.

(3) 20% of the options shall vest upon the completion of the Global Offering, 15% of the options shall vest on the first anniversary of the date of grant, 15% of the options shall vest on the second anniversary of the date of grant, 15% of the options shall vest on the third anniversary of the date of grant, 15% of the options shall vest on the fourth anniversary of the date of grant, 10% of the options shall be exercisable during the first and second year after the Listing, if the market capitalization of the Company is over US$1.5 billion for 60 consecutive trading days, and the remaining 10% of the options shall be exercisable during the second and fourth year after the Listing, if the market capitalization of the Company is over US$2 billion for 60 consecutive trading days.

The table below set out the details of share options granted to individuals, other than members of Directors, senior management and consultants of the Company, under the Pre-IPO Share Option Scheme that are outstanding as of the Latest Practicable Date.

Batch No.	Total number of grantees	Total number of Shares underlying the outstanding options	Exercise price (taking into account the effect of the Share Subdivision) *(US$/share)*	Date of grant	Vesting period	Approximate percentage of equity interest in the Company underlying the outstanding options[(1)]
Batch 1	10	1,260,000	0.09	November 17, 2020	*Note 2*	0.24%
Batch 2	79	3,402,000	1.14	December 9, 2020	*Note 2*	0.64%
Batch 3	3	2,972,800	1.14	March 2, 2021	*Note 2*	0.56%

Note:

(1) Based on the assumption that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Plans.

(2) 20% of the options shall vest upon the completion of the Global Offering, 20% of the options shall vest on the first anniversary of the date of grant, 20% of the options shall vest on the second anniversary of the date of grant, 20% of the options shall vest on the third anniversary of the date of grant, and the remaining 20% of the options shall vest on the fourth anniversary of the date of grant.

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued pursuant to the Pre-IPO Share Option Scheme.

Our Company has applied for and has been granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix IA to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance. See "Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" for details.

2. Post-IPO Share Option Scheme

The following is a summary of principal terms of the Post-IPO Share Option Scheme conditionally approved by a resolution of the then shareholder of our Company passed on April 1, 2021 and adopted by a resolution of the Board on April 1, 2021 (the "**Adoption Date**"). The terms of the Post-IPO Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined below) for their contribution to, and continuing efforts to promote the interests of, the Group, and to incentivize them to remain with the Group, as well as for such other purposes as the Board may approve from time to time.

(b) Who may join

Eligible persons ("**Eligible Persons**") include:

(i) any employee (whether full-time or part-time) of the Company or any of its subsidiaries who has contributed to the Group's innovative projects, including but not limited to innovation committee member, project leader, engineer and technician;

(ii) any staff, advisor (professional or otherwise), consultant, agent or business partner that the Company deems important to provide support to the Group;

(iii) any director (including executive, non-executive and independent non-executive directors) of the Group; and

(iv) any shareholder or any member of the Group or any holder of any securities issued by any member of the Group.

The basis of eligibility of any of the above classes of Eligible Persons to the grant of any option under the Post-IPO Share Option Scheme ("**Option**") shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

(c) Duration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which it is adopted by ordinary resolution of the Shareholders in general meeting, after which period no further Options shall be granted. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect.

(d) Maximum number of shares available for subscription

At the time of adoption by the Company of the Post-IPO Share Option Scheme or any new share option scheme (the "**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme, the New Scheme and all schemes existing at such time (the "**Existing Scheme(s)**") of the Company must not in aggregate exceed 10% of the total number of Shares in issue as of the date the Shares commence trading on the Stock Exchange or the date of adoption of the New Scheme (as the case may be) (the "**Scheme Mandate Limit**"). For the purposes of calculating the Scheme Mandate Limit, Shares which are the subject matter of any Options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted. The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that:

(i) the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of Shares in issue as of the date of Shareholders' approval of the refreshing of the Scheme Mandate Limit;

(ii) options previously granted under any Existing Scheme(s) (including options outstanding, cancelled, or lapsed in accordance with the rules of the Post-IPO Share Option Scheme (as amended from time to time) or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and

(iii) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must contain the information which comply with the relevant provisions of Chapter 17 of the Listing Rules in force from time to time.

The Company may seek separate approval from the Shareholders in the general meeting for granting Options which will result in the Scheme Mandate Limit being exceeded, provided that:

(i) the grant is to Eligible Persons specifically identified by the Company before the approval is sought; and

(ii) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must contain a generic description of the specified participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified participants with an explanation as to how the terms of the Options serve such purpose and the other information which comply with the relevant provisions of Chapter 17 of the Listing Rules in force from time to time.

Notwithstanding the foregoing, the maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

(e) Maximum entitlement of each eligible person

No Option shall be granted to any Eligible Person (the "**Relevant Eligible Person**") if, at the relevant time of grant, the total number of Shares issued and to be issued upon exercise of all Options and options under any other share option schemes of the Company (including those options granted and proposed to be granted, whether exercised, canceled or outstanding) to the Relevant Eligible Person in the 12-month period up to and including the date of such grant would exceed 1% of the total number of Shares in issue at such time, within any 12-month period unless:

(i) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules in force from time to time, by ordinary resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his close associates (or his associates if the Relevant Eligible Person is a Connected Person) abstained from voting;

(ii) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must disclose the identity of the participant, the number and terms of the Options to be granted (and options previously granted to such participant under the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and any other share option schemes of our Company), the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iii) the number and terms (including the Subscription Price (as defined below)) of such Options are fixed before the general meeting of the Company at which the same are approved and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price.

(f) Grant of options

Each offer of an Option (the "**Offer**") shall be in writing made to an Eligible Person by letter in such form as the Board may from time to time determine at its discretion (the "**Offer Letter**"). The Offer Letter shall state, among others, the period during which the Option may be exercised (the "**Option Period**"), which period is to be determined and notified by the Board but shall expire in any event not later than the last day of the 10-year period after the

date of grant of the Option. The Board may specify in the Offer Letter any conditions which must be satisfied before the Option may be exercised, including without limitation such performance targets (if any) and minimum periods for which an Option must be held before it can be exercised and any other terms in relation to the exercise of the Option, including without limitation such percentages of the Options that can be exercised during a certain period of time, as the Board may determine from time to time.

The Board shall specify in the Offer Letter a date by which the grantee ("**Grantee**") must accept the Offer or be deemed to have declined it, being a date no later than 14 days after (i) the date on which the Option is offered (the "**Offer Date**"), or (ii) the date on which the conditions for the Offer are satisfied, if any, whichever is earlier.

(g) Subscription price

The price at which each Share subject to an Option may be subscribed for on the exercise of that Option (the "**Subscription Price**") shall be a price solely determined by the Board and notified to an Eligible Person and shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day;

(ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and

(iii) the nominal value of the Shares.

(h) Grant of options to core connected persons

Where an Option is to be granted to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, the grant shall not be valid unless it has been approved by the independent non-executive Directors, excluding any independent non-executive Director who is also a proposed Grantee of the Option.

Where an Option is to be granted to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director (or any of their respective associates), and the grant will, in the 12-month period up to and including the date of such grant, result in the number and value of the Shares issued and to be issued upon exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the relevant Eligible Person exceeding the following:

(i) 0.1% of the total number of Shares in issue at the relevant time of grant; and

(ii) an aggregate value (based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant) in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules,

such grant shall not be valid unless:

(i) a circular containing the details of the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must contain (1) details of the number and terms of the Options (including the Subscription Price and other information required under Rules 17.03(5) to 17.03(10)) to be granted to each participant, which must be fixed before the Shareholders' meeting, and the date of board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the Subscription Price; (2) a recommendation from the independent non-executive Directors (excluding independent non-executive Director who is also a proposed Grantee of the Options) to the independent Shareholders as to voting; (3) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4); and (4) the information required under Rule 2.17; and

(ii) the grant has been approved by the Shareholders in general meeting (taken on a poll), at which the proposed Grantee, his associate, and all core connected persons (has the meaning ascribed thereto under the Listing Rules) abstained from voting in favor.

(i) Ranking of shares

The Shares to be allotted and issued upon the exercise of an Option shall be subject to the Articles of Association and the laws of the Cayman Islands for the time being in force and shall rank *pari passu* in all respects with other fully-paid Shares in issue as of the date of allotment and will entitle the holders to the same rights of the holders of other fully-paid Shares in issue, including voting, dividend, transfer and any other rights. In particular, the Shares to be allotted and issued upon the exercise of an Option will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment and issue. The Option itself (before exercise) will not entitle the Grantee to any of aforementioned Shareholder's rights.

(j) Restrictions on the time of grant of options

The grant of Options shall be subject to restrictions under the Listing Rules. No Offer shall be made after any inside information (as defined in the Listing Rules) has come to the knowledge of the Company, until such information has been announced by the Company pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (1) the date of the meeting of the Board (as such date is first notified by the Company to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of actual publication of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement.

(k) Rights on ceasing to be an eligible person

(i) where the Grantee is a director or an employee of the Group and his/her employment ceases for any reason other than death or becoming permanently disabled as described in paragraph (iii) below, the Option may not be exercised after the date of such cessation, which date shall be his last actual working day with the Company or any subsidiary whether salary is paid in lieu of notice or not;

(ii) where the Grantee is a director or an employee of the Group and the Board at its absolute discretion determines that he is unable to pay or to have no reasonable prospect of being able to pay his debts, or has become insolvent, or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty, the Option granted to such Grantee may not be exercised on or after the date on which the Board has so determined;

(iii) where the Grantee of an outstanding Option dies or becomes permanently disabled before exercising the Option in full or at all, the Option may not be exercised after the date of his death or permanent disability. However, if the Board issues a written consent to his personal representatives after the date of his death or permanent disability, only the vested Option may be transferred to the personal representative as soon as practicable. For the avoidance of doubt, all vesting conditions previously imposed on such Option shall still apply; and

(iv) if the Board at its absolute discretion determines that the Grantee (other than an employee of the Group) or his associate has committed any breach of any contract entered into between the Grantee or his associate on one part and the Group on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, the Option granted to such Grantee may not be exercised on or after the date on which the Board has so determined.

(l) Rights on general offer

If a general offer (whether by way of a take-over, share repurchase offer, scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, all the Grantees and any Grantee (or his personal representatives) may by notice in writing to the Company within 21 days after such offer becoming or being declared unconditional exercise the Option to its full extent or to the extent specified in such notice.

(m) Rights on compromise or other arrangement

Other than a general offer or a scheme of arrangement, if a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the Grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his Options in full or in part, but the aforesaid exercise of an Option shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all outstanding Options shall lapse except insofar as previously exercised under the Post-IPO Share Option Scheme. The Company may require the Grantee (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(n) Rights on winding-up

In the event a notice is given by the Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his personal representatives) shall be entitled to exercise all or any of his Options at any time no later than four Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than one Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(o) Lapse of option

The right to exercise an Option (to the extent not already exercised) shall terminate immediately upon the earliest of:

(i) the expiry of the Option Period;

(ii) the date referred to in paragraph (k)(i);

(iii) the date referred to in paragraph (k)(ii);

(iv) the expiry of the 60-day period referred to in paragraph (k)(iii);

(v) the date referred to in paragraph (k)(iv);

(vi) the expiry of the period referred to in paragraphs (l);

(vii) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in paragraph (m);

(viii) subject to paragraph (n), the date of the commencement of the winding-up of the Company; or

(ix) the non-fulfilment of any condition to the Post-IPO Share Option Scheme on or before the date stated therein.

The Company shall owe no liability to any Grantee for the lapse of any Option under this paragraph.

(p) Cancellation of options granted

The Board may cancel an Option granted but not exercised with the approval of the Grantee of such Option. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (r) below.

No Options may be granted to an Eligible Person in place of his cancelled Options unless there are available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit from time to time.

(q) Termination of the Post-IPO Share Option Scheme

The Company, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further Option will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in all other respects and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

(r) Transferability of options

An Option shall be personal to the Grantee and shall not be assignable nor transferable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option. Any breach of the foregoing shall entitle the Board to cancel any outstanding Options or any part thereof granted to such Grantee.

(s) Effect of alterations to share capital

In the event of any alteration to the capital structure of the Company whilst any Option remains exercisable, arising from capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with the legal requirements or requirements of the Stock Exchange, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, adjustment (if any) shall be made to:

(i) the number of Shares subject to the Option so far as unexercised; and/or

(ii) the Subscription Price for the Shares subject to the Option so far as unexercised; and/or

(iii) any combination thereof.

In the event of any adjustment as described in this paragraph (s), the auditors of the Company (the "**Auditors**") or the independent financial adviser to the Company (acting as expert not arbitrator) shall at the request of the Company certify in writing to the Board either generally or as regards any particular Grantee that the adjustments are in compliance with the requirements under the note to Rules 17.03(13) of the Listing Rules.

Any such adjustments must give a Grantee the same proportion of the equity capital of the Company as to which that Grantee was previously entitled, and any adjustments so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the "Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule" attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option scheme as well as the Frequently

Asked Questions on Adjustments of the Exercise Price of Share Options issued on November 6, 2020) but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value.

The capacity of the Auditors or the independent financial adviser to the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or the independent financial adviser to the Company shall be borne by the Company.

Notice of such adjustment shall be given to the Grantees by the Company.

(t) Alteration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Post-IPO Share Option Scheme as to:

(i) the definitions of "Eligible Person" and "Grantee"; and

(ii) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules,

shall not be altered to the advantage of Grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstaining from voting). No such alterations shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the Grantees as would be required of the Shareholders under the Articles for the time being of the Company for a variation of the rights attached to the Shares.

Any change to the authority of the Board in relation to any alterations to the terms of the Post-IPO Share Option Scheme must be approved by the Shareholders in general meeting.

Any alterations to the provisions of the Post-IPO Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Post-IPO Share Option Scheme.

The amended terms of the Post-IPO Share Option Scheme or the Options must comply with Chapter 17 of the Listing Rules.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, save as disclosed in the prospectus, our Directors are not aware of any litigation, arbitration proceedings or claim of material importance is pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares to be converted from Preferred Shares) and to be issued pursuant to (i) the Global Offering; (ii) the Over-allotment Option (if any); (iii) the Pre-IPO Share Option Scheme and (iv) the Post-IPO Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Each of the Joint Sponsors will be paid by our Company a fee of US$500,000 to act as a sponsor to the Company in connection with the Listing.

4. Qualifications and consents of experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct Type 1 (dealing in securities) and Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Name	Qualification
Jefferies Hong Kong Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Commerce & Finance Law Offices	Legal advisers as to PRC law
Walkers (Hong Kong)	Legal advisers as to Cayman Islands laws
KPMG	Certified public accountants and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
China Insights Industry Consultancy Limited	Industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Taxation of holders of Shares

Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the value of the Shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares if they are executed and remain outside the Cayman Islands and the Company does not hold any interest in land in Cayman Islands.

PRC

We may be treated as a PRC resident enterprise for PRC EIT purposes as described in "Risk Factors—Risks Relating to Conducting Business in China—Under China's EIT Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC shareholders." In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See "Risk Factors—Risks Relating to Conducting Business in China—Our dividend income from our PRC subsidiary may be subject to a higher rate of withholding tax than what we currently anticipate."

Consultation with professional advisers

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

6. No material and adverse change

Save as disclosed in the prospectus, our Directors believe that there has been no material or adverse change in the financial or trading or prospects of our Group since December 31, 2020 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

7. Promoters

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Preliminary expenses

The preliminary expenses incurred by our Company in relation to our incorporation were approximately HK$22,250 and have been paid by our Company.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerage or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(b) Save as disclosed in this prospectus:

(i) no founder, management or deferred shares nor any debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;

(ii) our Company has no outstanding convertible debt securities or debentures;

(iii) there is no arrangement under which future dividends are waived or agreed to be waived or is agreed conditionally or unconditionally to be put under option;

(iv) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(v) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries; and

(vi) there has not been any interruption in the business of our Company which may have or have had a material and adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.

(c) Save as disclosed in "—B. Further Information about our Business—1. Summary of material contracts," none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) The principle register of members of our Company will be maintained by our principal registrar, Walkers Corporate Limited, in the Cayman Islands and our Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system and no listing or permission to deal is being or is proposed to be sought.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copy of each of the **WHITE**, **YELLOW**, **GREEN** and **BLUE** Application Forms;

(b) the written consents referred to the section headed "Appendix IV—Statutory and General Information—E. Other Information—4. Qualifications and consents of experts"; and

(c) copies of the material contracts referred to the section headed "Appendix IV—Statutory and General Information—B. Further Information about Our Business—1. Summary of material contracts."

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at our Company's principal place of business in Hong Kong at Unit 716, 7/F, Building 12W, Phase 3, Hong Kong Science Park, Shatin, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles;

(b) the Accountants' Report prepared by KPMG, the texts of which are set out in "Appendix I—Accountants' Report";

(c) the audited consolidated financial statements of our Group for each of the financial years ended December 31, 2019 and 2020;

(d) the report on the unaudited pro forma financial information of our Group prepared by KPMG, the texts of which are set out in "Appendix II—Unaudited Pro Forma Financial Information";

(e) the PRC legal opinions issued by Commerce & Finance Law Offices, our legal adviser on PRC law, in respect of certain general corporate matters and the property interests of our Group;

(f) the letter of advice prepared by Walkers (Hong Kong), our legal adviser on Cayman Islands law, summarizing certain aspects of the Cayman Companies Act referred to in "Appendix III—Summary of the Constitution of Our Company and Cayman Companies Act";

(g) the written consents referred to in "Appendix IV—Statutory and General Information—E. Other Information—4. Qualifications and consents of experts";

(h) the material contracts referred to in "Appendix IV—Statutory and General Information—B. Further Information about Our Business—1. Summary of material contracts";

(i) the service contracts and the letters of appointment with our Directors referred to in "Appendix IV—Statutory and General Information—C. Further Information about Our Directors—1. Particulars of Directors' service contracts and appointment letters";

(j) the industry report prepared by China Insights Industry Consultancy Limited;

(k) the Cayman Companies Act;

(l) the terms of the Pre-IPO Share Option Scheme and a list of grantees under the Pre-IPO Share Option Scheme, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(m) the terms of the Post-IPO Share Option Scheme.

ZHAOKE
OPHTHALMOLOGY

Better Vision, Better Living